文化中國傳播集團有限公司
CHINAVISION MEDIA GROUP LIMITED

Stock Code : 1060

2012
ANNUAL REPORT 年報

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Dong Ping *(Chairman)*
Mr. Ng Qing Hai
Mr. Zhao Chao

Non-Executive Director

Mr. Kong Muk Yin

Independent Non-Executive Directors

Mr. Chen Ching
Mr. Jin Hui Zhi
Mr. Li Chak Hung

EXECUTIVE COMMITTEE

Mr. Dong Ping *(Chairman)*
Mr. Ng Qing Hai
Mr. Zhao Chao

REMUNERATION COMMITTEE

Mr. Chen Ching *(Chairman)*
Mr. Jin Hui Zhi
Mr. Li Chak Hung

AUDIT COMMITTEE

Mr. Li Chak Hung *(Chairman)*
Mr. Chen Ching
Mr. Jin Hui Zhi

NOMINATION COMMITTEE

Mr. Dong Ping *(Chairman)*
Mr. Zhao Chao
Mr. Chen Ching
Mr. Jin Hui Zhi
Mr. Li Chak Hung

COMPANY SECRETARY

Ms. Fung Ching Man, Ada

SOLICITORS

Fred Kan & Co.
Robertsons

AUDITOR

Deloitte Touche Tohmatsu

WEBSITE

http://www.chinavision.hk

PRINCIPAL BANKERS

Bank of Beijing Co., Ltd.
Bank of China Limited
Bank of Communications Co., Ltd.
Bank of Gansu Co., Ltd.
Beijing Rural Commercial Bank Co., Ltd.
China Construction Bank Corporation
China Everbright Bank Corporation Limited
China CITIC Bank International Limited
Hua Xia Bank Co., Ltd.
Industrial and Commercial Bank of China Ltd.
Shanghai Pudong Development Bank Co., Ltd.
Standard Chartered Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited

REGISTERED OFFICE

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group (Bermuda) Limited
26 Burnaby Street, Hamilton HM 11, Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Secretaries Limited
26th Floor, Tesbury Centre, 28 Queen's Road East
Wanchai, Hong Kong

SINGAPORE SHARE TRANSFER AGENT

Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place, #32-01 Singapore Land Tower
Singapore 048623

STOCK CODE

Stock Code on The Stock Exchange of Hong Kong Limited: 1060
Stock Code on The Singapore Exchange Securities Trading Limited: S91

To the Shareholders,

On behalf of the Board of Directors, I am pleased to present the business performance of ChinaVision Media Group Limited (the "Group") in the areas of television and film business, mobile new media, print media and television advertising business for the year ended 31st December, 2012. I am also outlining the overall business plans and future development strategies of the Group.

In 2012, the cultural industry in China has experienced high growth with significant development. In the report of the Eighteenth Chinese People's Political Consultative Conference ("CPPCC") held recently, the Central Government has set specific goals for the development of the cultural industry which is currently undergoing reform in order that the industry may contribute to building a culturally strong nation. These goals include making: (1) cultural industry into one of the pillars of the People 's Republic of China (the "PRC") economy; (2) cultural industry an important competitive strength of the nation; and (3) brands in the cultural industry into important icons within the nation's cultural perception. With the background of favorable Central Government policies, along with the continuous growth of the PRC economy as well as peoples' rising living standards, the Group is optimistic about the prospects of the cultural industry, which should also benefit all of the Group's businesses.

During the year under review, the Group celebrated the 3rd anniversary of its founding. The Group has also achieved continued success by finalising a number of significant and new projects during the year. It has established strategic partnerships with a number of domestic industry leaders, commencing in-depth collaboration across a wide scope of business.

After the completion of the acquisition of the entire issued share capital of China Entertainment Media Group Limited ("CEMG") on 31st January, 2012, the Group has consolidated its internal resources and created a cohesive team which has resulted in the rapid growth of all of its businesses. CEMG is a fast-growing media entertainment company principally engaged in movie and television drama investment and production, satellite TV network drama production and television advertising business. Apart from the ongoing collaboration with a team of well-known directors, screenwriters, actors and actresses, such as Mr. Ge You, Mr. Chen Bao Guo and Mr. Huang Bo, the famous movie stars; Mr. Hai Yan, Ms. Yan Ge Ling and Mr. Dong Zhe, the screenwriters; as well as Mr. Yin Li and Mr. Ding Sheng, the movie directors, CEMG has also entered into a long-term agreement with the Gansu Provincial Film and TV Broadcast Group ("Gansu TV") to exclusively operate the television advertising and content programming segments of the Gansu Satellite Television Network and Gansu local television network. The Group has also optimised its business chain upon completion of the acquisition of CEMG and sought to enhance the synergies generated amongst its various teams and businesses in a bid to boost its core competitive advantages and further optimise its media platform. The Group has also utilised various channels to promote its program and products with the aim to becoming a large cultural media group seldom seen in the Greater China region that can produce its own quality content and operate its own extensive sales network.

In addition, the Group established a strategic partnership with Tencent Holdings Limited ("Tencent," Stock Code: 0700) at the end of 2011. This has not only reinforced the Group's capital foundation, but also enabled both parties to explore a range of channels for collaboration in order to generate greater synergies with solid progress achieved under review. The strategic partnership also enables the Group to use Tencent's promotion-related resources and sales channels to promote and launch the Group's films, television drama series, artists, new media content and mobile entertainment content. These channels include Instant Messaging QQ, web portal QQ.com, Tencent video platform, QQ game platform, social network Qzone and mobile wireless portal. The Group believes these initiatives will consolidate its leading position in the PRC media and cultural industry.

Worth to note about the Group's major development in 2012 is that the Group has entered into agreements with Mr. Chiau Sing Chi (also known as Stephen Chow, "Mr. Chiau"), renowned movie star, as well as Bingo Group Holdings Limited ("Bingo"; Stock Code: 8220) during the year under review. In September 2012, the Group signed a contract with Bingo for acquiring a 30% equity share of the motion picture "Journey to the West: Conquering the Demons", directed by Mr. Chiau. At the same time, the Group has entered into a joint agreement with Mr. Chiau to invest in five movies over seven years, whereby Mr. Chiau will serve as the presenter, producer, director, screenwriter, actor or in other key positions. Subsequently on 12th October 2012, the Group has signed another cooperative framework agreement with Mr. Chiau in which both parties will set-up a joint venture company to develop a "Journey to the West" Film Art Centre project ("Film Art Centre") in Wuzhen. Such strongly branded uniquely Chinese cultural Film Art Centre will not only open a new chapter in Chinese film production history, but also bring the Group's business exposure to a new height, with an ultimate goal to flourish the Group's business as well as the whole cultural industry chain.

Television and Film Business

Production and distribution of television drama series

Since the completion of the acquisition of CEMG, the Group has followed its motto of "Building a Strong Brand; Producing Outstanding Dramas" to develop its television and film business and thus gained fruitful results.

"Liang Jian – Tie Xue Jun Hun" (亮劍一鐵血軍魂), a stunning large-scale New Year production last year, hit 0.985 audience rate which ranked first in viewership during its first broadcast day and maintained such leading position for several months during its broadcast on Zhejiang Satellite TV Channel Network. This TV program was also available over popular video websites in the PRC and has received overwhelming response. In March 2012, "Zheng Zhe Wu Di" (正者無敵) of the "Heroic Trilogy" (英雄無敵) series, an anti-Japanese drama, began broadcasting over a number of major satellite TV channels and immediately swept the top four rankings in terms of the same time-slot viewership among all television stations in the PRC. This series attracted the largest ever pool of audiences on Beijing Satellite TV over the past twelve years. In August 2012, the Group has launched a large-scale production called "Qiang Shen Chuan Qi" (槍神傳奇) about the military defense industry especially for the Eighteenth CPPCC on all TV stations across the country. Sales have been satisfactory to date and have brought an ideal revenue contribution to the Group.

In addition, another episode of the "Heroic Trilogy" (英雄無敵) series namely "Yi Zhe Wu Di" (義者無敵) has completed shooting in October 2012 and will commence broadcasting across a number of satellite TV stations in the PRC after the first quarter of 2013. This drama series has enjoyed satisfactory sales and also received strong response before its broadcast debut extending the success of the "Heroic Trilogy" (英雄無敵) series. Upon its debut, the drama series is expected to generate more satisfactory sales revenue. "The Heroic Trilogy" series is one of the few television dramas which has both attracted a large audience and elicited the praise of the public in recent years. The television drama series highlighted mainstream values of society with content focused on patriotism and heroic deeds, successfully creating the "Trilogy" brand. It has received an enthusiastic response from audience since its debut.

Television and Film Business *(Continued)*

Production and distribution of television drama series *(Continued)*

At the same time, the Group has adopted an aggressive strategy and actively explored new development directions for drama. During the year, the Group has produced trendy contemporary TV drama series, including "Ya Dian Na Nu Shen" (雅典娜女神) and "Nu Ren Bang" (女人幫), and shooting has been completed. Sales of these two drama series have been promising. These two romantic and action TV drama series have generated a satisfactory sales contribution to the Group. "Cheng Shi Lian Ren" (城市戀人), which is invested, produced and filmed by the Group, has completed shooting in September 2012. In an even more exciting development, Choi Ji Woo is to appear in the Chinese iconic drama again, nine years after her last drama series broadcast in China. This appealing TV series is planned to be broadcasted on several cable TV channels during the second half of 2013.

Investment and development of films

During the year under review, the Group has actively explored opportunities to invest in films. Notably in this regard, in September 2012, the Group announced that it has entered into an agreement with Bingo for acquiring a 30% equity share of the motion picture "Journey to the West: Conquering the Demons", directed by renowned star Mr. Chiau, at a consideration of RMB38,000,000. The investment gives the Group the rights to produce, market and distribute this motion picture on a worldwide basis. At the same time, the Group has entered into a joint agreement with Mr. Chiau to invest in five movies over seven years, whereby Mr. Chiau will serve as the presenter, producer, director, screenwriter, actor or in other key positions. The Group aims to continue the theme of "Journey to the West" and produce a series of movies based on its scenarios. "Journey to the West: Conquering the Demons" broke 23 box office records after it hit the screens of Hong Kong and Mainland China during the Spring Festival in 2013. It has bested its peers to become number one in global box office receipts for the first two consecutive weeks after it started screening, and it still ranks number one in current first-run films box office. It also set records for the fastest time for a Chinese movie to reach box office receipts of RMB100 million, RMB200 million, RMB300 million until RMB1.2 billion. As of today, its accumulated box office receipts in Mainland China has exceeded RMB1.2 billion, breaking 23 box office receipts records of Chinese movies, which made it become one of the most successful Chinese movies to top the box office for five consecutive weeks. Its success has never been a coincidence, rather it marks the beginning of the rapid development and progress of Chinese movies. Capitalising on its ability to capture the market trend and abundant resources, the Group expects the coming five movies produced in collaboration with Mr. Chiau in the coming seven years will also become huge successes with impressive box office receipts and generate promising investment returns to the Group.

Television and Film Business *(Continued)*

Investment and development of films *(Continued)*

Apart from this, in February subsequent to the year under review, the Group announced that it has signed a memorandum and a cooperative agreement (the "Cooperative Agreement") with the People's Government of Tongxiang City, Zhejiang Province to develop a 1,048.5 mou film art centre project in Wuzhen. Pursuant to the cooperative framework agreement signed between the Group and Mr. Chiau, the Film Art Centre project is to be developed through a joint venture company established with Mr. Chiau. Wuzhen, also known as "Town of Water," is one of the six famous ancient towns in Jiangnan and has a long history of more than 1,300 years. Since its official opening in 2001, the original ancient waterside town scenery and long cultural heritage have made Wuzhen a popular tourist destination in Jiangnan. The town was designated a national 5A tourist attraction and attracts some 6,000,000 visitors annually. Wuzhen benefits from its prime geographical location in eastern China, an area with higher consumption level and strong consumer demand. Meanwhile, the Xizha section within the Wuzhen scenic zone is still under development and has huge growth potential. The Group has decided to build the Film Art Centre in Wuzhen because of the extraordinary tourist resources there. The "Journey to the West" Film Art Centre will recreate the setting of the "Journey to the West: Conquering the Demons," the initial film produced in collaboration with Mr. Chiau. Both parties also plan to add other related elements from the upcoming hit films created or directed by Mr. Chiau into the Film Art Centre, aiming to create an pioneer Asian film art centre and an extended Chinese cultural facility. Upon completion, the project would become a trailblazing Chinese culture-themed Film Art Centre that showcases oriental grandeur, and open a new chapter in the history of Asia's film culture. The Group expects the Film Art Centre to rival other world-class film centres elsewhere around the world in the near future.

The Group has also capitalised on the strategic partnership with Tencent in the areas of promotion-related resources and sales channels. Prompting by the Group, Tencent Video Platform (騰訊視頻), a subsidiary of Tencent, entered into an agreement with the Group to secure the exclusive network distribution right and official website copyright of "Journey to the West: Conquering the Demons". The Group hopes to leverage Tencent's immense number of subscribers and powerful and proven movie and drama operation model to boost the all-round promotion of its television and film business.

Besides Mr. Chiau, the Group has also assembled a constellation of stars including Mr. Ge You, Mr. Chen Bao Guo and Mr. Huang Bo; accomplished screenwriters such as Mr. Hai Yan, Ms. Yan Ge Ling and Mr. Dong Zhe; and renowned movie directors including Mr. Yin Li and Mr. Ding Sheng to set up television and film workshops. In addition, the film "White Orange" (白橘子), co-invested by the Group and China Film Group Corporation ("China Film") under Yin Li's directorship, has planned to invite top Hollywood movie stars to play the roles. While the identity of the movie stars is undisclosed, such superb casting ensures the highest expectations from the market. The director workshops, the numerous movie investment projects and the Group's movie investments and production efforts during the year under review have opened a golden era for the Group's film and TV production.

Television Advertising Business

After completion of the acquisition of CEMG, by signing a 10-year strategic cooperation agreement with Gansu TV, the Group acquired the exclusive right to operate television advertising and content programming segments of the Gansu Satellite TV network. The Group has conducted a complete restructuring of Gansu Satellite TV aiming at making it become "the top living satellite channel in the PRC" with "living a better life" as the slogan. A series of innovative programmes have been launched to introduce a trendy, healthy, green and intelligent lifestyle to audiences. In addition to implementing such measures as securing better advertising time slots and enhancing programme content, the Group has also produced a brand new "micro film" programme during the year under review, which has not only opened a new chapter among satellite TV channels in the PRC, but also generated high advertising revenue for the Group. During the year under review, the Group utilised its quality internal resources and fully integrated the development of TV network and TV program which achieved a business turnaround in this segment.

Mobile New Media Business

In 2012, the number of 3G users has increased sharply due to the surging popularity of smartphones and tablets as well as the rapid growth of the national 3G network. The Group's mobile new media business has also recorded satisfactory growth. During the year, total revenue from this segment increased by more than 70% as compared with that of last year. The number of paid users rose by 5 times to over 11.86 million. With the proliferating variety of smart products penetrating the consumer market in the PRC, the Group is optimistic about the development of mobile new media business and is allocating more resources in expanding its reach and channels to tap the potential of this segment.

The Group is strengthening its collaboration with the three major mobile communications operators, namely, China Mobile, China Unicom and China Telecom, to develop the mobile TV business. Revenue from this business segment was satisfactory during the year under review, which increased by 60% when compared with the corresponding period last year and achieved a turnaround in business. The key programs covered in the Group's mobile TV business included news stories, social and legal reports, entertainment, film and television and recorded broadcasts of England Premier League ("EPL") matches. In 2012, the Group has collaborated with the operators to roll out more than 10 television drama series, including "Fan Ju Ye Feng Kuang"(飯局也瘋狂), "The Confidant"(大太監) and "War of Desire" (凰圖騰) which earned higher revenue. As a result, the Group has achieved a major breakthrough in its mobile TV business with the number of monthly subscribers via China Mobile platform jumping from 120,000 in early 2012 to more than 450,000 at the end of 2012, while the number of monthly subscribers via China Telecom platform similarly surged from 20,000 in early 2012 to 80,000.

On the other hand, the Group's mobile value-added business such as mobile digital reading, mobile music and mobile animation businesses have also made good progress, with mobile digital reading business achieving the most satisfactory growth. During the year under review, the Group cooperated with a number of telecom service providers to launch a range of wireless value-added services, offering personalised information and entertainment information services to customers through SMS, MMS and mobile news business. In the year of 2012, the Group's mobile digital reading business secured the adaptation rights to the plays "Nu Ren Bang" (女人幫) and "Qin Ai" (親愛) which will be available on various reading platforms in the PRC during this year. In addition, the Group has successfully launched the digital version of "Nan Ren Bang" (男人幫) and "Fan Ju Ye Feng Kuang"(飯局也瘋狂) with an aim to offering a wider selection of quality mobile digital reading content to customers. Acquiring these rights also shows that the Group is working hard to enrich the content and improve the quality of its mobile new media business.

Print Media Business

Newspaper

Riding on the Group's continuous efforts in business development and operation improvement, Beijing Times has not only grown to become a diversified media group, covering Jinghua Books (京華圖書), Jinghua Artistic Services (京華演藝), Jinghua TV (京華視頻), Jinghua Advertising (京華廣告), Jinghua Logistics (京華物流), Jinghua website (京華網), e-business services (億家網) and other electronic terminal products under the Jinghua brand, but also captured considerable market share in the morning newspaper market in Beijing. In May 2012, Beijing Times announced its global debut of Cloud Newspaper, which integrated traditional print media (front-port) and mobile internet (end-port) by using image recognition technology. With two ports as entrances, Internet gets "alive" in the newspaper. After six months of operation, the Cloud Newspaper has been widely recognized by General Administration of Press and Publication of the PRC and the readers. Besides, the stylish business division, which was established around two years ago, has entered the fast growth track, the placement of high-end product advertisements has since maintained steady growth. With the Group's dedicated efforts to explore other marketing channels for broadening the revenue streams, Beijing Times contributed stable returns to the Group during the year under review.

Magazine

In 2012, the Group's up-market women's magazine, 費加羅 FIGARO, has been included in a list of the PRC's premier magazines, and has become more widely accepted by renowned international brands. In Mainland China, according to the latest CNRS readership survey findings on modern lifestyle magazines released by CVSC-TNS RESEARCH (CTR), 費加羅 FIGARO ranked top eight among its peers. 費加羅 FIGARO iPad edition has also unveiled a new image to readers since it went online. With innovative animation, interactive features and information on the latest trends, the iPad edition has attracted downloads from a large number of readers and has attracted the attention of many major brands. It also ranked first in the women's magazine category of App Store in April 2012 and ninth in the magazine and newspaper category in the PRC, reflecting its outstanding performance. In August 2012, the Group launched FIGARO Cloud Magazine (費加羅雲拍), making it the first modern lifestyle magazine in Mainland China presenting an image via mobile devices by integrating new media and traditional print media. As such, it has created a true 360 degree omnimedia and has enjoyed an overwhelming response in the market. During the year under review, while 費加羅 FIGARO has not recorded a profit, management believes that by capitalising on the brand awareness created by the Group's professional team and their dedicated efforts, the magazine is likely to achieve a business turnaround in the near future and will generate stable returns to the Group.

Other Video Operations Businesses

In order to streamline operations and bolster its financial strength, the Group decided to sell the 30% equity interest in Super Sports Media Inc. as well as the rights to the mobile live, delayed and recorded broadcasts of EPL matches at a consideration of US$20 million in March 2012. The transaction was completed at the end of May 2012 and generated a profit of over HK$30 million for the Group. After the disposal, the Group continues to hold the non-exclusive broadcasting rights of EPL matches. This can help minimise the resources invested in the operation and maintenance of broadcasting EPL matches, as well as generate strong cash flow for the Group, which could further enhance its financial position and enable resources to be directed towards expanding the new media and television and film business with immense potential.

Prospects

Looking to 2013, guided by the motto of "Building a Strong Brand; Producing Outstanding Dramas," the Group is committed to further strengthen its existing television and film business and explore potentially yield-accretive production and investment opportunities of films and television dramas which are of excellent contents. The Group will commence collaboration with Mr. Chiau to produce the second cinema epic after "Journey to the West: Conquering the Demons". In view of the tremendous success of that first movie, the Group expects this new movie to premiere in 2013, and subsequent movies to continue to bring extraordinary new experiences to audiences and earn exceptional box office receipts. At the same time, the success of the movie series of "Journey to the West" will boost the development of Film Art Centre project. In fact, such uniquely Chinese cultural Film Art Centre is going to integrate culture, tourism, cinema, entertainment and high technology functions. The glory of oriental civilisation is to be showcased as it ushers in a new era in the history of Asia's film culture. The "Journey to the West" movie series and the "Journey to the West" Film Art Centre will complement each other perfectly, creating a new sustainable development area merging film and television production. This, in turn, will further advance the Group's strategy to build a television and film culture industry business chain.

In addition, the Group will continue to integrate and explore upstream and downstream resources in the industry. On one hand, the Group is actively and effectively adjusting between different business divisions including the television and film business, mobile new media business, print media business and television advertising business, in order to make some of the businesses more profitable and further strengthen the well-performed businesses to grow steadily. The Group also strives to realise synergies through integrating internal resources and further promote the collaboration among the teams. On the other hand, the Group will actively introduce both capital and strategic partners in order to expand the culture industry business chain and at the same time provide a wider development platform and stronger support base. Looking ahead in 2013, the Group will further enhance its core competencies in the industry, by formulating and executing clear business strategies, leveraging its capital strength, continuing to implement a standardised operation model and following an advanced management philosophy. Meanwhile, the Group will also adhere to the motto of "Leading future development through cultural creativity" and strive to develop into an influential international cultural group which aims to bring high returns for shareholders over the long term.

FINANCIAL RESULTS

On 31st January, 2012, the Company acquired the entire issued share capital of China Entertainment Media Group Limited ("CEMG") for a total consideration of approximately HK$2,016,300,000 which was satisfied by the issuance of 5,040,750,000 new ordinary shares of the Company. Upon completion of the acquisition, the shareholders of CEMG received 5,040,750,000 ordinary shares of the Company, representing 70.8% of its enlarged issued share capital and thereby held the largest portion of the voting rights of the Company. Under Hong Kong Financial Reporting Standard 3 (Revised) "Business Combinations," this acquisition has been accounted for as a reverse acquisition. For accounting purposes, CEMG is the accounting acquirer and the Company (as the accounting acquiree) is deemed to have been acquired by CEMG. As a result, the eleven months' (1st February, 2012 to 31st December, 2012) financial results of the Company and its subsidiaries were consolidated into the financial statements of the acquirer for the year ended 31st December, 2012. All comparative figures have been restated (applying CEMG's 2011 figures as comparative figures) to conform to the accounting treatment as a reverse acquisition.

FINANCIAL RESULTS *(Continued)*

Major Corporate Development

The acquisition of the entire issued share capital of CEMG announced on 21st October, 2011 at a consideration of approximately HK$2,016,300,000 was completed on 31st January, 2012. CEMG is a fast growing media entertainment company principally engaged in three major business segments: movies, television drama series and television advertising. Subsequent to the completion of the transaction, two media groups have been collaborating to produce and distribute more television drama series, and promote these dramas through diversified delivery platforms such as print media and mobile new media where the Group has strong competitive advantages. Although the acquisition was only completed in late January 2012, the consolidation of the two groups has proceeded smoothly.

Final Dividend

The Board did not recommend the payment of a final dividend for the year ended 31st December, 2012 (2011: Nil). Capital will be reserved for the expansion of the Group's business and to capture the investment opportunities arising from the tremendous growth in the cultural industry in China. The Board may consider to distribute dividend in the next financial year, depending on the Group's business performance and the market condition.

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Operations

During the year ended 31st December, 2012, the Group was primarily engaged in two types of businesses, namely, (i) media-related businesses; and (ii) securities trading and investments. The media related businesses principally included: planning, production, publication, investment, distribution and licensing of television drama and films and organising cultural and artistic exchange activities, mobile value-added services, mobile games business, mobile TV business, sales and distribution of newspapers and magazines, advertising sales and TV programme packaging services. An overwhelming majority of these businesses were conducted in the People's Republic of China (the "PRC").

Media Related Businesses

For the year ended 31st December, 2012, film, television program and television drama series production, distribution and licensing businesses brought the Group a revenue of HK$415,936,000 (2011: HK$46,757,000) with a segment profit of HK$162,277,000 (2011: loss of HK$30,783,000). The substantial growth was principally attributable to the notable growth in revenue from producing and distributing various television drama series, which surged to HK$378,039,000 (2011: HK$46,757,000), accounting for more than 37% of the Group's total turnover.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Media Related Businesses *(Continued)*

After the Group acquired CEMG, resource allocation was optimised to create synergies. The move enhanced the Group's core competitiveness significantly, creating new momentum for its long-term development in the cultural industry. During the year under review, the Group launched a number of new films and television drama series, including "Zheng Zhe Wu Di" (正者無敵) of the "Heroic Trilogy" series (英雄無敵系列), "Liang Jian – Tie Xue Jun Hun" (亮劍－鐵血軍魂), "Qiang Shen Chuan Qi" (槍神傳奇). These productions were well rapidly becoming popular at major television stations in the PRC, which boosted the sales and gross profit, and generated good returns for the Group.

During a difficult year, the Group managed to boost the advertising sales of the TV networks business, which brought a revenue of HK$287,134,000 (2011: HK$241,596,000) with a segment profit of HK$25,930,000 (2011: profit of HK$5,790,000) for the year ended 31st December, 2012.

During the year, the Group actively resumed its SMS value-added business, which generated stable income for the Group. For the year ended 31st December, 2012, its net income amounted to HK$13,449,000 with segment profit of HK$7,144,000. This arm mainly refers to the provision of personalised information and entertainment services to mobile handset users in the PRC via the internet and other modern telecom technologies such as SMS, MMS, WAP, interactive voice response and the like.

For the year ended 31st December, 2012, the Mobile TV subscription business has been developing well during the year and generated a net income of HK$14,442,000 (after the 49% share of results), with a segment profit of HK$7,591,000. The increasing popularity of 3G technology in the local mobile internet market in tandem with the favourable polices launched by the Central Government strongly indicate that the number of 3G users will surge, so the Group is optimistic about the prospects of the emerging mobile internet segment.

The newspaper advertising and newspaper distribution businesses generated stable revenue and profit for the Group during the year. For the year ended 31st December, 2012, its revenue and segment profit amounted to HK$204,141,000, after the 50% share of results, and HK$23,591,000 respectively. The revenue of this segment was mainly from the advertising placement from Beijing Times, as well as the diversified portals associated with the brand name of "Jinghua".

In addition, the high-end women's magazine 費加羅 FIGARO started to deliver a stable income after its successful launch in mid-August 2011. During the year under review, it recorded a revenue of HK$38,424,000 and segment loss of HK$21,291,000. The Group expects the magazine to deliver stronger returns in the future by close collaboration with diverse strategic partners and through media resource platforms within the Group.

Securities Trading and Investments

For the year ended 31st December, 2012, the Group's securities trading and investment recorded a segment profit of HK$29,126,000, mainly due to profit from change in fair value of investments held for trading and realised profits from certain securities.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Other Businesses

For the year ended 31st December, 2012, revenues and segment profit from other segments including distribution of magazines and newspapers apart from Beijing Times and 費加羅 FIGARO, sales of bottled water, mobile games subscription, TV programme packaging services income and others in the PRC amounted to HK$42,960,000 and HK$984,000 respectively.

To streamline the Group's operations and reallocate more resources to its core businesses which bring stable returns, the Group disposed of its 30% equity interest in its associated company, Super Sports Media Inc. ("Super Sports"), and the rights to the mobile live, delayed and recorded broadcasts of English Premier League ("EPL") matches to an independent third party in March 2012 for a total consideration of US$20,000,000. This transaction was completed in late May 2012 and a profit of HK$30,034,000 was recognised in the consolidated income statement during the year. The disposal generated strong cash in-flow for the Group, which further enhanced its financial strength and enabled resources to be directed towards expanding the new media, television and film business where there is immense potential. Upon the disposal, the Group has still retained the non-exclusive mobile broadcasting rights of EPL matches.

In September 2012, the Group entered into an agreement with Bingo Group Holdings Limited ("Bingo", Stock code: 8220) to acquire 30% equity interest in a movie "Journey to the West: Conquering the Demons" with the production, promotion and distribution rights around the world for a consideration of RMB38,000,000. Directed by renowned star Chiau Sing Chi (also known as Stephen Chow, "Mr. Chiau"), the movie hit the screen during the Spring Festival of 2013 and is expected to generate a promising return on this investment.

The Group also signed a cooperative agreement with Mr. Chiau to invest in and produce five movies during the next seven years, under which Mr. Chiau is to serve as the presenter, producer, director, screenwriter, or actor or in other key positions. The Group expects that each movie would mark a new milestone in the PRC film industry. The Group later signed a cooperative framework agreement ("Framework Agreement") with Mr. Chiau in October 2012 to establish a joint venture ("JV") to jointly develop a "Journey to the West" film art centre (the "Film Art Centre"). According to the Framework Agreement, the Group owns a 75% interests in the JV, while Mr. Chiau owns a 25% share in it.

To develop the Film Art Centre, the Group signed a memorandum of understanding and a cooperative agreement with the People's Government of Tongxiang City, Zhejiang in February 2013 (the "Agreement") to build the Film Art Centre on a parcel of land covering approximately 1,048.5 mu in Wuzhen. According to the Agreement, the Group plans to acquire the land use rights of the parcel with a total area of approximately 691.4 mu (one mu is equal to around 666 square meters) by stages and rent the remaining land area of 357.1 mu for the development of the Film Art Centre. On top of recreating the settings from "Journey to the West: Conquering the Demons", the first movie co-produced with Mr. Chiau, both parties plan to add other related elements from the upcoming hits created or directed by Mr. Chiau into this Film Art Centre, with the aim to developing a film art centre integrating culture, tourism, filming, entertainment and high technology functions embracing Chinese culture.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Operating and Other Expenses

For the year ended 31st December, 2012, distribution and selling expenses and other administrative expenses increased from HK$13,291,000 and HK$45,857,000 in the previous year to HK$132,167,000 and HK$168,696,000 respectively. The increases were primarily due to the consolidation of the eleven months' expenses of the Company's various businesses.

For the years ended 31st December, 2012 and 2011, share-based payment expenses mainly represented the share options granted by the Company to the employees, directors and consultants in 2010 and an one-off share-based payment expenses in 2011 related to an incentive for certain individuals to join CEMG.

Finance costs increased from HK$4,119,000 to HK$26,368,000 for the year ended 31st December, 2012, which was due to the effective interest expense on convertible notes.

The Group's share of loss of an associate of HK$1,069,000 for the year ended 31st December, 2012 was from Super Sports, which was subsequently disposed of on 29th March, 2012.

FINANCIAL REVIEW

Liquidity, Financial Resources and Capital Structure

The Group's capital expenditure, daily operations and investments are mainly funded by cash generated from its operations, loans from principal bankers and financial institutions and equity financing. As at 31st December, 2012, the Group maintained cash reserves of HK$192,838,000 (2011: HK$59,212,000). As at 31st December, 2012, the equity attributable to owners of the Company amounting to HK$1,316,740,000 (2011: HK$162,011,000) with total borrowings of HK$354,313,000 (2011: nil). As at 31st December, 2012, the Group's gearing ratio (net borrowings including convertible notes over total equity) was 12% (2011: nil).

On 31st January, 2012, the Company issued 5,040,750,000 ordinary shares of HK$0.25 each as the total consideration in exchange of the entire equity interest of CEMG.

Pursuant to a subscription agreement entered into on 21st October, 2011, the Company allotted and issued 619,400,000 new shares of the Company at the subscription price of HK$0.40 per share to THL F Limited, a wholly-owned subsidiary of Tencent Holdings Limited. The proceeds of HK$247,760,000 from the subscription were used to improve the financial strength and flexibility and the subsequent development and general working capital of the Group. The subscription was completed on 31st January, 2012.

Foreign Exchange Fluctuation

The Group's operations are mainly located in the PRC and its transactions, related working capital and borrowings are primarily denominated in Renminbi and Hong Kong Dollars. The Group monitors its foreign exchange exposure and will consider hedging significant currency exposure should the need arise.

FINANCIAL REVIEW *(Continued)*

Charges on Assets

As at 31st December, 2012, the entire issued share capital of a wholly-owned subsidiary of the Group was pledged as a share charge for the convertible note with the principal amount of HK$350,000,000 issued by the Company on 3rd June, 2010 (2011: nil).

Contingent Liabilities

As at 31st December, 2012, the Group had no material contingent liabilities (2011: nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 31st December, 2012, the Group, including its subsidiaries and jointly control entities but excluding its associates, employed approximately 1,700 (2011: approximately 120) employees. The remuneration policies of the Group are based on the prevailing market levels and the performance of the respective group companies and individual employees. These policies are reviewed on a regular basis.

RISK MANAGEMENT

During the year, the Group constantly reviewed the risk and credit control systems of its profit centres to improve the overall control system and mitigate the credit risk.

Dong Ping
Chairman

Hong Kong, 27th March, 2013

Executive Directors

Mr. Dong Ping, aged 51, appointed on 23rd April, 2009, is the Chairman of the Company. He is also appointed as acting Chief Executive Officer on 9th January, 2012. Mr. Dong graduated from Capital Normal University（首都師範大學）, the People's Republic of China. He was the founder of Asian Union Film and Media（北京保利華億傳媒文化有限公司）(“Asian Union Film and Media”), which was among the first group of Chinese corporations that engage in film investment. Mr. Dong has been the producer and co-producer of various international renowned films, including Crouching Tiger Hidden Dragon《臥虎藏龍》, Devils on the Doorstep《鬼子來了》, Breaking the Silence《漂亮媽媽》, Jasmine Women《茉莉花開》, Keep Cool《有話好好説》, Peacock《孔雀》, Mei Wan Mei Liao《沒完沒了》and The Emperor and The Assassin《荊軻刺秦王》. All these films have won numerous major awards in both domestic and overseas film festivals. From August 2003 to April 2005, he was the president of Asian Union Film and Media. In between 31st May, 2005 and 11th January, 2008, he was appointed as an executive director of Media China Corporation Limited（華億媒體有限公司）, and was named as the chairman of the board of directors from 12th May, 2006 to 11th January, 2008. Mr. Dong has extensive experience, knowledge and connection in investment and operation of Chinese media, advertisement, satellite TV, film productions and media fields. Mr. Dong is the brother-in-law of Mr. Zhao Chao.

Mr. Ng Qing Hai, aged 56, appointed on 15th May, 2001, is the President of the Company. He had been the Chief Executive Officer of the Company up to 20th April, 2010. Mr. Ng is also the executive director and the managing director of Allied Cement Holdings Limited. He was the executive director of Tian An China Investments Company Limited in April 2003 and subsequently re-designated as a non-executive director on 18th January, 2012 and resigned on 18th January, 2013. He graduated from the Accounting Department of Shanghai Institute of Building Materials in 1983. Mr. Ng became a member of the Association of Registered Accountants of the People's Republic of China in 1994. He was admitted as Management Consultant by GROUPE ESSEC of France in 1988, and became a fellow of Asian Knowledge Management Association in 2006 and the vice chairman of Shanghai Cement Industrials Association in 2008. Mr. Ng has been appointed as a member of the Shandong Committee of the Chinese People's Political Consultative Conference in January 2013. Mr. Ng has extensive experience in managing enterprises.

Mr. Zhao Chao, aged 48, appointed on 23rd April, 2009, is an Executive Director of the Company. He worked as a journalist at《環球企業資訊》and acted as the vice president of Asian Union Film and Media. Mr. Zhao was involved in international trade, worldwide film distribution and promotion, legal affairs regulatory, finance and corporate restructuring prior to joining the Company and has extensive experience in corporate development, operations and auditing. Mr. Dong Ping is the brother-in-law of Mr. Zhao.

Non-Executive Director

Mr. Kong Muk Yin, aged 47, was appointed as an Executive Director of the Company on 4th July, 2007 and has been re-designated as a Non-Executive Director of the Company since 30th December, 2010. Mr. Kong was graduated from City University of Hong Kong with a Bachelor's degree in business studies. He is a fellow member of The Association of Chartered Certified Accountants, a member of the Hong Kong Institute of Certified Public Accountants and a Chartered Financial Analyst and has extensive experience in corporate finance, financial management, accounting and auditing. Mr. Kong is currently the executive director of COL Capital Limited and APAC Resources Limited (both are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange")) and a director of IRC Properties, Inc. (formerly known as Interport Resources Corporation) and Mabuhay Holdings Corporation (both are listed on The Philippine Stock Exchange, Inc.). He was an executive director of Greenfield Chemical Holdings Limited (listed on the Stock Exchange) from 13th October, 2009 to 21st January, 2010.

Independent Non-Executive Directors

Mr. Chen Ching, aged 64, appointed on 27th September, 2004, is an Independent Non-Executive Director of the Company. Mr. Chen was a director of Genesis Energy Holdings Limited from 1999 to 2001 and a director of China Ocean Management Limited from 2007 to 2011. He served as a senior executive in various companies within the food sector and metal sector in the People's Republic of China. Mr. Chen has over twenty eight years of experience in financial management.

Mr. Jin Hui Zhi, aged 53, appointed on 14th December, 2004, is an Independent Non-Executive Director of the Company. Mr. Jin is currently an independent non-executive director of Tian An China Investments Company Limited, the chairman of Shanghai Horizon Investment Co. Ltd. ("Shanghai Horizon") and the honorary deputy president of the Youth Entrepreneur Association of Shanghai. Shanghai Horizon is a company principally engaged in the investment of energy saving and healthcare businesses. During the period from 1996 to 2000, he was the general manager and chairman of Shanghai Huaihai Commerce Group. Mr. Jin was formerly chief member of Youth Work Ministry, chief member and deputy director of Research Department, member of Standing Committee and minister of Youth Work Ministry of China Communist Youth League Shanghai Committee. He has extensive experience in the business market. Mr. Jin holds a MBA degree.

Mr. Li Chak Hung, aged 48, appointed on 27th September, 2004, is an Independent Non-Executive Director of the Company. He holds a Bachelor's Degree of Business Administration and is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and a fellow of The Association of Chartered Certified Accountants in the United Kingdom. He has over twenty three years of experience in auditing, accounting and financial management. Mr. Li is also an independent non-executive director of Allied Overseas Limited, a company listed on the Stock Exchange.

The Company is committed to maintaining a high standard of corporate governance within a sensible framework with an emphasis on the principles of transparency, accountability and independence. The board of directors of the Company (the "Board") believes that good corporate governance is essential to the success of the Company and the enhancement of shareholders' value.

CORPORATE GOVERNANCE

The Company has applied and complied with the applicable code provision set out in the Code on Corporate Governance Practices (the "Former CG Code") (effective until 31st March, 2012) during the period from 1st January, 2012 to 31st March, 2012 and the Corporate Governance Code (the "New CG Code") (effective from 1st April, 2012) during the period from 1st April, 2012 to 31st December, 2012 contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"), except for certain deviation with considered reasons as explained below. The Board will review the current code at least annually and make appropriate changes if considered necessary.

THE BOARD

The Board currently comprises seven Directors in total, with three Executive Directors, one Non-Executive Director and three Independent Non-Executive Directors ("INEDs"). The composition of the Board during the year and up to the date of this report is set out as follows:–

Executive Directors

Mr. Dong Ping *(Chairman)*
Mr. Ng Qing Hai
Mr. Zhao Chao

Non-Executive Director

Mr. Kong Muk Yin

INEDs

Mr. Chen Ching
Mr. Jin Hui Zhi
Mr. Li Chak Hung

The brief biographical details of the Directors are set out in the "Biographical Details in Respect of Directors" section on pages 15 and 16. Other than that Mr. Dong Ping, the Chairman of the Company, is the brother-in-law of Mr. Zhao Chao, an Executive Director of the Company, there are no family or other material relationships among members of the Board.

During the year, the Non-Executive Directors (a majority of whom are independent) provided the Group with a wide range of qualification, expertise and experience through regular attendance and active participation. Their positive contribution brings independent judgment on issues relating to the Group's strategy, performance and management process, taking into account the interests of all shareholders.

THE BOARD *(Continued)*

Throughout the year and up to the date of this report, the Company has three INEDs representing more than one-third of the Board. At least one of the INEDs has appropriate professional qualifications or accounting or related financial management expertise under Rules 3.10(1) and 3.10(2) of the Listing Rules. The Board has received from each INED an annual confirmation of his independence and considers that all the INEDs are independent under the guidelines set out in Rule 3.13 of the Listing Rules. The Board believes that there is sufficient independence element in the Board to safeguard the interest of shareholders.

The Board meets regularly to discuss the overall strategy as well as the operation and financial performance of the Group and to review and approve the Group's annual and interim results. Directors may participate either in person or through electronic means of communications. During the year, four Board meetings were held. The attendance of each Director at the Board meetings and general meetings of the Company are set out as follows:–

	Number of meetings attended/eligible to attend	
Directors	**Board Meetings**	**General Meetings**
Executive Directors		
Mr. Dong Ping *(Chairman)*	3/4	0/2
Mr. Ng Qing Hai	3/4	0/2
Mr. Zhao Chao	4/4	2/2
Non-Executive Director		
Mr. Kong Muk Yin	4/4	1/2
INEDs		
Mr. Chen Ching	4/4	0/2
Mr. Jin Hui Zhi	2/4	0/2
Mr. Li Chak Hung	4/4	2/2

The Board has reserved for its decision or consideration matters covering mainly the Group's overall strategy, annual operating budget, annual and interim results, recommendations on Directors' appointment or re-appointment, material contracts and transactions as well as other significant policy and financial matters. The Board has delegated the day-to-day responsibility to the executive management under the instruction/supervision of the Executive Committee which has its specific written terms of reference. The Board will review the respective functions of the Board and management of the Company from time to time to ensure that they are consistent with the existing rules and regulations.

All Directors are required to disclose to the Company their offices held in the public companies or organizations and other significant commitments in order to ensure that their sufficient time and attention can be given to the Company's affairs.

THE BOARD *(Continued)*

Board meetings each year are scheduled to be held at approximately quarterly intervals and as required by business needs. At least 14 days' notice of a Board meeting is normally given to all Directors who are given an opportunity to include matters for discussion in the agenda. The Company Secretary assists the Chairman in preparing the agenda for meetings and ensures that all applicable rules and regulations are complied with. The agenda and the accompanying Board papers are normally sent to all Directors at least 3 days before the intended date of a regular Board meeting (and so far as practicable for such other Board meetings). Draft minutes of each Board meeting are circulated to all Directors for their comment before the same will be tabled at the following Board meeting for approval. All minutes are kept in the Company Secretarial Department of the Company and are open for inspection at any reasonable time on reasonable notice by any Director.

According to current Board practice, any transaction which involves a conflict of interests for a substantial shareholder or a Director and which is considered by the Board to be material will be dealt with by the Board at a duly convened Board meeting. The Bye-laws of the Company (the "Bye-laws") also stipulate that a Director should abstain from voting and not be counted in the quorum at meetings or approving transactions in which such Director or any of his associates has a materially interest therein.

Each Director is entitled to have access to Board papers and related materials and has access to the advice and services of the Company Secretary. The Board and each Director also have separate and independent access to the Company's management. All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. During the year, the Company arranged in-house training for Directors on the disclosure of inside information and an update on the Listing Rules. Directors are continuously updated on the major development of the Listing Rules and other applicable regulatory requirements to ensure compliance and upkeep of good corporate governance code. In addition, a written procedure was established in June 2005 to enable the Directors, in the discharge of their duties, to seek independent professional advice in appropriate circumstances at a reasonable cost to be borne by the Company.

The Company has arranged the liability insurance for Directors and officers with appropriate coverage for certain legal liabilities which may arise in the course of performing their duties.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the corporate governance duties including: –

(i) to develop and review the Company's policies and practices on corporate governance;

(ii) to review and monitor the training and continuous professional development of Directors and senior management of the Company;

(iii) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(iv) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors of the Company; and

(v) to review the Company's compliance with the New CG Code and its disclosure requirements in the Corporate Governance Report.

During the year under review, the Board approved the terms of reference of the Board in respect of corporate governance duties and the Nomination Committee, the revised terms of reference of the Audit Committee and the Remuneration Committee and the adoption of the Shareholders Communication Policy.

ROLES OF CHAIRMAN AND CHIEF EXECUTIVE

Code provision A.2.1 of the Former CG Code and the New CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. There has been no separation of the roles of the chairman and the chief executive since the appointment of Mr. Dong Ping, the Chairman of the Company, as the acting Chief Executive Officer of the Company with effect from 9th January, 2012. In view of Mr. Dong Ping's extensive experience in the industry and in-depth knowledge of the Group's operation and business, the Board considers that the current management structure works effectively in enabling it to discharge the responsibilities and thus, there is no imminent need to separate the roles into two individuals. However, the Board will identify an appropriate person to take up the role of chief executive when necessary.

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

In June 2005, the Board established and adopted a written nomination procedure (the "Nomination Procedure") specifying the process and criteria for the selection and recommendation of candidates for directorship of the Company. The Nomination Committee shall, based on those criteria as set out in the Nomination Procedure (such as appropriate experience, personal skills and time commitment), identify and recommend the proposed candidate to the Board for approval of an appointment.

New Directors, on appointment, will be given an induction package containing all key legal and Listing Rules' requirements as well as guidelines on the responsibilities and obligations to be observed by a Director. The package will also include the latest published financial reports of the Company and the documentation for the corporate governance code adopted by the Board. The management will subsequently conduct such briefing as is necessary to give the new Directors more detailed information on the Group's businesses and activities.

Each of the Executive Directors and INEDs has entered into a service contract or a letter of appointment with the Company for a specific term, subject to the relevant provisions of the Bye-laws or any other applicable laws whereby the Directors shall vacate or retire from their office but is eligible for re-election. The Bye-laws provide that any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of the Company after his appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

The code provision A.4.2 of the Former CG Code and the New CG Code requires all Directors, including all Non-Executive Directors, to be subject to retirement by rotation at least once every three years. The Company has fully complied with code provision A.4.2 of the Former CG Code and the New CG Code.

The shareholders may, at any general meeting convened and held in accordance with the Bye-laws, by ordinary resolution remove a Director at any time before the expiration of his period of office notwithstanding anything contrary in the Bye-laws or in any agreement between the Company and such Director and may by ordinary resolution elect another person in his stead.

BOARD COMMITTEES

The Board has established various committees, including a Remuneration Committee, an Audit Committee, a Nomination Committee and an Executive Committee, to perform their distinct roles in accordance with their respective terms of reference. The Board Committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in accordance with the Company's policy in appropriate circumstances. Copies of minutes of all meetings and resolutions of the committees, which are kept in the Company Secretarial Department of the Company, are circulated to all Board members and the committees are required to report back to the Board on their decision and recommendations where appropriate. The procedures and arrangements for a Board meeting, as mentioned in the section headed "The Board" of this report, have been adopted for the committee meetings so far as practicable.

Remuneration Committee

The Remuneration Committee has been established since June 2005 and currently consists of three members, including Messrs. Chen Ching (Chairman), Jin Hui Zhi and Li Chak Hung, all of whom are INEDs.

The major roles and functions of the Remuneration Committee are:–

(i) to review and recommend to the Board the remuneration policy and packages of the Directors and, where appropriate, to consult the Chairman (if any) and/or Chief Executive about the committee's proposals relating to the remuneration of other Executive Directors;

(ii) to consider salaries or fees paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group;

(iii) to review and recommend the compensation payable to Executive Directors for any loss or termination of office or appointment;

(iv) to review and recommend compensation arrangements relating to dismissal or removal of Directors for misconduct; and

(v) to ensure that no Director is involved in deciding his own remuneration.

On 29th March, 2012, the Board adopted a set of the revised terms of reference of the Remuneration Committee, which are in line with the New CG Code, but with a deviation from the code provision of the remuneration committee's responsibilities to determine the specific remuneration packages of all executive directors and senior management of a listed company. The Board considers that the Remuneration Committee of the Company should review (as opposed to determine) and make recommendations to the Board on the remuneration packages of Executive Directors only and not senior management for the following reasons:–

(i) the Board believes that the Remuneration Committee is not properly in a position to evaluate the performance of senior management and that this evaluation process is more effectively carried out by the Executive Directors;

BOARD COMMITTEES *(Continued)*

Remuneration Committee *(Continued)*

(ii) the Remuneration Committee members only consist of INEDs who may not be industry skilled and come from different professions and backgrounds and they are not involved in the daily operation of the Company. They may have little direct knowledge of industry practice and standard compensation packages. The Remuneration Committee is thus not in a position to properly determine the remuneration of the Executive Directors;

(iii) the Executive Directors must be in a position to supervise and control senior management and thus must be able to control their compensation; and

(iv) there is no reason for Executive Directors to pay senior management more than industry standards and thus shareholders will benefit by reducing costs in the fixing of such compensation packages.

The terms of reference of the Remuneration Committee are available on the websites of the Stock Exchange and the Company.

The Remuneration Committee shall meet at least once a year. One committee meeting was held in 2012 and the attendance of each member is set out as follows:–

Committee members	Number of Committee meeting attended/eligible to attend
Mr. Chen Ching *(Chairman)*	1/1
Mr. Jin Hui Zhi	0/1
Mr. Li Chak Hung	1/1

Apart from the Committee meeting, the Remuneration Committee also dealt with matters by way of circulation during 2012. In 2012 and up to the date of this report, the Remuneration Committee (i) reviewed the existing remuneration packages of all the Executive Directors and Non-Executive Directors (including INEDs) for the year ended 31st December, 2012, including the existing policy and structure for the remuneration of Directors; (ii) reviewed and recommended for the Board's approval the remuneration package of the Directors; and (iii) reviewed and recommended for the Board's approval the service contracts or letters of appointment for the Directors.

Each Director will be entitled to a Director's fee which is to be proposed for the shareholders' approval at the annual general meeting of the Company ("AGM") each year. Further remuneration payable to Directors including any service fees to the INEDs for their additional responsibilities and services will depend on their respective contractual terms under their service contracts or letters of appointment as approved by the Board on the recommendation of the Remuneration Committee. Details of the Directors' remuneration are set out in note 12 to the consolidated financial statements. Details of the remuneration policy of the Group are also set out in the "Employees and Remuneration Policies" section in the Chairman's Statement on page 14.

The Company's share option scheme (which was adopted by the Company pursuant to a resolution passed by the shareholders on 23rd May, 2002) expired on 23rd May, 2012. At the AGM held on 11th June, 2012, the shareholders approved the adoption of a new share option scheme. Details of the share option schemes of the Company and the outstanding share options as at 31st December, 2012 are set out in the Directors' Report on page 33 and note 31 to the consolidated financial statements.

BOARD COMMITTEES *(Continued)*

Audit Committee

The Audit Committee has been established since August 2001 and currently consists of three INEDs. To retain independence and objectivity, the Audit Committee is chaired by an INED (with appropriate professional qualifications or accounting or related financial management expertise). The current members of the Audit Committee are Messrs. Li Chak Hung (Chairman), Chen Ching and Jin Hui Zhi.

The major roles and functions of the Audit Committee are:–

(i) to consider and recommend to the Board on the appointment, re-appointment and removal of the external auditor, to approve the remuneration and terms of engagement of the external auditor, and any questions of resignation or dismissal of those auditors;

(ii) to consider and discuss with the external auditor the nature and scope of each year's audit;

(iii) to review and monitor the external auditor's independence and objectivity;

(iv) to review the interim and annual consolidated financial statements before submission to the Board;

(v) to discuss any problems and reservation arising from the interim review and final audit, and any matters the external auditor may wish to discuss;

(vi) to review the external auditor's management letters and management's response;

(vii) to review the Group's financial controls, internal control and risk management systems;

(viii) to discuss the internal control system with the management; and

(ix) to consider major investigations findings on internal control matters as delegated by the Board and management's response.

On 29th March, 2012, the Board adopted a set of the revised terms of reference of the Audit Committee, which are in line with the New CG Code, but (before the amendment to the terms of reference of the Audit Committee) with deviations from the code provision of the Former CG Code (which has been amended to make them correspond with the New CG Code) of the audit committee's responsibilities to:–

(i) implement policy on the engagement of the external auditors to supply non-audit services;

(ii) ensure the management has discharged its duty to have an effective internal control system; and

(iii) ensure coordination between the internal and external auditors, and ensure that the internal audit function is adequately resourced and has appropriate standing within the listed company.

BOARD COMMITTEES *(Continued)*

Audit Committee *(Continued)*

The Board considered that the Audit Committee should recommend (as opposed to implement) the policy on the engagement of the external auditor to supply non-audit services for the following reasons:–

(i) it should be proper and appropriate for the Board and its committees to develop policy and make appropriate recommendations;

(ii) the proper and appropriate mechanism for implementation of such policy and recommendations should be through the Executive Directors and management; and

(iii) INEDs should not be in an effective position to implement policy and follow up the same on a day-to-day basis.

Further, the Board considered that the Audit Committee should possess the effective ability to scrutinise (as opposed to ensure) whether management has discharged its duty to have an effective internal control system as this would involve day-to-day supervision and the employment of permanent experts. The Audit Committee should not be in a position either to ensure coordination between the internal and external auditors but it could promote the same. Similarly, the Audit Committee should not in a position to ensure the internal audit function is adequately resourced but it could check whether it is adequately resourced.

The terms of reference of the Audit Committee are available on the websites of the Stock Exchange and the Company.

The Audit Committee shall meet at least twice a year. Two committee meetings were held in 2012 and the attendance of each member is set out as follows:–

Committee members	Number of Committee meetings attended/eligible to attend
Mr. Li Chak Hung *(Chairman)*	2/2
Mr. Chen Ching	2/2
Mr. Jin Hui Zhi	1/2

Apart from the Committee meetings, the Audit Committee also dealt with matters by way of circulation during 2012. In 2012 and up to the date of this report, the Audit Committee had performed the work summarised as below:–

(i) reviewed and recommended for the Board's approval the audit scope and fees proposed by the external auditor in respect of the final audit for the year ended 31st December, 2011 (the "2011 Final Audit"), the interim results review for the six months ended 30th June, 2012 (the "2012 Interim Review") and the final audit for the year ended 31st December, 2012 (the "2012 Final Audit") of the Group;

(ii) reviewed the external auditor's report of findings, independent review report and audit completion report in relation to the 2011 Final Audit, the 2012 Interim Review and the 2012 Final Audit; and

(iii) reviewed and recommended for the Board's approval the financial reports for the year ended 31st December, 2011, for the six months ended 30th June, 2012 and for the year ended 31st December, 2012.

BOARD COMMITTEES *(Continued)*

Nomination Committee

The Nomination Committee has been established since March 2012 and currently consists of five members, including Messrs. Dong Ping (Chairman), Zhao Chao, Chen Ching, Jin Hui Zhi and Li Chak Hung. Among the five members of the Nomination Committee, three of them are INEDs.

The major roles and function of the Nomination Committee are:–

(i) to review the structure, size and composition (including the skills, knowledge and experience) of the Board and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

(ii) to make recommendations to the Board on the selection of individual(s) nominated for directorship(s);

(iii) to assess the independence of INEDs; and

(iv) to make recommendation to the Board on the appointment or re-appointment of Directors and succession planning for Directors.

The terms of reference of the Nomination Committee are in compliance with the New CG Code and are available on the websites of the Stock Exchange and the Company.

The Nomination Committee shall meet at least once a year. One committee meeting was held in 2012 and the attendance of each member is set out as follows:–

Committee members	**Number of Committee meeting attended/eligible to attend**
Mr. Dong Ping *(Chairman)*	1/1
Mr. Zhao Chao	1/1
Mr. Chen Ching	1/1
Mr. Jin Hui Zhi	0/1
Mr. Li Chak Hung	1/1

Since the establishment of the Nomination Committee in 2012 and up to the date of this report, the Nomination Committee (i) reviewed the structure, size and composition of the Board; (ii) assessed the independence of all the INEDs; (iii) reviewed and recommended for the Board's approval the renewal of the term of appointment of all the INEDs; and (iv) reviewed and recommended for the Board's approval the proposed resolutions for re-election of the retiring Directors at the AGM.

BOARD COMMITTEES *(Continued)*

Executive Committee

The Executive Committee has been established since December 2004 and currently consists of three Executive Directors, being Messrs. Dong Ping (Chairman), Ng Qing Hai and Zhao Chao. The Executive Committee is vested with all the general powers of management and control of the activities of the Group as are vested in the Board, save for those matters which are reserved for the Board's decision and approval pursuant to the written terms of reference of the Executive Committee.

The Executive Committee will meet as and when necessary to discuss the operating affairs of the Group and also deals with matters by way of circulation. The Executive Committee is mainly responsible for undertaking and supervising the day-to-day management and is empowered:–

(i) to formulate and implement policies for the business activities, internal control and administration of the Group; and

(ii) to plan and decide on strategies to be adopted for the business activities of the Group within the overall strategy of the Group as determined by the Board.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND RELEVANT EMPLOYEES

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its code of conduct regarding securities transactions by the Directors. All Directors have confirmed, following a specific enquiry by the Company, that they have complied with the required standard as set out in the Model Code.

The Company has also adopted the Model Code to regulate dealings in the securities of the Company by certain officers and employees of the Company or its subsidiaries who are considered to be likely in possession of unpublished inside information in relation to the Company or its securities.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Directors acknowledge their responsibilities for preparing, with the support from the finance department, the consolidated financial statements of the Group. The Directors also acknowledge their responsibilities to ensure that the financial statements of the Group are published in a timely manner. In preparing the consolidated financial statements for the year ended 31st December, 2012, the accounting principles generally accepted in Hong Kong have been adopted and the requirements of the Hong Kong Financial Reporting Standards (which also include Hong Kong Accounting Standards and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance were complied with. Appropriate accounting policies have also been applied consistently.

The reporting responsibilities of the Company's external auditor, Deloitte Touche Tohmatsu, are set out in the Independent Auditor's Report on pages 39 and 40.

ACCOUNTABILITY AND AUDIT *(Continued)*

Financial Reporting *(Continued)*

The financial statements are prepared on a going concern basis. The Directors confirm that, to the best of their knowledge, they are not aware of material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

Internal Control

The purpose of the internal control systems is to keep the Group on course towards achieving its performance and profitability goals and its overall mission. The immediate aim of internal control is to help to provide a reasonable level of assurance that the Group will meet the agreed objectives and goals. It has a key role in the management of risks that are significant to the fulfilment of business objectives. It is the Board's responsibility to review the effectiveness of the Group's internal control systems and ensure that the controls are sound and effective to safeguard the shareholders' investment and the Group's assets at all times.

External Auditor's Remuneration

During the year, the remuneration paid/payable to the Company's external auditor, Deloitte Touche Tohmatsu, is set out as follows:–

Services rendered for the Group	Fee paid/payable
	HK$'000
Audit services	3,100
Non-audit services	410
Total	3,510

COMPANY SECRETARY

The Company has appointed Ms. Fung Ching Man, Ada, an external named company secretary, as its Company Secretary. Ms. Fung has confirmed that she has taken no less than 15 hours of relevant professional training in 2012. Ms. Fung is not an employee of the Group and Mr. Dong Ping, the Chairman of the Company, is the person whom Ms. Fung can contact for the purpose of code provision F.1.1 of the New CG Code.

SHAREHOLDERS' RIGHTS

Pursuant to the Bye-laws, shareholders holding in aggregate not less than 10% of the paid-up capital of the Company shall have the right, by written requisition to the Board or the Company Secretary, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition, and such meeting shall be held within two months after the deposit of such requisition.

SHAREHOLDERS' RIGHTS *(Continued)*

If within twenty-one days of such deposit the Board fails to proceed to convene such meeting, the requisitionists or any of them representing more than one half of the total voting rights of all of them, may themselves convene a meeting, but any meeting so convened shall not be held after the expiration of three months from the said date.

Any number of shareholders representing not less than 5% of the total voting rights of the Company on the date of the requisition or not less than 100 shareholders of the Company are entitled to put forward a proposal for consideration at a general meeting of the Company. The Company shall on the requisition of such number of shareholders and at the expense of those requisitionists give to the shareholders notice of any intended resolution and any statement with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting. Shareholders should follow the requirements and procedures as set out in Section 79 of the Bermuda Companies Act for putting forward such proposal at a general meeting.

Pursuant to the Bye-laws, if a shareholder, who is qualified to attend and vote at the general meeting, wish to propose a person other than a retiring Director for election as a Director at any general meeting, he/she should deposit a written notice of intention to propose such person for election as a Director together with a notice signed by the person of his/her willingness to be elected and lodge the same at the head office of the Company in Hong Kong no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and end no later than seven days prior to the date of such general meeting.

Detailed procedures for shareholders to propose for election as a Director are available on the Company's website.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Board recognises the importance of effective communication with the shareholders and investors. The Board has established a shareholders communication policy setting out strategies that the Company has in place to promote effective communication with its shareholders with the aim of ensuring shareholders are provided with information about the Company and enabling them to engage actively with the Company and to exercise their rights as shareholders in an informed manner.

The Company communicates with the shareholders and investors through various channels including publication of interim and annual reports, announcements, circulars and other corporate communications and publications available on the websites of the Stock Exchange and/or the Company.

The Company's general meetings are a valuable forum for the Board to communicate directly with the shareholders. The Company encourages the participation of the shareholders through annual general meetings and other general meetings where the shareholders meet and exchange views with the Board, and to exercise their right to vote at meetings. Due to other business engagement, Mr. Dong Ping (Executive Director and Chairman of the Board), Mr. Chen Ching and Mr. Jin Hui Zhi (both being INEDs) were unable to attend the AGM held on 11th June, 2012. However, another Executive Director took the chair of that AGM and the chairman of the Audit Committee were present thereat and answered any questions raised by the shareholders. A separate resolution is proposed by the Chairman on each substantial issue, including the election of individual Directors, to be considered at the general meetings.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS *(Continued)*

The chairman of any independent board committee formed as necessary or pursuant to the Listing Rules (or if no such chairman is appointed, at least a member of the independent board committee) will also be available to answer questions at any general meeting to approve a connected transaction or any other transaction that is subject to the independent shareholders' approval.

The notice to shareholders is to be sent in the case of AGM at least 20 clear business days before the meeting and to be sent at least 10 clear business days in case of all other general meetings. An explanation of the detailed procedures for conducting a poll is provided to the shareholders at the commencement of the meeting. The Chairman answers any questions from shareholders regarding voting by way of a poll. The poll results are published in accordance with the requirements of the Listing Rules.

Shareholders may at any time send their enquiries to the Board in writing through the Company Secretary to the Company's principal place of business in Hong Kong at 33/F., Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong. Shareholders may also make enquiries with the Board at the general meetings of the Company.

The Company has adopted in June 2012 a new set of Bye-laws consolidating all previous amendments and new amendments for the purpose of conforming with, inter alia, certain changes to the Listing Rules which became effective on 1st January, 2012. The new set of Bye-laws is available on the websites of the Stock Exchange and the Company.

CORPORATE GOVERNANCE ENHANCEMENT

Enhancing corporate governance is not simply a matter of applying and complying with the New CG Code of the Stock Exchange but about promoting and developing an ethical and healthy corporate culture. We will continue to review and, where appropriate, improve our current practices on the basis of our experience, regulatory changes and developments. Any views and suggestions from the shareholders to promote and improve our transparency are also welcome.

On behalf of the Board
Dong Ping
Chairman

Hong Kong, 27th March, 2013

The directors of the Company (the "Directors") present their report and the audited consolidated financial statements of the Company and its subsidiaries for the year ended 31st December, 2012.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries and jointly controlled entities and an associate are set out in notes 42 and 17 respectively to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December, 2012 are set out in the consolidated income statement on page 41.

The Directors do not recommend the payment of a dividend for the year ended 31st December, 2012 (2011: nil). Capital will be reserved for the expansion of the Group's business and to capture the investment opportunities arising from the tremendous growth in the cultural industry in China. The Board may consider to distribute dividend in the next financial year, depending on the Group's business performance and the market condition.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 16 to the consolidated financial statements.

SHARE CAPITAL

Details of movement in the share capital of the Company during the year are set out in note 28 to the consolidated financial statements.

CONVERTIBLE NOTES

Details of the convertible notes of the Company are set out in note 29 to the consolidated financial statements.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out on page 45 and in note 41(c) to the consolidated financial statements respectively.

DONATIONS

The Group made charitable donations of approximately HK$390,000 for the year ended 31st December, 2012.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 152.

DIRECTORS

The Directors of the Company during the year and up to the date of this report were:–

Executive Directors
Mr. Dong Ping *(Chairman)*
Mr. Ng Qing Hai
Mr. Zhao Chao

Non-Executive Director
Mr. Kong Muk Yin

Independent Non-Executive Directors
Mr. Chen Ching
Mr. Jin Hui Zhi
Mr. Li Chak Hung

In accordance with bye-law 87(2) of the Company's Bye-laws, Messrs. Ng Qing Hai, Zhao Chao and Li Chak Hung will retire from office by rotation at the forthcoming annual general meeting of the Company (the "AGM") and, being eligible, offer themselves for re-election.

The Directors' biographical details are set out on pages 15 and 16.

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES

As at 31st December, 2012, the interests and short positions of the Directors and the chief executives of the Company and their associates in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Hong Kong (the "SFO")) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:–

Long positions in the shares and underlying shares of the Company

	Number of ordinary shares/underlying shares held			
Name of Director	Interests in shares	Interests in underlying shares[2]	Total interests	Approximate percentage of issued shares[1]
Dong Ping	1,907,482,500[3]	14,100,000	1,921,582,500	24.82%
Zhao Chao	331,288,020[4]	8,910,000	340,198,020	4.39%
Kong Muk Yin	500,000[3]	3,000,000	3,500,000	0.05%
Chen Ching	–	1,050,000	1,050,000	0.01%
Jin Hui Zhi	–	1,050,000	1,050,000	0.01%
Li Chak Hung	–	1,050,000	1,050,000	0.01%

Notes:

1. The percentage of shareholding has been complied based on the total number of issued ordinary shares of the Company of 7,742,742,564 as at 31st December, 2012.

2. The relevant interests are share options (the "Share Options") granted pursuant to the Company's share option scheme adopted on 23rd May, 2002 (the "2002 Share Option Scheme"). Upon exercise of the Share Options in accordance with the 2002 Share Option Scheme, the shares in the capital of the Company are issuable.

3. This represents the interests held by the relevant Director as beneficial owner.

4. As at 31st December, 2012, Basic Charm Investment Limited, a wholly-owned subsidiary of Rainstone International Limited ("Rainstone"), held 331,288,020 ordinary shares of the Company. Mr. Zhao Chao maintained 100% beneficial interest in Rainstone. Accordingly, Mr. Zhao Chao was deemed to have corporate interest in 331,288,020 ordinary shares of the Company.

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES *(Continued)*

Details of the Share Options, duly granted to the Directors pursuant to the 2002 Share Option Scheme, which constitute interests in underlying ordinary shares of equity derivatives of the Company under the SFO are set out in the section headed "Share Options" of this report.

Save as disclosed above, as at 31st December, 2012, none of the Directors, chief executives of the Company nor their respective associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTIONS

At the annual general meeting of the Company held on 11th June, 2012, the shareholders of the Company approved the adoption of a new share option scheme (the "2012 Share Option Scheme"). No Share Options has been granted under the 2012 Share Option Scheme since its adoption. Details of the 2012 Share Option Scheme are set out in note 31 to the consolidated financial statements.

The 2002 Share Option Scheme expired on 23rd May, 2012. The Share Options granted under the 2002 Share Option Scheme prior to its expiry shall continue to be valid and exercisable in accordance with the provisions of the 2002 Share Option Scheme. Movement of the Share Options granted by the Company pursuant to the 2002 Share Option Scheme during the year ended 31st December, 2012 are as follows:–

				Number of Share Options		
Category		**Date of grant**	**Exercise price per share** *HK$*	**Outstanding as at 1st January, 2012**	**Exercised during the year**	**Outstanding as at 31st December, 2012**
1.	**Directors**					
	Dong Ping	04/05/2010	0.560	14,100,000	–	14,100,000
	Zhao Chao	04/05/2010	0.560	8,910,000	–	8,910,000
	Kong Muk Yin	04/05/2010	0.560	3,000,000	–	3,000,000
	Chen Ching	04/05/2010	0.560	1,050,000	–	1,050,000
	Jin Hui Zhi	04/05/2010	0.560	1,050,000	–	1,050,000
	Li Chak Hung	04/05/2010	0.560	1,050,000	–	1,050,000
2.	**Employees**	18/03/2010	0.475	82,250,000	–	82,250,000
		04/05/2010	0.560	7,200,000	–	7,200,000
3.	**Consultants**	18/03/2010	0.475	29,300,000	–	29,300,000
	Total:			147,910,000	–	147,910,000

SHARE OPTIONS *(Continued)*

Notes:

1. The Share Options are exercisable as follows:–

	Exercise criteria	Amount of Share Options that can be exercised
(i)	On completion of the continuous employment/service of the grantee with the Group for 1 year commencing from 23rd April, 2009 or the date of the relevant grantee's commencement of employment/service (whichever is the later)	Up to one-third of the Share Options granted
(ii)	On completion of the continuous employment/service of the grantee with the Group for 2 years commencing from 23rd April, 2009 or the date of the relevant grantee's commencement of employment/service (whichever is the later)	Up to two-thirds of the Share Options granted
(iii)	On completion of the continuous employment/service of the grantee with the Group for 3 years commencing from 23rd April, 2009 or the date of the relevant grantee's commencement of employment/service (whichever is the later)	Up to all of the Share Options granted

2. The period within which the Share Options must be exercised shall not be more than 10 years from the date of grant.

3. Employees are working under employment contracts that are regarded as "continuous contracts" for the purposes of the Employment Ordinance.

4. During the year, no Share Options were granted, exercised, cancelled or lapsed.

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "Share Options" above, at no time during the year was the Company, any of its holding companies, its subsidiaries or its fellow subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

During the year ended 31st December, 2012, the Company acquired the entire issued share capital of China Entertainment Media Group Limited ("CEMG") in which Mr. Dong Ping ("Mr. Dong"), the Chairman and an Executive Director of the Company, and Mr. Zhao Chao ("Mr. Zhao"), an Executive Director of the Company, held indirect interest respectively. The total consideration of the said acquisition was approximately HK$2,016.3 million and the said acquisition was completed on 31st January, 2012. Details of the said acquisition were disclosed in the circular of the Company dated 6th January, 2012.

Save as disclosed above, no contracts of significance to which the Company, any of its holding companies, its subsidiaries or its fellow subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' SERVICE CONTRACTS

No Directors being proposed for re-election at the forthcoming AGM has a service contract with the Company or any of its subsidiaries which is not determinable by the employing company within one year without payment of compensation (other than statutory compensation).

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales attributable to the Group's five largest customers accounted for approximately 36% and the largest customer accounted for approximately 13% of the Group's total turnover during the year.

The aggregate purchases attributable to the Group's five largest suppliers accounted for approximately 44% and the largest supplier accounted for approximately 35% of the Group's total purchases during the year.

None of the Directors, their associates, or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) has any interest in the Group's five largest customers and five largest suppliers.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 31st December, 2012, the following parties had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:–

Long positions in the shares and underlying shares of the Company

Name of Shareholder	Capacity in which interests are held	Number of ordinary shares/underlying shares held	Approximate percentage of issued shares[1]
Dong Ping	Beneficial owner[2&3]	1,921,582,500	24.82%
Shen Nanpeng	Held by controlled corporation[4]	1,008,150,000	13.02%
SNP China Enterprises Limited ("SNP China")	Held by controlled corporation[4]	1,008,150,000	13.02%
SC China Holding Limited ("SC China Holding")	Held by controlled corporation[4]	1,008,150,000	13.02%
SC China Growth 2010 Management, L.P. ("SC China Growth")	Held by controlled corporation[4]	1,008,150,000	13.02%

INTERESTS OF SUBSTANTIAL SHAREHOLDERS *(Continued)*

Long positions in the shares and underlying shares of the Company *(Continued)*

Name of Shareholder	Capacity in which interests are held	Number of ordinary shares/underlying shares held	Approximate percentage of issued shares[1]
Sequoia Capital China Growth 2010, L.P. ("SCCG")	Held by controlled corporation[4]	1,008,150,000	13.02%
Sequoia Capital 2010 CGF Holdco, Ltd. ("Sequoia")	Beneficial owner[4]	1,008,150,000	13.02%
Sequoia Capital China Advisors Limited ("SCCAL")	Investment Manager[4]	1,008,150,000	13.02%
Tencent Holdings Limited ("Tencent")	Held by controlled corporation[5]	619,400,000	8.00%
Wu Jiao	Held by controlled corporation[6] and beneficial owner[7]	444,697,500	5.74%
Time Zone Investments Limited ("Time Zone")	Beneficial owner[6]	439,587,500	5.68%
Chu Hoi Chun	Held by controlled corporation[8]	423,905,000	5.47%
Great Esteem Group Limited ("Great Esteem")	Beneficial owner[8]	423,905,000	5.47%

Notes:

1. The percentage of shareholding has been complied based on the total number of issued ordinary shares of the Company of 7,742,742,564 as at 31st December, 2012.

2. This represents the interest in 1,907,482,500 ordinary shares of the Company held by Mr. Dong as beneficial owner.

3. This represents the interest in 14,100,000 Share Options granted to Mr. Dong pursuant to the 2002 Share Option Scheme.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS *(Continued)*

Long positions in the shares and underlying shares of the Company *(Continued)*

4. This represents the interest in 1,008,150,000 ordinary shares of the Company held by Sequoia as beneficial owner. Sequoia was a non wholly-owned subsidiary of SCCG, whose general partner was SC China Growth. SC China Holding was the general partner of SC China Growth and SCCAL was the investment manager of SC China Growth. Both SC China Holding and SCCAL were wholly-owned by SNP China in which Mr. Shen Nanpeng maintained 100% beneficial interest. Accordingly, Mr. Shen Nanpeng, SNP China, SC China Holding, SC China Growth, SCCAL and SCCG were deemed to have the same interest held by Sequoia.

5. This represents the interest in 619,400,000 ordinary shares of the Company held by THL F Limited ("THL") as beneficial owner. Tencent maintained 100% beneficial interest in THL and was therefore deemed to have the same interest held by THL.

6. This represents the interests held by Time Zone as beneficial owner in 409,587,500 ordinary shares of the Company and HK$30,000,000 convertible note of the Company giving rise to an interest in 30,000,000 underlying shares of the Company. Ms. Wu Jiao maintained 100% beneficial interest in Time Zone and was therefore deemed to have the same interest held by Time Zone.

7. This represents the interest in 5,110,000 ordinary shares of the Company held by Ms. Wu Jiao as beneficial owner.

8. This represents the interest in 423,905,000 ordinary shares of the Company held by Great Esteem as beneficial owner. Ms. Chu Hoi Chun maintained 100% beneficial interest in Great Esteem and was therefore deemed to have the same interest held by Great Esteem.

Save as disclosed above, as at 31st December, 2012, there were no other parties who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

DIRECTORS' INTEREST IN COMPETING BUSINESSES

During the year ended 31st December, 2012, the Company acquired CEMG (a company with its principal business in the investment in, and the production and distribution of, films and television programmes and television advertising) in which Mr. Dong and Mr. Zhao held directorship and indirect interest respectively. The said acquisition was completed on 31st January, 2012. As the aforesaid competing businesses were operated and managed by independent management and administration before the completion of the said acquisition, the Group was therefore capable of carrying on its business independently of, and at the arm's length from, the aforesaid competing businesses.

Save as disclosed above, none of the Directors or their respective associates had any business or interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Bye-laws of the Company or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to the existing shareholders.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares during the year ended 31st December, 2012.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance code. Information on the corporate governance code adopted by the Company is set out in the Corporate Governance Report on pages 17 to 29.

PUBLIC FLOAT

As at the date of this report, the Company has maintained a sufficient public float as required under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of its Directors.

EVENTS AFTER THE REPORTING PERIOD

Details of significant events occurring after the reporting period are set out in note 40 to the consolidated financial statements.

AUDITOR

The consolidated financial statements for the year ended 31st December, 2012 were audited by Deloitte Touche Tohmatsu. A resolution to re-appoint Deloitte Touche Tohmatsu as auditor of the Company will be proposed at the forthcoming AGM.

On behalf of the Board
Dong Ping
Chairman

Hong Kong, 27th March, 2013

Deloitte.
德勤

TO THE MEMBERS OF CHINAVISION MEDIA GROUP LIMITED
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of ChinaVision Media Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 41 to 151, which comprise the consolidated statement of financial position as at 31st December, 2012, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

AUDITOR'S RESPONSIBILITY *(Continued)*

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31st December, 2012 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
27th March, 2013

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31ST DECEMBER, 2012

	Notes	2012 HK$'000	2011 HK$'000 (restated)
Revenue	8	**1,016,486**	288,353
Cost of sales and services		**(593,195)**	(261,068)
Gross profit		**423,291**	27,285
Other income	9	**31,789**	2,462
Other gains and losses, net	10	**65,841**	8,231
Distribution and selling expenses		**(132,167)**	(13,291)
Administrative expenses			
– share-based payment expenses		**(1,604)**	(45,337)
– other administrative expenses		**(168,696)**	(45,857)
		(170,300)	(91,194)
Other expenses		**–**	(3,983)
Finance costs			
– effective interest expense on convertible notes		**(25,983)**	–
– other finance costs		**(385)**	(4,119)
	11	**(26,368)**	(4,119)
Share of results of an associate		**(1,069)**	–
Profit (loss) before taxation		**191,017**	(74,609)
Taxation charge	13	**(10,937)**	(2,002)
Profit (loss) for the year	14	**180,080**	(76,611)
Profit (loss) for the year attributable to:			
Owners of the Company		**177,153**	(75,341)
Non-controlling interests		**2,927**	(1,270)
		180,080	(76,611)
		HK cents	HK cents
Earnings (loss) per share	15		
Basic		**2.36**	(1.49)
Diluted		**2.36**	(1.49)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31ST DECEMBER, 2012

	2012 HK$'000	2011 HK$'000 (restated)
Profit (loss) for the year	**180,080**	(76,611)
Other comprehensive income for the year:		
Exchange difference arising on translation to presentation currency	**14,071**	638
Total comprehensive income (expense) for the year	**194,151**	(75,973)
Total comprehensive income (expense) for the year attributable to:		
Owners of the Company	**190,882**	(74,868)
Non-controlling interests	**3,269**	(1,105)
	194,151	(75,973)

	Notes	**31st December, 2012 HK$'000**	31st December, 2011 HK$'000 (restated)	1st January, 2011 HK$'000 (restated)
Non-current assets				
Property, plant and equipment	16	**24,196**	1,711	32,708
Goodwill	18	**333,369**	–	–
Intangible assets	19	**456,416**	9,616	–
Club debenture	20	**2,836**	–	–
Art work	21	**164,307**	–	–
Deposits and prepayments	25	**67,468**	37,746	–
Deferred tax assets	30	**1,588**	–	–
		1,050,180	49,073	32,708
Current assets				
Inventories	22	**2,816**	–	–
Film rights	23	**169,296**	119,657	–
Investments held for trading	24	**21,569**	–	–
Trade and other receivables, deposits and prepayments	25	**664,401**	99,211	–
Amounts due from non-controlling interests	38	**4,538**	1,720	–
Amount due from a shareholder	38	**–**	24	–
Amounts due from related companies	37	**–**	3,122	–
Bank balances and cash	26	**192,838**	59,212	296
		1,055,458	282,946	296
Current liabilities				
Trade and other payables and accrued charges	27	**171,216**	87,562	–
Receipts in advance from customers		**84,504**	41,390	–
Amounts due to non-controlling interests	38	**760**	–	–
Amount due to a shareholder	38	**–**	31,803	–
Amounts due to related companies	37	**1,105**	–	–
Tax liabilities		**38,153**	4,541	–
Convertible notes	29	**333,069**	–	–
		628,807	165,296	–
Net current assets		**426,651**	117,650	296
Total assets less current liabilities		**1,476,831**	166,723	33,004

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31ST DECEMBER, 2012

	Notes	**31st December, 2012 HK$'000**	31st December, 2011 HK$'000 (restated)	1st January, 2011 HK$'000 (restated)
Capital and reserves				
Issued share capital	28	**1,935,686**	520,648	484,398
Reserves		**(618,946)**	(358,637)	(490,740)
Equity attributable to owners of the Company		**1,316,740**	162,011	(6,342)
Non-controlling interests		**34,807**	4,712	–
Total equity		**1,351,547**	166,723	(6,342)
Non-current liabilities				
Convertible notes	29	**21,244**	–	–
Deferred tax liabilities	30	**104,040**	–	–
Amount due to a shareholder		**–**	–	39,346
		125,284	–	39,346
		1,476,831	166,723	33,004

The consolidated financial statements on pages 41 to 151 were approved and authorised for issue by the Board of Directors on 27th March, 2013 and are signed on its behalf by:

Dong Ping
DIRECTOR

Zhao Chao
DIRECTOR

	Attributable to owners of the Company										
	Issued share capital HK$'000 (Note a)	Share premium HK$'000 (Note a)	Other reserve HK$'000 (Note b)	Shareholder's contribution reserve HK$'000	Translation reserve HK$'000	Convertible notes equity reserve HK$'000	Share option reserve HK$'000	(Accumulated losses) retained profits HK$'000 (Note c)	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1st January, 2011 (restated)	484,398	223,978	(708,376)	12,124	(132)	–	–	(18,334)	(6,342)	–	(6,342)
Loss for the year	–	–	–	–	–	–	–	(75,341)	(75,341)	(1,270)	(76,611)
Exchange difference arising on translation to presentation currency	–	–	–	–	473	–	–	–	473	165	638
Total comprehensive income (expense) for the year	–	–	–	–	473	–	–	(75,341)	(74,868)	(1,105)	(75,973)
Issue of shares for acquisition of subsidiaries in ChinaVision Group	5,000	2,500	(7,500)	–	–	–	–	–	–	–	–
Shares issued	31,250	18,750	(49,922)	–	–	–	–	–	78	–	78
Transaction costs attributable to issue of shares	–	(5)	5	–	–	–	–	–	–	–	–
Preferred shares of CEMG issued (Note d)	–	–	195,000	–	–	–	–	–	195,000	–	195,000
Capital contribution from a non-controlling interest of a subsidiary	–	–	–	–	–	–	–	–	–	4,682	4,682
Acquisition of subsidiaries (note 33)	–	–	–	2,806	–	–	–	–	2,806	1,135	3,941
Recognition of equity-settled share-based payments (note 31)	–	–	–	45,337	–	–	–	–	45,337	–	45,337
At 31st December, 2011 (restated)	520,648	245,223	(570,793)	60,267	341	–	–	(93,675)	162,011	4,712	166,723
Profit for the year	–	–	–	–	–	–	–	177,153	177,153	2,927	180,080
Exchange difference arising on translation to presentation currency	–	–	–	–	13,729	–	–	–	13,729	342	14,071
Total comprehensive income for the year	–	–	–	–	13,729	–	–	177,153	190,882	3,269	194,151
Amounts arising from the reverse acquisition:											
– deemed consideration (note 33)	1,260,188	403,260	(976,192)	–	–	3,971	23,280	–	714,507	–	714,507
– recognition of non-controlling interests (note 33)	–	–	–	–	–	–	–	–	–	26,826	26,826
Subscription of shares (note 28)	154,850	92,910	–	–	–	–	–	–	247,760	–	247,760
Transaction costs attributable to issue of shares	–	(24)	–	–	–	–	–	–	(24)	–	(24)
Recognition of equity-settled share-based payments (note 31)	–	–	–	–	–	–	1,604	–	1,604	–	1,604
At 31st December, 2012	1,935,686	741,369	(1,546,985)	60,267	14,070	3,971	24,884	83,478	1,316,740	34,807	1,351,547

Notes:

(a) Issued share capital and share premium represents the issued ordinary shares and share premium of the Company respectively.

(b) Other reserve at 1st January, 2012 and 1st January, 2011 represents the difference between (i) the aggregate of issued share capital and share premium of the Company, and (ii) the aggregate of ordinary shares, Preferred shares and share premium of CEMG as at respective dates. The amount of HK$976,192,000 arising during the year ended 31st December, 2012 represents the difference between the fair value of 5,040,750,000 ordinary shares of the Company issued for the Acquisition and the fair value of 2,082,592,564 ordinary shares of the Company in issue immediately prior to the Acquisition.

(c) Remittance outside the People's Republic of China (the "PRC") of retained profits of the subsidiaries established in the PRC is subject to approval of the local authorities and the availability of foreign currencies generated and retained by these subsidiaries.

(d) During the year ended 31st December, 2011, CEMG issued 20,000,000 Preferred shares at par value of United States Dollars ("US$") 0.0001 each and 50,000,000 Preferred shares at par value of US$0.00001 each to raise total fund of HK$195,000,000 as described in note 28.

Unless otherwise defined, capitalised terms used herein shall have the same meanings when used in the notes to the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31ST DECEMBER, 2012

	2012 HK$'000	2011 HK$'000 (restated)
OPERATING ACTIVITIES		
Profit (loss) before taxation	**191,017**	(74,609)
Adjustments for:		
Amortisation and depreciation	**15,053**	976
Other payables written off	**(8,365)**	–
Loss (gain) on disposal of property, plant and equipment	**6**	(8,378)
Finance costs	**26,368**	4,119
Unrealised gain on change in fair value of investments held for trading	**(9,546)**	–
Interest income from banks	**(659)**	(259)
Gain on disposal of subsidiaries	**(30,034)**	–
Share of results of an associate	**1,069**	–
Share-based payment expenses	**1,604**	45,337
Operating cash inflow (outflow) before movements in working capital	**186,513**	(32,814)
Change in inventories	**(651)**	–
Change in film rights	**(17,502)**	(117,063)
Change in trade and other receivables, deposits and prepayments	**(278,501)**	(132,321)
Change in investments held for trading	**1,563**	–
Change in trade and other payables and accrued charges	**(28,646)**	56,113
Change in receipts in advance from customers	**12,522**	38,911
Change in amounts due from non-controlling interests	**8,632**	(5,339)
Cash used in operations	**(116,070)**	(192,513)
Income tax paid	**(2,187)**	–
NET CASH USED IN OPERATING ACTIVITIES	**(118,257)**	(192,513)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31ST DECEMBER, 2012

	Notes	2012 HK$'000	2011 HK$'000 (restated)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(5,655)**	(1,435)
Addition to intangible assets		**(3,358)**	–
Purchase of art work		**(102,916)**	–
Deposits paid for acquisition of art work and property, plant and equipment		**(20,157)**	–
Repayment from a former subsidiary		**38,075**	–
Repayment from a third party		**22,167**	–
Repayment from related companies		**–**	24,974
Advance to a related company		**–**	(946)
Repayment from a joint venture partner		**27,297**	–
Advance to a joint venture partner		**(28,775)**	–
Advance to non-controlling interests		**(10,529)**	(1,711)
Repayment from a shareholder		**–**	4,713
Proceeds from disposal of property, plant and equipment		**38**	–
Acquisition of subsidiaries, net of cash and cash equivalent acquired	33	**74,535**	5,293
Proceeds from disposal of subsidiaries	34	**77,560**	–
Interest received		**659**	259
NET CASH FROM INVESTING ACTIVITIES		**68,941**	31,147
FINANCING ACTIVITIES			
Proceeds from issue of ordinary shares of CEMG		**–**	78
Proceeds from issue of Preferred shares of CEMG		**–**	195,000
Proceeds from issue of shares		**247,760**	–
Expenses on issue of shares		**(24)**	–
Repayments of borrowings		**(23,297)**	(9,450)
Interest paid		**(385)**	(211)
Repayment to a joint venture partner		**(5,407)**	–
Advance from related companies		**116,864**	–
Repayment to related companies		**(123,042)**	–
(Repayment to) advance from a shareholder		**(31,803)**	31,200
Capital contribution from non-controlling interests		**–**	4,682
NET CASH FROM FINANCING ACTIVITIES		**180,666**	221,299

	2012 HK$'000	2011 HK$'000 (restated)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**131,350**	59,933
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**59,212**	296
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**2,276**	(1,017)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash	**192,838**	59,212

1. GENERAL

ChinaVision Media Group Limited (the "Company") is a public limited company incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as primary listing and The Singapore Exchange Securities Trading Limited as secondary listing. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section to the annual report.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 42.

The consolidated financial statements are presented in Hong Kong dollars ("HK$") which is different from the functional currency of the Company, Renminbi ("RMB"), as the directors of the Company consider that Hong Kong dollars is the most appropriate presentation currency in view of its place of first listing, which is Hong Kong.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

On 21st October, 2011, the Company entered into a sale and purchase agreement with Sequoia Capital 2010 CGF Holdco, Ltd. ("Sequoia"), Brilliant Mark Limited ("Brilliant Mark") and World Charm Holdings Limited ("World Charm") (collectively referred to as the "Target's Shareholders") pursuant to which the Company conditionally agreed to acquire the entire issued share capital of China Entertainment Media Group Limited ("CEMG") for a total consideration of approximately HK$2,016,300,000 (the "Acquisition"). The Acquisition was completed on 31st January, 2012. The consideration for the Acquisition was satisfied by the issuance of 5,040,750,000 new ordinary shares of the Company of HK$0.25 each (details are set out in note 28).

Upon the completion of the Acquisition, the Target's Shareholders of CEMG (together with its subsidiaries collectively referred to as the "CEMG Group") received 5,040,750,000 ordinary shares of the Company, representing 70.8% of the enlarged issued share capital of the Company. As a result, the Target's Shareholders of CEMG received and owned the largest portion of the voting rights of the Company.

Under Hong Kong Financial Reporting Standard 3 (Revised) "Business Combinations" ("HKFRS 3"), the Acquisition is accounted for as a reverse acquisition. For accounting purposes, CEMG is the accounting acquirer and the Company (the accounting acquiree) is deemed to have been acquired by CEMG. In applying the purchase method of accounting to effect the "reverse acquisition", the goodwill as of the acquisition date is measured as the excess of the deemed cost of the business combination (deemed consideration) over the fair value of the identifiable assets and liabilities of the Company and its subsidiaries (collectively referred to as the "ChinaVision Group") immediately prior to the Acquisition.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

The consolidated financial statements of the CEMG Group and the ChinaVision Group (collectively referred to as the "Group") have been prepared as a continuation of the consolidated financial statements of the CEMG Group, with adjustments to the equity structure of the Company to reflect the fair value of the Company's shares issued for the Acquisition. Comparative information presented in the consolidated financial statements have been restated to present those of the CEMG Group but adjusted to reflect the legal capital of the Company. Details of the deemed cost of the reverse acquisition and the fair values of assets and liabilities of the ChinaVision Group under the reverse acquisition are set out in note 33.

CEMG was incorporated and registered in the Cayman Islands with limited liability on 4th January, 2011. Prior to the group reorganisation completed on 4th January, 2011 (the "CEMG Group Reorganisation"), Mr. Dong Ping ("Mr. Dong") directly owned the entire interest in Orient Ventures Limited. On 4th January, 2011, Mr. Dong transferred his interest in Orient Ventures Limited to CEMG, in return CEMG issued shares to the companies in which Mr. Dong owned the entire equity interest. The CEMG Group Reorganisation completed on 4th January, 2011 was to intersperse CEMG and certain existing companies controlled by Mr. Dong between Orient Ventures Limited and Mr. Dong. The consolidated financial statements of the CEMG Group for the comparative year ended 31st December, 2011 have been prepared as if the CEMG group structure had been in existence since the respective dates of incorporation or establishment of the companies comprising the CEMG Group, except that 北京中聯華盟文化傳媒投資有限公司 (in English, Beijing Asian Union Culture and Media Investments, Ltd ("Asian Union")), Vision Ventures Media Limited ("Vision Ventures"), 北京中聯華億山和水影視文化有限公司 (in English, Beijing Zhong Lian Hua Yi Shan He Shui Film and Culture, Ltd ("Zhong Lian Hua Yi Shan He Shui")) and 北京鵬安盛世廣告有限公司 (in English, Beijing Peng An Sheng Shi Advertising, Ltd ("Peng An Sheng Shi")) have been consolidated since their respective acquisition dates.

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

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Amendments to HKAS 1	As part of the annual improvements to HKFRSs 2009 – 2011 cycle issued in 2012
Amendments to HKAS 12	Deferred tax: Recovery of underlying assets
Amendments to HKFRS 7	Financial instruments: Disclosures – Transfers of financial assets

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or disclosures set out in these consolidated financial statements.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

Amendments to HKAS 1 Presentation of financial statements (as part of the annual improvements to HKFRSs 2009-2011 cycle issued in June 2012)

Various amendments to HKFRSs were issued in June 2012, the title of which is annual improvements to HKFRSs (2009 – 2011 Cycle). The effective date of these amendments is annual periods beginning on or after 1st January, 2013.

In the current year, the Group has applied for the first time the amendments to HKAS 1 in advance of the effective date (annual periods beginning on or after 1st January, 2013).

HKAS 1 requires an entity that changes accounting policies retrospectively, or makes a retrospective restatement or reclassification to present a statement of financial position as at the beginning of the preceding period (third statement of financial position). The amendments to HKAS 1 clarify that an entity is required to present a third statement of financial position only when the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position and that related notes are not required to accompany the third statement of financial position. As mentioned in note 2, the consolidated financial statements of the Group have been prepared as a continuation of the consolidated financial statements of the CEMG Group. Accordingly, the third statement of financial position of the CEMG Group was presented for the retrospective restatement while related notes are not required.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRSs	Annual improvements to HKFRSs 2009 – 2011 cycle, except for the amendments HKAS 1[1]
Amendments to HKFRS 7	Disclosures – Offsetting financial assets and financial liabilities[1]
Amendments to HKFRS 9 and HKFRS 7	Mandatory effective date of HKFRS 9 and transition disclosures[3]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities[2]
HKFRS 9	Financial instruments[3]
HKFRS 10	Consolidated financial statements[1]
HKFRS 11	Joint arrangements[1]
HKFRS 12	Disclosure of interests in other entities[1]
HKFRS 13	Fair value measurement[1]
HKAS 19 (as revised in 2011)	Employee benefits[1]
HKAS 27 (as revised in 2011)	Separate financial statements[1]
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures[1]

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

Amendments to HKAS 1 Presentation of financial statements (as part of the annual improvements to HKFRSs 2009-2011 cycle issued in June 2012) *(Continued)*

Amendments to HKAS 1	Presentation of items of other comprehensive income[4]
Amendments to HKAS 32	Offsetting financial assets and financial liabilities[2]
HK(IFRIC) – INT 20	Stripping costs in the production phase of a surface mine[1]

[1] Effective for annual periods beginning on or after 1st January, 2013.
[2] Effective for annual periods beginning on or after 1st January, 2014.
[3] Effective for annual periods beginning on or after 1st January, 2015.
[4] Effective for annual periods beginning on or after 1st July, 2012.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2011 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 "Financial instruments: Recognition and measurement" to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

HKFRS 9 Financial Instruments *(Continued)*

HKFRS 9 is effective for annual periods beginning on or after 1st January, 2015, with earlier application permitted.

The directors anticipate that the adoption of HKFRS 9 in the future may have significant impact on amounts reported in respect of the Group's financial assets. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

New and revised standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 "Consolidated and separate financial statements" that deal with consolidated financial statements. HK(SIC) – INT 12 "Consolidation – Special purpose entities" will be withdrawn upon the effective dates of HKFRS 10. Under HKFRS 10, there is only one basis for consolidation, that is, control. In addition, HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 "Interests in joint ventures". HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. HK(SIC) – INT 13"Jointly controlled entities – Non-monetary contributions by venturers" will be withdrawn upon the effective date of HKFRS 11. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate consolidation.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New and revised standards on consolidation, joint arrangements, associates and disclosures *(Continued)*

In July 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these five HKFRSs for the first time.

These five standards, together with the amendments relating to the transitional guidance, are effective for annual periods beginning on or after 1st January, 2013 with earlier application permitted provided that all of these standards are applied at the same time.

HKFRS 10 has more guidance to explain when an investor has control over an investee. After assessment of the adoption of HKFRS 10, the directors of the Company anticipate that no additional investees ought to be consolidated and no investees which were previously consolidated ought to be deconsolidated in accordance with the new definition of control under HKFRS 10. Accordingly, the application of HKFRS 10 will not have material impact on the consolidated financial statements.

The application of HKFRS 11 will change the classification and subsequent accounting of the Group's jointly controlled entities. For example, under HKAS 31, the Group's jointly controlled entities that are disclosed in note 17 have been accounted for using proportionate consolidation method. Under HKFRS 11, the Group's jointly controlled entities which are classified as joint ventures will be accounted for using the equity method, resulting in the aggregation of the Group's proportionate share of those jointly controlled entities' respective net assets and items of profit or loss and other comprehensive income into a single line item which will be presented in the consolidated statement of financial position and in the consolidated income statement as 'investment in joint ventures' and 'share of results of joint ventures' respectively. The summarised financial information in respect of the Group's jointly controlled entities are disclosed in note 17.

HKFRS 13 Fair Value Measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 "Financial instruments: Disclosures" will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

HKFRS 13 Fair Value Measurement *(Continued)*

HKFRS 13 is effective for annual periods beginning on or after 1st January, 2013, with earlier application permitted. HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1st January, 2013 and the application of this new standard may affect the amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

Amendments to HKAS 1 Presentation of items of other comprehensive income

The amendments to HKAS 1 "Presentation of items of other comprehensive income" introduce new terminology for the consolidated statement of comprehensive income and income statement. Under the amendments to HKAS 1, a 'consolidated statement of comprehensive income' is renamed as a 'consolidated statement of profit or loss and other comprehensive income' and a 'consolidated income statement' is renamed as a 'consolidated statement of profit or loss'. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

The amendments to HKAS 1 are effective for the Group for annual periods beginning on 1st January, 2013. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in future accounting periods.

The directors of the Company anticipate that the application of the other new and revised HKFRSs will have no material impact on the consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared under the historical cost basis except for certain financial instruments which are measured at fair values and those as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The principal accounting policies are set out below.

(A) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(A) Basis of consolidation *(Continued)*

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognised as a gain or loss in profit or loss attributable to the Group. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to (accumulated losses) retained profits as specified by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 "Financial instruments: Recognition and measurement" or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

(B) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(B) Business combinations *(Continued)*

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income taxes" and HKAS 19 "Employee benefits" respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 "Share-based payment" at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current assets held for sale and discontinued operations" are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another standard.

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(B) Business combinations *(Continued)*

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 "Provisions, contingent liabilities and contingent assets", as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised at that date.

(C) Goodwill

Goodwill arising on an acquisition of a business or a jointly controlled entity (which is accounted for using proportionate consolidation) is carried at cost less any accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently whenever there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(C) Goodwill *(Continued)*

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

(D) Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of an associate used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, investments in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates.

Upon disposal of an associate that results in the Group losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with HKAS 39. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over that associate.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group' consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(E) Jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The Group recognises its interests in jointly controlled entities using proportionate consolidation. The Group's share of each of the assets, liabilities, income and expenses of the jointly controlled entities are combined with the Group's similar line items, line by line, in the consolidated financial statements.

The financial statements of jointly controlled entities used for proportionate consolidation purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities and of a jointly controlled entity recognised at the date of acquisition is recognised as goodwill.

Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

When a group entity transacts with its jointly controlled entity, profits and losses resulting from the transactions with the jointly controlled entity are recognised in the Group' consolidated financial statements only to the extent of interests in the jointly controlled entity that are not related to the Group.

(F) Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(F) Intangible assets *(Continued)*

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

(G) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from the production and distribution of film rights is recognised when (i) the production of films, television programmes and television drama series are completed; (ii) the Group's entitlement to such payments has been established which is upon the delivery of the master copy or materials to the customers, and; (iii) the collectability of proceeds is reasonably assured.

Revenue from sales of television advertising ("TV advertising") air-times is recognised when the advertisements are broadcasted.

Revenue from sales of advertisement spaces on newspapers and magazines is recognised when the advertisements are published.

Revenue from mobile value-added services is recognised upon the provision of personalised information to application supplies and provision of entertainment services to mobile handset users in the PRC.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(G) Revenue recognition *(Continued)*

Revenue from newspapers and magazines distribution is recognised based on the date of publication of the newspapers and magazines.

Mobile television ("mobile TV") subscription income is recognised upon the provision of mobile TV content to mobile handset users in the PRC.

Revenue from television ("TV") technology services is recognised upon the provision of TV programmes packaging services.

Dividend income from investments is recognised when the Group's rights to receive payment have been established.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

(H) Property, plant and equipment

Property, plant and equipment including leasehold land (classified as finance leases) and buildings held for use in the production or supply of goods or services, or for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(I) Club debenture

Club debenture is stated at cost less any identified impairment loss.

(J) Art work

Art work is stated at cost less any identified impairment loss.

(K) Impairment losses on tangible and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(L) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risk and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

(M) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(N) Film rights

Film rights represent films, television programmes and television drama series ("films" or singularly, "film") produced by the Group or acquired by the Group.

Film rights are stated at cost less any identified impairment loss. The costs of film rights are recognised as an expense in the consolidated income statement based on the proportion of actual income earned from a film during the year to the total estimated income from the distribution of film rights for that film.

(O) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit (loss) before taxation" as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(O) Taxation *(Continued)*

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax is also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

(P) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised as and included in finance costs in profit or loss in the period in which they are incurred.

(Q) Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(Q) Foreign currencies *(Continued)*

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period, except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations and of the Group's entities with the same functional currency of the Company (i.e. RMB) are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of each reporting period. Income and expenses are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve, and will be transferred directly to retained profits upon derecognition of those Group's entities. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve and will be reclassified from equity to profit or loss on disposal of the foreign operation.

Goodwill and fair value adjustments on identifiable assets acquired on an acquisition of a foreign operation on or after 1st January, 2005 are treated as assets and liabilities of that foreign operation and retranslated at the rate of exchange prevailing at the end of the reporting period. Exchange differences arising are recognised in equity under the heading of translation reserve.

(R) Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in the profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants related to subsidy income from government and refund of business tax from tax authorities that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in the profit or loss in the period in which they become receivable.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(S) Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

(T) Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the profit or loss.

(i) Financial assets

The Group's financial assets are classified into one of the two categories, including investments held for trading and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(T) Financial instruments *(Continued)*

(i) Financial assets (Continued)

Investments held for trading

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets classified as investments held for trading are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned in the financial assets and is included in the 'other gains and losses, net' line item in the consolidated income statement.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables and deposits, amounts due from non-controlling interests, a shareholder and related companies, and bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets is below).

(ii) Impairment of financial assets

Financial assets, other than investments held for trading, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the financial assets have been affected.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(T) Financial instruments *(Continued)*

(ii) ***Impairment of financial assets*** *(Continued)*

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised in the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount is reduced by the impairment loss directly for all loans and receivables with the exception of trade and other receivables and deposits, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in the profit or loss. When trade and other receivables and deposits are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(T) Financial instruments *(Continued)*

(iii) Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Other financial liabilities

Other financial liabilities including trade and other payables and accrued charges and amounts due to non-controlling interests, a shareholder and related companies are subsequently measured at amortised cost, using the effective interest method.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(T) Financial instruments *(Continued)*

(iii) Financial liabilities and equity instruments (Continued)

Convertible notes which contain liability and equity components, and early redemption option

Convertible notes issued by the Company that contain liability (together with the early redemption option which is closely related to the host liability component) and conversion option components are classified separately into respective items on initial recognition in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

On the date of the Acquisition, the fair value of the liability component is determined using the prevailing market interest rate of similar non-convertible debts and the fair value of the conversion option for the note holders to convert the bonds into equity which is included in equity (convertible notes equity reserve) is determined using the Binomial Model.

In subsequent periods, the liability component of the convertible notes is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in convertible notes equity reserve until the conversion option is exercised (in which case the balance stated in convertible notes equity reserve will be transferred to share premium). Where the conversion option remains unexercised at the expiry date, the balance stated in convertible notes equity reserve will be released to (accumulated losses) retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible loan notes are allocated to the liability and equity components in proportion to the relative fair value. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible notes using the effective interest method.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(T) Financial instruments *(Continued)*

(iv) Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligation are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

(U) Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees

The fair value of services received determined by reference to the fair value of share options granted at the date of the Acquisition is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share option reserve.

When the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to (accumulated losses) retained profits.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(U) Share-based payment transactions *(Continued)*

Equity-settled share-based payment transactions *(Continued)*

Share options and shares granted to consultants

Share options and shares issued in exchange for goods or services are measured at the fair values of the goods or services received, unless that fair value cannot be reliably measured, in which case the goods or services received are measured by reference to the fair value of the share options granted and the shares of the shareholders of CEMG granted. The fair values of the goods or services received are recognised as expenses, with a corresponding increase in equity (share option reserve or shareholder's contribution reserve), when the Group and the CEMG group obtains the goods or when the counterparties render services, unless the goods or services qualify for recognition as assets.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following is the critical judgement, apart from those involving estimations (see below), that the directors have made in the process of applying the Group's accounting policies and that has the most significant effect on the amounts recognised in the consolidated financial statements.

Reverse acquisition under HKFRS 3

The Acquisition was accounted for as a reverse acquisition under HKFRS 3 "Business combination", which for the purposes of accounting, CEMG is the accounting acquirer and the Company (the accounting acquiree) is deemed to have been acquired by CEMG. This accounting treatment is applied because pursuant to paragraph B15(a) of HKFRS 3, for a business combination effected by exchanging equity interests, an acquisition is considered to be a "reverse acquisition" if the shareholders of CEMG as a group will become the largest shareholder or hold the largest portion of the voting rights of the combined entity after the business combination.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Critical judgements in applying accounting policies *(Continued)*

Reverse acquisition under HKFRS 3 *(Continued)*

Although the phrase "shareholders of CEMG as a group" is not specifically defined in HKFRS 3, in the context of HKFRS 3, "shareholders of CEMG as a group" refers to the Target's Shareholders who received the consideration shares for the Acquisition, irrespective of whether these shareholders are an organised group of owners. The Target's Shareholders obtained shares of the Company representing 70.8% of the enlarged share capital of the Company after the Acquisition and thereby, as a group, hold the largest portion of the voting rights of Company. Based on the above analysis, the directors consider that the Acquisition should be treated as a reverse acquisition for accounting purposes as the Target's Shareholders has received and owned the largest portion of the voting rights of the Company after the Acquisition.

Goodwill as of the acquisition date was measured as the excess of the deemed cost of the business combination (deemed consideration) over the fair value of the identifiable assets and liabilities of the ChinaVision Group immediately prior to the Acquisition.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Cost of film rights recognised as an expense

The cost of film rights are recognised as an expense in the consolidated income statement based on the proportion of actual income earned during the year to the total estimated income from the distribution of film rights. The estimated income is budgeted by the management of the Group with reference to the income from previous film rights sold in the past.

During the year ended 31st December, 2012, the cost of film rights recognised as an expense included in cost of sales and services is approximately HK$197,010,000 (2011: HK$22,684,000).

Estimated impairment of film rights

At the end of the reporting period, the management of the Group assesses the impairment on film rights with reference to its recoverable amount. The assessment was made on a film-by-film basis. The recoverable amount of the film rights was determined based on the present value of the expected future revenue generated from the film less future cost of sales. The cash flow forecast calculation requires the management to estimate the future revenue expected to arise. If the recoverable amount is lower than the carrying amount, the carrying amount of the film rights will be written down to its recoverable amount. As at 31st December, 2012, the carrying amount of the film rights was approximately HK$169,296,000 (2011: HK$119,657,000). Details of the film rights are disclosed in note 23.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty *(Continued)*

Allowances for bad and doubtful debts

The policy of allowance for bad and doubtful debts of the Group is based on the evaluation of collectability and aged analysis of accounts and on management's judgment. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

Deferred taxation

At 31st December, 2012, the Group had unused tax losses of approximately HK$186,989,000 (2011: HK$23,450,000) available for offset against future profits. No deferred tax asset in relation to these unused tax losses has been recognised in the consolidated statement of financial position due to uncertainty of future profit streams. In cases where there are future profits generated to utilise the tax losses, a material deferred tax assets may arise, which would be recognised in the profit or loss for the period in which such future profits are recorded.

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. As at 31st December, 2012, the carrying amount of goodwill was HK$333,369,000 (2011: nil). Details of the recoverable amount calculation are disclosed in note 18.

Estimated useful life of intangible assets and impairment of intangible assets

The estimated useful life of intangible assets, being mobile game and eBook publication, is based on the management's best estimate of the expected useful life of these intangible assets according to its understanding of media related businesses. If there is any change on the management's estimation, indication of impairment of intangible assets may arise.

The Group determines whether intangible assets with indefinite life, being film and television programme production and distribution licenses and newspaper advertising and distribution rights, are impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the respective asset is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. As at 31st December, 2012, the carrying amount of these intangible assets was approximately HK$454,125,000 (2011: HK$9,616,000). Details of the recoverable amount calculation are disclosed in note 18.

6. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure the entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from the prior year.

The capital structure of the Group consists of debt, which includes amount due to a shareholder and convertible notes disclosed in notes 38 and 29 respectively and equity attributable to owners of the Company, comprising issued share capital and reserves. The directors of the Company review the capital structure on an annual basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

7. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2012 **HK$'000**	2011 HK$'000 (restated)
Financial assets		
Investments held for trading	**21,569**	–
Loans and receivables (including cash and cash equivalents)	**812,671**	156,654
Financial liabilities		
Amortised cost	**476,257**	107,425

Financial risk management objectives and policies

The Group's major financial instruments include investments held for trading, trade and other receivables and deposits, amounts due from non-controlling interests, a shareholder and related companies, bank balances and cash, trade and other payables and accrued charges, amounts due to non-controlling interests, a shareholder and related companies and convertible notes. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

7. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Market risks

Interest rate risk

The Group's fair value interest rate risk relates primarily to amount due to a shareholder (see note 38 for details). The Group has not used any derivative contracts to hedge these exposure to interest rate risk.

The Group's cash flow interest rate risk primarily relates to variable-rate bank balances (see note 26 for details). The management considers the Group's exposure to future cash flow interest rate risk is minimal taking into account the minimal fluctuation on market interest rate. Accordingly, no sensitivity analysis is presented.

Foreign currency risk

The Group collects most of its revenue in RMB and incurs most of the expenditures as well as capital expenditures in RMB, while the Group still have certain foreign currency denominated monetary assets and liabilities, which expose the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

As at end of the reporting period, the carrying amounts of the Group's monetary assets and liabilities that are denominated in currency other than functional currencies of the respective group entities are as follows:

	HK$		**US$**	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
		(restated)		(restated)
Other receivables	**–**	–	**77,560**	–
Bank balances	**10,603**	1,413	**159**	132
Other payables	**3,369**	4,287	**–**	7,099
Amount due to a shareholder	**–**	–	**–**	31,803

7. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Market risks *(Continued)*

Foreign currency risk *(Continued)*

Sensitivity analysis

The following table details the Group's sensitivity to a 5% (2011: 5%) increase and decrease in the functional currency of the respective group entities against the relevant foreign currencies and all other variables were held constant as at 31st December, 2012 and 2011. 5% (2011: 5%) is the sensitivity rate used which represents management's assessment of the reasonable possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% (2011: 5%) change in foreign currency rates. The negative numbers below indicate decrease in post-tax profit for the year ended 31st December, 2012 where the functional currency of the respective group entities strengthens 5% against the relevant foreign currencies. The positive numbers below indicate decrease in post-tax loss for the year ended 31st December, 2011 where the functional currency of the respective group entities strengthens 5% against the relevant foreign currencies. For a 5% (2011: 5%) weakening of the functional currency of the respective group entities against the relevant foreign currencies, there would be an equal and opposite impact on the result for the year.

	HK$		**US$**	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
		(restated)		(restated)
Profit or loss	**(302)**	120	**(3,245)**	1,619

Equity price risk on investments held for trading

The Group is exposed to equity price risk through its investments held for trading as at 31st December, 2012. The Group's investments held for trading has concentration of price risk on certain equity stock traded in Hong Kong stock market. Management manage this exposure by regularly reviewing the performance of these investments and market conditions. Management will consider diversifying the portfolio of equity investments as they consider appropriate.

7. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Market risks *(Continued)*

Equity price risk on investments held for trading *(Continued)*

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date.

If the prices of the respective equity instruments had been 10% higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31st December, 2012 would have increased/decreased by approximately HK$1,801,000 as a result of the changes in fair value of investments held for trading.

Credit risk

The Group's credit risk is primarily attributable to trade and other receivables, amounts due from related companies and bank balances.

The Group's maximum exposure to credit risk which will cause a financial loss to the Group in the event of the counterparties' failure to perform their obligations as at 31st December, 2012 and 2011 is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise credit risk, management has delegated a team to be responsible for the determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the management reviews the recoverable amount of each individual debt receivables regularly to ensure that adequate impairment losses are recognised for irrecoverable debts. In this regard, management considers that the Group's credit risk is significantly reduced.

As at 31st December, 2012, the Group had significant concentration of credit risk on several long-aged debtors from production and distribution of film rights segment, refundable deposit in relation to acquisition of an investee, amount receivable from a former subsidiary, deferred consideration for disposal of subsidiaries and amount due from a joint venture partner amounted to HK$13,910,000, HK$29,851,000, HK$41,659,000, HK$77,560,000 and HK$22,014,000 respectively. The Group has taken the following procedures to minimise the credit risks described above.

7. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk *(Continued)*

The Group exercises continuous monitoring procedures and ensures that follow-up actions are taken to ensure settlement of the debtors. For trade debtors from production and distribution of film rights segment aged over 365 days, around 50% of such balances due had been settled subsequently. The remaining of these trade debtors are large PRC television stations which were set up by the local government in each of the respective provinces in the PRC. Based on the settlement history of these debtors, it usually takes approximately 1 to 2 years to settle the receivables due from them and no dispute on these receivables was noted in the past, which is the practice for those PRC television stations.

For the refundable deposit in relation to the acquisition of an investee, the directors of the Group closely monitor the refund process of Shanghai United Assets and Equity Exchange ("SUAEE") and review the financial position of the third party whom the deposit was entrusted to ensure the refundable deposit is recoverable.

Regarding the amount receivable from a former subsidiary, approximately HK$18,000,000 of the balance due had been settled subsequently and the remaining balance was aged within 30 days as at 31st December, 2012. Having considered the remaining unsettled amount is still current and continuous settlement throughout the year, the directors of the Group consider such amount is recoverable.

Besides, deferred consideration for disposal of subsidiaries which is only due on 31st March, 2013 has been settled subsequent to the year ended 31st December, 2012.

For the amount due from a joint venture partner, there are continuous settlements from the joint venture partner during the year and subsequent to the end of the reporting period. In the opinion of the directors of the Company, the credit risk was significantly reduced.

The Group has concentration of credit risk as 25% (2011: 56%) and 57% (2011: 96%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively within the production and distribution of film rights and TV advertising segments. The Group's concentration of credit risk by geographical location is in the PRC, which accounts for all of the trade receivables as at 31st December, 2012 and 2011.

As at 31st December, 2011, the CEMG Group also had significant concentration of credit risk on amounts due from related companies. As such balances were settled subsequently, the directors of CEMG considered that the credit risk was low.

The Group's bank balances are balances deposited in those banks with good reputation in Hong Kong and the PRC. Accordingly, the credit risk on liquid funds is limited.

Other than the above, there is no significant concentration of credit risk on trade and other receivables as the exposure spread over a number of counterparties and customers in both years.

7. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Liquidity risk

In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition to issuance of new shares, the Group also relies on convertible notes as a significant source of liquidity for the year ended 31st December, 2012.

The following table details the Group's contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

Liquidity and interest risk tables

	Weighted average effective interest rate	Repayable on demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Total undiscounted cash flows	Carrying amount at 31.12.2012
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2012								
Non-derivative financial liabilities								
Trade and other payables and accrued charges	–	2,685	71,444	35,068	10,882	–	120,079	120,079
Amounts due to non-controlling interests	–	760	–	–	–	–	760	760
Amounts due to related companies	–	1,105	–	–	–	–	1,105	1,105
Convertible notes	10.09	–	–	–	350,000	30,000	380,000	354,313
		4,550	71,444	35,068	360,882	30,000	501,944	476,257

7. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

Liquidity and interest risk tables *(Continued)*

	Weighted average effective interest rate	Repayable on demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Total undiscounted cash flows	Carrying amount at 31.12.2011
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2011 (restated)								
Non-derivative financial liabilities								
Trade and other payables and accrued charges	–	7,578	29,681	11,576	26,787	–	75,622	75,622
Amount due to a shareholder	15	–	–	32,201	–	–	32,201	31,803
		7,578	29,681	43,777	26,787	–	107,823	107,425

Fair values

The fair value of financial assets and financial liabilities are determined as follows:

- the fair values of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices; and

- the fair values of other financial assets and liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors consider that the carrying values of financial assets and financial liabilities recorded at amortised cost in the consolidated statement of financial position approximate their corresponding fair values.

7. FINANCIAL INSTRUMENTS *(Continued)*

Fair values *(Continued)*

Fair value measurements recognised in the statement of financial position

The financial instruments that are measured subsequent to initial recognition at fair value are grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value measurement of investments held for trading is grouped into Level 1 based on the degree to which the fair value is observable.

8. REVENUE AND SEGMENT INFORMATION

Revenue represents the fair value of amounts received and receivable for goods sold or services rendered by the Group to outside customers, less discount and related taxes for the year, and is analysed as follows:

	2012 **HK$'000**	2011 HK$'000 (restated)
Production and distribution of film rights	**415,936**	46,757
TV advertising income	**287,134**	241,596
Income from mobile value-added services	**13,449**	–
Mobile TV subscription income	**14,442**	–
Income from newspaper distribution	**24,582**	–
Income from sale of advertisement spaces on newspaper	**179,559**	–
Income from magazine distribution	**3,368**	–
Income from sales of advertisement spaces on magazine	**35,056**	–
Others (Note)	**42,960**	–
	1,016,486	288,353

8. REVENUE AND SEGMENT INFORMATION *(Continued)*

Note: Amount included revenue from distribution of newspapers and magazines other than Beijing Times and FIGARO of HK$1,573,000, TV programme packaging services of HK$32,902,000, mobile game subscription of HK$1,482,000, sales of bottled water of HK$1,943,000, other agency services income of HK$2,637,000 and revenue from other business divisions of HK$2,423,000 for the year ended 31st December, 2012.

The CEMG Group is principally engaged in the production and distribution of film rights and TV advertising, while the ChinaVision Group is principally engaged in the operations set out in the segments (i), (iii) to (vii) below. Upon the completion of the Acquisition, the segments (iii) to (vii) below constitute new operating segments of the Group for the current year. Prior to 31st January, 2012, the chief operation decision maker ("CODM") of the CEMG Group comprised of the board of directors of CEMG. Upon completion of the Acquisition, CODM changed to the board of directors of the Company, including executive directors, non-executive directors as well as independent non-executive directors of the Company. The Group's operating segments, determined based on information reported to the CODM, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided, include the following:

(i)	Production and distribution of film rights	–	production and distribution of film rights over films, television programmes and television drama series
(ii)	TV advertising	–	sale of TV advertising air-times in the PRC
(iii)	Mobile value-added services	–	provision of personalised information and entertainment services to mobile handset users in the PRC
(iv)	Mobile TV subscription	–	development and distribution of mobile television in the PRC
(v)	Newspaper advertising and newspaper distribution	–	distribution of newspapers, Beijing Times, and sale of advertisements spaces in Beijing Times in the PRC
(vi)	Magazine advertising and magazine distribution	–	distribution of fashion magazine, FIGARO, and sale of advertisements spaces in FIGARO in the PRC
(vii)	Securities trading and investments	–	trading of securities in Hong Kong investments

The segments under (iv) and (v) above are operated through jointly controlled entities. For details, please refer to note 17.

In addition to the operating segments described above, each of which constitute separate reportable segments, the Group has other operating segments which include distribution of newspapers and magazines other than Beijing Times and FIGARO, TV programme packaging services, mobile game subscription, sales of bottled water, provision of other agency services and others in the PRC. None of these operating segments meet any of the quantitative thresholds for determining reportable segments. Accordingly, all of these operating segments are grouped as "all other segments".

8. REVENUE AND SEGMENT INFORMATION *(Continued)*

(1) Segment revenue and results

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

	Production and distribution of film rights HK$'000	TV advertising HK$'000	Mobile value-added services HK$'000	Mobile TV subscription HK$'000	Newspaper advertising and newspaper distribution HK$'000	Magazine advertising and magazine distribution HK$'000	Securities trading and investments HK$'000	Reportable segments' total HK$'000	All other segments HK$'000	Consolidated HK$'000
For the year ended 31st, December, 2012										
Segment revenue	415,936	287,134	13,449	14,442	204,141	38,424	–	973,526	42,960	1,016,486
Segment results	162,277	25,930	7,144	7,591	23,591	(21,291)	29,126	234,368	984	235,352
Unallocated interest income, other income and other gains and losses, net										9,482
Gain on disposal of subsidiaries										30,034
Corporate administrative expenses										(54,810)
Share-based payment expenses										(1,604)
Finance costs										(26,368)
Share of results of an associate										(1,069)
Profit before taxation										191,017

8. REVENUE AND SEGMENT INFORMATION *(Continued)*

(1) Segment revenue and results *(Continued)*

	Production and distribution of film rights HK$'000	TV advertising HK$'000	Mobile value-added services HK$'000	Mobile TV subscription HK$'000	Newspaper advertising and newspaper distribution HK$'000	Magazine advertising and magazine distribution HK$'000	Securities trading and investments HK$'000	Reportable segments' total HK$'000	All other segments HK$'000	Consolidated HK$'000
For the year ended 31st, December, 2011 (restated)										
Segment revenue	46,757	241,596	–	–	–	–	–	288,353	–	288,353
Segment results	(30,783)	5,790	–	–	–	–	–	(24,993)	–	(24,993)
Unallocated interest income and other gains and losses, net										8,490
Corporate administrative expenses										(8,650)
Share-based payment expenses										(45,337)
Finance costs										(4,119)
Loss before taxation										(74,609)

All of the segment revenue reported above is from external customers and there was no inter-segment sales for both years.

Segment results represent the profit (loss) generated or incurred by each segment without allocation of interest income from banks, other payables written off, sundry income, net foreign exchange losses, gain on disposal of subsidiaries, (loss) gain on disposal of property, plant and equipment for corporate use, corporate administrative expenses, share-based payment expenses, finance costs on borrowings and share of results of an associate. This is the measure reported to the CODM for the purpose of resource allocation and performance assessments.

8. REVENUE AND SEGMENT INFORMATION *(Continued)*

(2) Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segments.

	Production and distribution of film rights HK$'000	TV advertising HK$'000	Mobile value-added services HK$'000	Mobile TV subscription HK$'000	Newspaper advertising and newspaper distribution HK$'000	Magazine advertising and magazine distribution HK$'000	Securities trading and investments HK$'000	Reportable segments' total HK$'000	All other segments HK$'000	Consolidated HK$'000
At 31st December, 2012										
Segment assets	779,958	22,905	10,469	24,774	705,855	28,341	21,569	1,593,871	28,199	1,622,070
Property, plant and equipment- corporate										2,940
Art work										164,307
Other receivables, deposits and prepayments										117,357
Amounts due from non-controlling interests										4,538
Bank balances and cash										192,838
Deferred tax assets										1,588
Consolidated assets										2,105,638
Segment liabilities	68,266	71,047	3,509	5,926	50,899	18,408	–	218,055	10,302	228,357
Other payables and accrued charges										27,363
Amounts due to non-controlling interests										760
Amounts due to related companies										1,105
Tax liabilities										38,153
Convertible notes										354,313
Deferred tax liabilities										104,040
Consolidated liabilities										754,091

8. REVENUE AND SEGMENT INFORMATION *(Continued)*

(2) Segment assets and liabilities *(Continued)*

	Production and distribution of film rights HK$'000	TV advertising HK$'000	Mobile value-added services HK$'000	Mobile TV subscription HK$'000	Newspaper advertising and newspaper distribution HK$'000	Magazine advertising and magazine distribution HK$'000	Securities trading and investments HK$'000	Reportable segments' total HK$'000	All other segments HK$'000	Consolidated HK$'000
At 31st December, 2011 (restated)										
Segment assets	238,215	29,616	–	–	–	–	–	267,831	–	267,831
Property, plant and equipment – corporate										20
Other receivables, deposits and prepayments										90
Amounts due from non-controlling interests										1,720
Amount due from a shareholder										24
Amounts due from related companies										3,122
Bank balances and cash										59,212
Consolidated assets										332,019
Segment liabilities	70,457	53,596	–	–	–	–	–	124,053	–	124,053
Other payables and accrued charges										4,899
Amount due to a shareholder										31,803
Tax liabilities										4,541
Consolidated liabilities										165,296

For the purpose of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating segments other than property, plant and equipment for corporate use, art work, amounts due from non-controlling interests, a shareholder and related companies, certain other receivables, deposits and prepayments, bank balances and cash and deferred tax assets, for which the Group's management monitored and managed all these assets on a group basis; and

- all liabilities are allocated to operating segments other than certain other payables and accrued charges, amounts due to non-controlling interests, a shareholder and related companies, tax liabilities, convertible notes and deferred tax liabilities, for which the Group's management monitored and managed all these liabilities on a group basis.

8. REVENUE AND SEGMENT INFORMATION *(Continued)*

(3) Other segment information

	Production and distribution of film rights HK$'000	TV advertising HK$'000	Mobile value-added services HK$'000	Mobile TV subscription HK$'000	Newspaper advertising and newspaper distribution HK$'000	Magazine advertising and magazine distribution HK$'000	Securities trading and investments HK$'000	Reportable segments' total HK$'000	All other segments HK$'000	Unallocated HK$'000	Consolidated HK$'000
2012											
Amount included in the measure of segment profit or loss or segment assets:											
Additions to intangible assets arising from the Acquisition	–	–	–	–	440,034	–	–	440,034	22,984	–	463,018
Additions to intangible assets	–	–	1,247	–	–	–	–	1,247	2,111	–	3,358
Additions to property, plant and equipment arising from the Acquisition	9,830	–	227	1,584	8,588	491	–	20,720	3,403	3,953	28,076
Additions to property, plant and equipment	2,234	905	1,032	51	1,175	–	–	5,397	176	82	5,655
Depreciation of property, plant and equipment	5,653	264	325	729	2,558	96	–	9,625	669	1,116	11,410
Amortisation of intangible assets	–	–	–	676	–	–	–	676	2,967	–	3,643
Bad and doubtful debts recovered	(6,621)	–	–	–	(136)	–	–	(6,757)	–	–	(6,757)
Change in fair value of investments held for trading	–	–	–	–	–	–	(29,328)	(29,328)	–	–	(29,328)
2011 (restated)											
Amount included in the measure of segment profit or loss or segment assets:											
Additions to intangible assets	9,223	–	–	–	–	–	–	9,223	–	–	9,223
Additions to property, plant and equipment	1,645	960	–	–	–	–	–	2,605	–	22	2,627
Depreciation of property, plant and equipment	899	75	–	–	–	–	–	974	–	2	976

Information separately reported to the chief operating decision maker but not included in the measure of segment profit:

Gross proceeds from sale of investments held for trading is HK$30,612,000 for the year ended 31st December, 2012. There was no investments held for trading held by the CEMG group during the year ended 31st December, 2011.

8. REVENUE AND SEGMENT INFORMATION *(Continued)*

Geographical information

The Group's securities trading and investments are carried out in Hong Kong. All other segment revenues are derived from the PRC.

Information about the Group's revenue from external customers presented based on the locations of customers and distributors, and information about the Group's non-current assets presented based on the geographical location of the assets are summarised below.

	Revenue from external customers		**Non-current assets**	
	2012	2011	**2012**	2011
	HK$'000	HK$'000 (restated)	**HK$'000**	HK$'000 (restated)
Hong Kong	**–**	–	**9,271**	20
The PRC	**1,016,486**	288,353	**978,206**	11,307
	1,016,486	288,353	**987,477**	11,327

Note: Non-current assets excluded financial assets and deferred tax assets.

Revenue from major products and services

The following is an analysis of the Group's revenue from its major products and services:

	2012	2011
	HK$'000	HK$'000 (restated)
Production and distribution of film rights over films	**37,897**	–
Production and distribution of film rights over television programmes and television drama series	**378,039**	46,757
TV advertising	**287,134**	241,596
Mobile value-added services	**13,449**	–
Mobile TV subscription	**14,442**	–
Newspaper distribution – Beijing Times	**24,582**	–
Newspaper advertising – Beijing Times	**179,559**	–
Magazine distribution – FIGARO	**3,368**	–
Magazine advertising – FIGARO	**35,056**	–
Others	**42,960**	–
	1,016,486	288,353

8. REVENUE AND SEGMENT INFORMATION *(Continued)*

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total revenue are as follows:

	2012 HK$'000	2011 HK$'000 (restated)
Customer A[1]	**134,877**	92,461
Customer B[2]	**N/A[3]**	33,735

[1] Revenue from TV advertising.
[2] Revenue from production and distribution of film rights.
[3] The corresponding revenue does not contribute over 10% of the total revenue for the current year.

Having considered that those PRC TV stations were set up by different local government authorities in different provinces of the PRC, the directors of the Company do not consider them as one single customer.

9. OTHER INCOME

	2012 HK$'000	2011 HK$'000 (restated)
Interest income from banks	**659**	259
Government subsidies (Note a)	**2,208**	964
Refund of business tax (Note b)	**16,759**	835
Refund of PRC Enterprise Income Tax (Note b)	**3,062**	404
Other payables written off	**8,365**	–
Sundry income	**736**	–
	31,789	2,462

Notes:

(a) During the year ended 31st December, 2012, the Group received subsidies of HK$2,208,000 (2011: HK$964,000) from the relevant PRC government authorities for promoting the cultural industry development. There were no conditions attached to the subsidies granted to the Group.

(b) The PRC government authorities have granted tax incentives to several subsidiaries in the PRC by way of business tax and PRC Enterprise Income Tax ("EIT") refund for the production and distribution of film rights, TV and magazine advertising, magazine distributions and provision of TV programme packaging services by the Group in the PRC.

10. OTHER GAINS AND LOSSES, NET

	2012 HK$'000	2011 HK$'000 (restated)
(Loss) gain on disposal of property, plant and equipment	**(6)**	8,378
Gain on disposal of subsidiaries (note 34)	**30,034**	–
Net foreign exchange losses	**(272)**	(147)
Bad and doubtful debts recovered	**6,757**	–
Change in fair value of investments held for trading (Note)	**29,328**	–
	65,841	8,231

Note: The amount includes net realised gain of approximately HK$19,782,000 on disposal of investments held for trading during the current year and unrealised gain of approximately HK$9,546,000 on change in fair value of investments held for trading held by the Group as at 31st December, 2012.

11. FINANCE COSTS

	2012 HK$'000	2011 HK$'000 (restated)
Interests on:		
Bank borrowings wholly repayable within five years	**–**	207
Amount due to a shareholder	**385**	607
Imputed interest on borrowings from a shareholder	**–**	3,305
	385	4,119
Effective interest expense on convertible notes (note 29)	**25,983**	–
	26,368	4,119

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Directors' emoluments

The emoluments paid or payable to each of the 7 directors of the Company were as follows:

	2012					2011				
		Other emoluments					Other emoluments			
	Directors' fees HK$'000	Salaries and other benefits HK$'000	Retirement benefits scheme contributions HK$'000	Share-based payments HK$'000	Total HK$'000 (Note 2)	Directors' fees HK$'000	Salaries, bonus and other benefits HK$'000 (Note 1)	Retirement benefits scheme contributions HK$'000	Share-based payments HK$'000	Total HK$'000 (Note 2)
Dong Ping	550	3,600	13	73	4,236	600	3,389	12	1,286	5,287
Ng Qing Hai	–	–	–	–	–	–	–	–	–	–
Zhao Chao	550	106	13	46	715	960	293	12	813	2,078
Kong Muk Yin	220	–	–	16	236	240	200	–	274	714
Chen Ching	9	101	–	5	115	10	90	–	96	196
Jin Hui Zhi	9	101	–	5	115	10	90	–	96	196
Li Chak Hung	9	128	–	5	142	10	110	–	96	216
Total	1,347	4,036	26	150	5,559	1,830	4,172	24	2,661	8,687

Notes:

(1) Amounts in 2011 include discretionary bonus.

(2) The directors' emoluments for the period from 1st January, 2012 to the date of the Acquisition amounting to HK$566,000 (including share-based payments of HK$141,000) and that for the year ended 31st December, 2011 amounting to HK$8,687,000 were not reflected in the consolidated income statements for the years ended 31st December, 2012 and 31st December, 2011 respectively due to the reverse acquisition accounting adopted for the Acquisition (details set out in note 2).

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

Directors' emoluments *(Continued)*

In addition, the following are the emoluments paid or payable to each of the 3 directors of CEMG prior to the Acquisition for January 2012 and for the year ended 31st December, 2011 which were recognised in profit or loss:

	1st January, 2012 to 31st January, 2012					2011 (restated)				
		Other emoluments					Other emoluments			
	Directors' fees HK$'000	Salaries and other benefits HK$'000	Retirement benefits scheme contributions HK$'000	Share-based payments HK$'000	Total HK$'000	Directors' fees HK$'000	Salaries and other benefits HK$'000	Retirement benefits scheme contributions HK$'000	Share-based payments HK$'000	Total HK$'000
Dong Ping	–	61	–	–	61	–	720	–	–	720
Zhao Chao	–	–	–	–	–	–	–	–	–	–
Liu Xing	–	–	–	–	–	–	–	–	–	–
Total	–	61	–	–	61	–	720	–	–	720

Mr. Dong is also the acting chief executive of the Company and his emoluments disclosed above include those for services rendered by him as the acting chief executive.

No directors waived any emoluments in both years.

Employees' emoluments

Of the five individuals with the highest emoluments recognised as an expense in the consolidated income statement, one (2011: three) was director of the Company whose emolument is disclosed above. The emoluments of the remaining four (2011: two) highest paid individuals for the year ended 31st December, 2012 were as follows:

	2012 HK$'000 (Note)	2011 HK$'000 (Note)
Salaries, bonus and other benefits	7,507	4,332
Contributions to retirement benefit schemes	287	104
Share-based payments	23	696
	7,817	5,132

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

Employees' emoluments *(Continued)*

Their emoluments were within the following bands:

	2012	2011
Less than HK$1,000,001	**–**	1
HK$1,000,001 to HK$1,500,000	**2**	–
HK$1,500,001 to HK$2,000,000	**1**	–
HK$3,000,001 to HK$3,500,000	**1**	–
HK$4,000,001 to HK$4,500,000	**–**	1
	4	2

Note: The employees' emoluments for the period from 1st January, 2012 to the date of the Acquisition amounting to HK$326,000 (including share-based payments of HK$44,000) and that for the year ended 31st December, 2011 were not reflected in the consolidated income statements for the years ended 31st December, 2012 and 31st December, 2011 respectively due to the reverse acquisition accounting adopted for the Acquisition (details set out in note 2).

In addition, during the year ended 31st December, 2011, of the five individuals with the highest emoluments recognised as an expense in the consolidated income statement, one was director of CEMG whose emolument is disclosed above. The following are the emoluments paid to the remaining four highest paid individuals in the CEMG Group for the year ended 31st December, 2011 which were recognised in the consolidated income statement of the CEMG Group:

	HK$'000
Salaries, bonus and other benefits	3,741
Contributions to retirement benefit schemes	227
	3,968

Their emoluments were within the following bands:

Less than HK$1,000,001	2
HK$1,000,001 to HK$1,500,000	2
	4

The employees' emoluments for the period from 1st January, 2012 to the date of Acquisition is not disclosed as management of the ChinaVision Group considers the amount has no significant impact to the consolidated financial statements.

During both years, no emoluments were paid by the Group to the five highest paid individuals and directors as an inducement to join or upon joining the Group.

13. TAXATION CHARGE

	2012 HK$'000	2011 HK$'000 (restated)
Current tax		
– PRC EIT	**(24,052)**	(2,002)
– Reversal of tax payable (Note)	**14,924**	–
	(9,128)	(2,002)
Deferred tax (note 30)		
– current year	**(1,809)**	–
Taxation charge	**(10,937)**	(2,002)

Note: On 2nd April, 2012, a subsidiary of the ChinaVision Group has reallocated certain film rights contracts which have been completed in previous years to another subsidiary of the ChinaVision Group. This reallocation has resulted in a reduction in the tax exposure of the Group, which had made tax provisions in previous years without assuming the successful outcome of the reallocation, due to different tax rates applied by tax bureau in different provinces. Accordingly, a reversal of tax payable was made upon the transfer of film rights.

No provision for Hong Kong Profits Tax has been made as the group companies operating in Hong Kong did not have any assessable profit for both years.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and the Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries and jointly controlled entities is 25% from 1st January, 2008 onwards.

Pursuant to the relevant laws and regulations in the PRC,中聯華盟(上海)文化傳媒有限公司 (in English, Zhong Lian Hua Meng (Shanghai) Culture Media Ltd., "Hua Meng Shanghai") is chargeable for EIT at the EIT rate of 25% on ten percent of its gross revenue ("Tax Incentive").

13. TAXATION CHARGE *(Continued)*

The taxation charge for the year can be reconciled to the profit (loss) before taxation per the consolidated income statement as follows:

	2012	2011
	HK$'000	HK$'000
		(restated)
Profit (loss) before taxation	**191,017**	(74,609)
Taxation at the domestic income tax rate of 25% (2011: 25%)	**(47,754)**	18,652
Tax effect of expenses not deductible for tax purpose	**(18,894)**	(11,820)
Tax effect of income not taxable for tax purpose	**13,236**	55
Tax effect of tax loss not recognised	**(11,095)**	(5,735)
Utilisation of tax losses previously not recognised	**10,962**	1,884
Tax effect of share of results of an associate	**(267)**	–
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(2,144)**	(5,123)
Effect of income tax based on Tax Incentive	**30,058**	–
Reversal of tax payable	**14,924**	–
Others	**37**	85
Taxation charge for the year	**(10,937)**	(2,002)

Note: The domestic tax rate represents the statutory tax rate of the major group companies operating in the PRC.

14. PROFIT (LOSS) FOR THE YEAR

	2012 HK$'000	2011 HK$'000 (restated)
Profit (loss) for the year has been arrived at after charging:		
Auditor's remuneration	**3,022**	762
Film rights recognised as an expense included in cost of sales and services	**197,010**	22,684
Cost of inventories recognised as an expense	**37,731**	–
Amortisation of intangible assets (included in cost of sales and services)	**3,643**	–
Depreciation of property, plant and equipment	**11,410**	976
Total amortisation and depreciation	**15,053**	976
Rental payments for premises under operating leases	**18,898**	3,032
Staff costs inclusive of directors' emoluments		
– salaries and other benefits	**114,073**	28,713
– share-based payments	**1,604**	–
	115,677	28,713

Note: Share-based payments for consultants of HK$45,337,000 was charged to profit or loss during the year ended 31st December, 2011.

15. EARNINGS (LOSS) PER SHARE

The calculation of the basic and diluted earnings (loss) per share is based on the following information:

	2012 HK$'000	2011 HK$'000 (restated)
Earnings (loss)		
Profit (loss) for the year attributable to owners of the Company for the purposes of basic and diluted earnings (loss) per share	**177,153**	(75,341)

15. EARNINGS (LOSS) PER SHARE *(Continued)*

	2012	2011 (restated)
Number of shares		
Weighted average number of ordinary shares in issue or deemed to be in issue during the year for the purposes of basic and diluted earnings (loss) per share	**7,521,260,234**	5,040,750,000

The weighted average number of shares used for the purpose of calculating earnings per share for the year ended 31st December, 2012 reflects the weighted average number of 5,040,750,000 ordinary shares deemed to be outstanding for the period from 1st January, 2012 to the date of the Acquisition and the total actual number of shares of the Company in issue after the date of the Acquisition.

The number of shares used for the purpose of calculating loss per share for the year ended 31st December, 2011 reflects the number of 5,040,750,000 ordinary shares of the Company issued in the Acquisition.

The computation of diluted earnings per share does not assume the conversion of the Company's outstanding convertible notes as their assumed conversion would increase the earnings per share for the year ended 31st December, 2012. In addition, the computation of diluted earnings per share does not assume the exercise of the share options because the exercise price of those share options outstanding was higher than the average market price for shares for the year ended 31st December, 2012.

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
THE GROUP						
COST						
At 1st January, 2011 (restated)	38,492	–	–	–	–	38,492
Exchange adjustments	1,678	–	–	60	22	1,760
Additions	–	–	–	1,116	319	1,435
Acquired on acquisition of subsidiaries (note 33)	–	–	–	850	342	1,192
Disposals	(40,170)	–	–	–	–	(40,170)
At 31st December, 2011 (restated)	–	–	–	2,026	683	2,709
Exchange adjustments	**–**	**33**	**5**	**120**	**156**	**314**
Additions	**–**	**73**	**273**	**1,401**	**3,908**	**5,655**
Acquired on the Acquisition (note 33)	**192**	**4,659**	**321**	**9,361**	**13,543**	**28,076**
Disposals	**–**	**–**	**–**	**–**	**(139)**	**(139)**
At 31st December, 2012	**192**	**4,765**	**599**	**12,908**	**18,151**	**36,615**
DEPRECIATION						
At 1st January, 2011 (restated)	5,784	–	–	–	–	5,784
Exchange adjustments	252	–	–	20	2	274
Provided for the year	–	–	–	886	90	976
Eliminated on disposals	(6,036)	–	–	–	–	(6,036)
At 31st December, 2011 (restated)	–	–	–	906	92	998
Exchange adjustments	**–**	**20**	**2**	**42**	**42**	**106**
Provided for the year	**9**	**2,426**	**252**	**3,714**	**5,009**	**11,410**
Eliminated on disposals	**–**	**–**	**–**	**–**	**(95)**	**(95)**
At 31st December, 2012	**9**	**2,446**	**254**	**4,662**	**5,048**	**12,419**
CARRYING VALUES						
At 31st December, 2012	**183**	**2,319**	**345**	**8,246**	**13,103**	**24,196**
At 31st December, 2011 (restated)	–	–	–	1,120	591	1,711

16. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold land and buildings	2.7% – 10%
Leasehold improvements	10% – 33%
Plant and machinery	4% – 8%
Furniture, fixtures and equipment	10% – 23%
Motor vehicles	15% – 25%

There was no pledged property, plant and equipment for both years.

The leasehold land and buildings are located on land held under medium-term leases in Hong Kong.

17. INTERESTS IN JOINTLY CONTROLLED ENTITIES

At 31st December, 2012, the Group had interests in the following significant jointly controlled entities:

Name of entity	Form of business structure	Place of registration	Principal place of operation	Class of capital	Proportion of nominal value of registered/paid-up capital attributable to the Group 2012 %	2011 %	Principal activity
人民視訊文化有限公司 RenMinShiXun Culture Company Limited* ("RenMinShiXun")	Limited liability company	PRC	PRC	Registered	**49 (Notes a, b)**	–	Operating in mobile TV
人民視訊（上海）文化有限公司 RenMinShiXun (Shanghai) Culture Company Limited* ("RenMinShiXun (Shanghai)")	Limited liability company	PRC	PRC	Registered	**49 (Notes a, b)**	–	Operating in mobile TV
京華文化傳播有限公司 JingHua Culture Broadcast Company Limited* ("JingHua Culture")	Limited liability company	PRC	PRC	Registered	**50 (Note c)**	–	Newspaper advertising and distribution of a newspaper – Beijing Times

17. INTERESTS IN JOINTLY CONTROLLED ENTITIES *(Continued)*

Name of entity	Form of business structure	Place of registration	Principal place of operation	Class of capital	Proportion of nominal value of registered/paid-up capital attributable to the Group 2012 %	2011 %	Principal activity
北京神州京華廣告有限公司 Beijing Shenzhou JingHua Advertising Company Limited* ("Shenzhou JingHua")	Limited liability company	PRC	PRC	Registered	**50 (Note c)**	–	Sales of advertisement spaces on newspaper
北京京之華物流有限公司 Beijing Jing Zhi Hua Logistics Company Limited* ("Jing Zhi Hua")	Limited liability company	PRC	PRC	Registered	**50 (Note c)**	–	Logistic services to group companies
北京盛世鴻宇科貿有限公司 Beijing Sheng Shi Hong Yu Technology and Trading Company Limited* ("Beijing Hong Yu")	Limited liability company	PRC	PRC	Registered	**50 (Note c)**	–	Sales of advertisement spaces on newspaper
北京京華鴻越圖書發行有限責任公司 Beijing Jing Hua Hong Yue Book Publication Company Limited* ("Beijing Books")	Limited liability company	PRC	PRC	Registered	**30 (Notes c, d)**	–	Sales and distribution of books and electronic publications
北京京華新視覺文化傳播有限公司 Beijing Jing Hua New Vision Culture Broadcast Company Limited* ("Beijing Vision")	Limited liability company	PRC	PRC	Registered	**30 (Notes c, d)**	–	Cultural events organization
北京京華文化藝術發展有限公司 Beijing Jing Hua Cultural Arts Development Company Limited* ("Beijing Arts")	Limited liability company	PRC	PRC	Registered	**30 (Notes c, d)**	–	Cultural events organization

* The English name is for identification purpose only. The official names of those companies are in Chinese.

17. INTERESTS IN JOINTLY CONTROLLED ENTITIES *(Continued)*

Notes:

(a) RenMinShiXun is owned as to 49% by 中聯京華文化傳播(北京)有限公司 (in English, Zhong Lian Jinghua Culture Broadcast (Beijing) Company Limited ("Zhong Lian Jinghua")). The Company does not have any legal interest in the registered capital of Zhong Lian Jinghua as it is owned by an employee of the Group. Pursuant to certain agreements among Zhong Lian Jinghua, the owner of Zhong Lian Jinghua and the Group, the owner of Zhong Lian Jinghua agreed to assign the power to appoint and remove all the members of the board of directors of and to govern the financial and operating policies of Zhong Lian Jinghua to the Group and to transfer all beneficial interests of Zhong Lian Jinghua to the Group. Accordingly, Zhong Lian Jinghua is treated as a wholly-owned subsidiary of the Company and its results, assets and liabilities are consolidated with those of the Group. The registered capital of Zhong Lian Jinghua was contributed by the Group. Zhong Lian Jinghua contributed the capital of RenMinShiXun in cash of RMB14,700,000 (equivalent to approximately HK$17,138,000) and the joint venture partner contributed capital in cash of RMB15,300,000 (equivalent to approximately HK$17,838,000). RenMinShiXun (Shanghai), a wholly-owned subsidiary of RenMinShiXun, was set up on 9th August, 2010 with registered and paid up capital of RMB20,000,000.

(b) Zhong Lian Jinghua holds 49% of the registered capital of RenMinShiXun and two out of the five directors of RenMinShiXun are appointed by Zhong Lian Jinghua, hence the Group controls 40% of the voting power in the board of directors' meeting. As all the decisions made in the board of directors' meeting require at least one vote from the directors from each of the two joint venture partners, RenMinShiXun and hence its wholly-owned subsidiary, RenMinShiXun (Shanghai) are accounted for as jointly controlled entities.

(c) On 14th May, 2012, Zhong Lian Jinghua acquired the entire issued share capital of 北京北大文化發展有限公司 (in English, Beijing Beida Culture Development Company Limited ("Beida Culture")) from 上海經略廣告有限公司 (in English, Shanghai Strategic Advertising Company Limited ("Shanghai Strategic")) at cost, which in turn, held 50% equity interest in JingHua Culture. As detailed in (a) above, Zhong Lian Jinghua is treated as a wholly-owned subsidiary of the Company and its results, assets and liabilities are consolidated with those of the Group. Beijng Books, Beijing Vision, Beijing Arts, Jing Zhi Hua and Beijing Hong Yu were directly owned by JingHua Culture with equity interest of 60%, 60%, 60%, 80% and 90% respectively. 20% of the equity interest in Jing Zhi Hua was directly owned by Shenzhou JingHua. Shenzhou JingHua was 100% owned by JingHua Culture. 10% of the equity interest in Beijing Hong Yu was directly owned by Jing Zhi Hua. JingHua Culture holds exclusive advertising and distribution rights which entitle it to operate the newspaper advertising business and newspaper distribution business for Beijing Times together with other businesses as permitted under its business certificate. The other joint venture partner is responsible for the editorial part of Beijing Times. JingHua Culture was principally engaged in the businesses of newspaper advertising and newspaper distribution of Beijing Times, distribution of magazines and other newspapers, sales of bottled water and operating the newspaper website (namely JingHua Website) in the PRC.

(d) According to the articles of association of Beijng Books, Beijing Vision, Beijing Arts, all the major financial and operating decisions require simple majority of votes. Two out of three directors of Beijing Vision and Beijing Arts and three out of five directors of Beijing Books are appointed by JingHua Culture. Accordingly, Beijing Books, Beijing Vision and Beijing Arts are subsidiaries of JingHua Culture. The Group has 30% indirect interest in Beijing Books, Beijing Vision and Beijing Arts through Jinghua Culture. Therefore, they are considered as jointly controlled entities of the Group.

17. INTERESTS IN JOINTLY CONTROLLED ENTITIES *(Continued)*

As all the major financial and operating decisions of the above entities require unanimous consent from all venturers, they are accounted for as jointly controlled entities.

The summarised financial information in respect of the assets, liabilities, income and expenses related to the Group's interests in the jointly controlled entities, which are accounted for using proportionate consolidation with the line-by-line reporting format, are set out below:

	2012	2011
	HK$'000	HK$'000
		(restated)
Current assets	**186,538**	–
Non-current assets	**615,573**	–
Current liabilities	**60,911**	–
Non-current liabilities	**102,135**	–
Income recognised in profit or loss	**232,395**	–
Expenses recognised in profit or loss	**195,240**	–
Other comprehensive income	**1,306**	–

18. GOODWILL AND IMPAIRMENT TEST ON GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIFE

	HK$'000
COST	
At 1st January, 2011 and 31st December, 2011 (restated)	–
Arising from the Acquisition (note 33)	**328,951**
Exchange adjustments	**4,418**
At 31st December, 2012	**333,369**
CARRYING VALUES	
At 31st December, 2012	**333,369**
At 31st December, 2011 (restated)	–

For the purpose of impairment testing, goodwill and intangible assets with indefinite useful life have been allocated to individual cash generating units ("CGUs"), including several subsidiaries in production and distribution of film rights segment ("Entertainment"), and one jointly controlled entity in newspaper advertising and newspaper distribution – Beijing Times segment ("Advertising and newspaper"). The carrying amounts of goodwill and intangible assets with indefinite useful life as at 31st December, 2012 and 2011 allocated to these units are as follows:

	2012		2011	
	Goodwill HK$'000	**Intangible assets with indefinite useful life HK$'000**	Goodwill HK$'000 (restated)	Intangible assets with indefinite useful life HK$'000 (restated)
Entertainment (Unit A)	**171,160**	**9,712**	–	9,616
Advertising and newspaper (Unit B)	**162,209**	**444,413**	–	–
	333,369	**454,125**	–	9,616

During the year ended 31st December, 2012, the directors of the Company determined that there was no impairment of any of its CGUs containing goodwill and intangible assets with indefinite useful lives.

18. GOODWILL AND IMPAIRMENT TEST ON GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIFE *(Continued)*

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarised below:

Unit A

The recoverable amounts of Unit A as at 31st December, 2012 has been determined on the basis of value in use calculations. Its recoverable amount is based on certain key assumptions. The value in use calculations use cash flow projections based on financial budgets approved by management covering a 5-year period and a discount rate of 18.5%. Unit A's cash flows beyond the 5-year period are extrapolated using a 2% growth rate. The 2% growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on Unit A's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of Unit A to exceed the aggregate recoverable amount of Unit A.

The recoverable amount of Unit A as at 31st December, 2011 had been determined based on a value in use calculation. That calculation uses cash flow projections based on the estimation of cash inflows/outflows taking into account the projected returns of certain completed productions and films as at 31st December, 2011. Such estimation is based on Unit A's signed or negotiating sales contracts and management's expectations for the market development. The management of CEMG believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of Unit A to exceed the aggregate recoverable amount of Unit A. During the year ended 31st December, 2011, the directors of CEMG determined that there was no impairment of intangible assets with indefinite useful life allocated to any of its CGUs.

Unit B

The recoverable amount of Unit B has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period and extrapolated for a further 5-year period using 7% growth rate, using a discount rate of 13.26% and terminal value covering the following years indefinitely. The 7% growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry of 5% to 10%. The 5-year period is based on the average business cycle of newspaper media based on the industry history. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin. Such estimation is based on Unit B's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of Unit B to exceed the aggregate recoverable amount of Unit B.

19. INTANGIBLE ASSETS

	Film and television programme production and distribution licenses HK$'000	Newspaper advertising and distribution rights HK$'000	Mobile game HK$'000	eBook publication HK$'000	Broadcasting right HK$'000	Total HK$'000
COST						
At 1st January, 2011(restated)	–	–	–	–	–	–
Exchange adjustments	393	–	–	–	–	393
Arising on acquisition of subsidiaries (note 33)	9,223	–	–	–	–	9,223
At 31st December, 2011 (restated)	9,616	–	–	–	–	9,616
Exchange adjustments	**96**	**4,379**	**20**	**12**	**–**	**4,507**
Additions	**–**	**–**	**2,111**	**1,247**	**–**	**3,358**
Arising on the Acquisition (note 33)	**–**	**440,034**	**–**	**–**	**22,984**	**463,018**
Disposal of subsidiaries	**–**	**–**	**–**	**–**	**(22,984)**	**(22,984)**
At 31st December, 2012	**9,712**	**444,413**	**2,131**	**1,259**	**–**	**457,515**
AMORTISATION						
At 1st January, 2011 and 31st December, 2011 (restated)	–	–	–	–	–	–
Exchange adjustments	**–**	**–**	**4**	**5**	**–**	**9**
Charge for the year	**–**	**–**	**414**	**676**	**2,553**	**3,643**
Eliminated on disposal of subsidiaries	**–**	**–**	**–**	**–**	**(2,553)**	**(2,553)**
At 31st December, 2012	**–**	**–**	**418**	**681**	**–**	**1,099**
CARRYING VALUES						
At 31st December, 2012	**9,712**	**444,413**	**1,713**	**578**	**–**	**456,416**
At 31st December, 2011 (restated)	9,616	–	–	–	–	9,616

19. INTANGIBLE ASSETS *(Continued)*

Other than film and television programme production and distribution licenses and newspaper advertising and distribution rights, the above intangible assets relate to development costs which have finite useful lives. Such intangible assets are amortised on a straight-line basis over the following periods:

Mobile game	2 years
eBook publication	2 years
Broadcasting right	3 years

The newspaper advertising and distribution rights are held by JingHua Culture, a jointly controlled entity of the Group with an indefinite useful life (details of nature of the operation are set out in note 8). Intangible assets of licences for production and publication of television drama series, television programmes and films in the PRC acquired during the year ended 31st December, 2011 has indefinite useful lives. The renewal of these licences are subject to the approval of the respective bureau. In the opinion of the directors, the renewal of these licences will continuously be approved with minimal costs and accordingly, they are deemed to have indefinite lives. These intangible assets will not be amortised until their useful lives are determined to be finite. Instead they will be tested for impairment annually and whenever there is an indication that it may be impaired. Details of impairment testing are set out in note 18.

20. CLUB DEBENTURE

	2012	2011
	HK$'000	HK$'000
		(restated)
Club debenture, at cost	**2,836**	–

21. ART WORK

	2012	2011
	HK$'000	HK$'000
		(restated)
Art work, at cost	**164,307**	–

In the opinion of the directors, having considered that substantial of art work were purchased during the year ended 31st December, 2012 from sizable auction houses and the positive result of the sales of similar art work in the public in recent period, there was no indication of impairment as at the end of the reporting period.

22. INVENTORIES

	2012 HK$'000	2011 HK$'000 (restated)
Inventories consist of the following:		
Raw materials	**2,816**	–

23. FILM RIGHTS

	HK$'000
COST	
At 1st January, 2011 (restated)	–
Exchange adjustments	2,594
Additions	139,747
Recognised as an expense included in cost of sales and services	(22,684)
At 31st December, 2011 (restated)	119,657
Exchange adjustments	**1,221**
Additions	**214,512**
Arising from the Acquisition (note 33)	**30,916**
Recognised as an expense included in cost of sales and services	**(197,010)**
At 31st December, 2012	**169,296**

At 31st December, 2012, included in film rights costs are costs of films under production of HK$90,426,000 (2011: HK$110,274,000) and costs of films with completed production of HK$78,870,000 (2011: HK$9,383,000).

The cost of film rights are recognised as an expense in the consolidated income statement based on the proportion of actual income earned during the year to the total estimated income from the distribution of film rights.

As at 31st December, 2012, management of the Group considered the expected income exceeds the relevant film costs. Accordingly, no impairment is recognised in current year.

24. INVESTMENTS HELD FOR TRADING

	2012 HK$'000	2011 HK$'000 (restated)
Equity securities listed in Hong Kong	**21,569**	–

25. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2012 HK$'000	2011 HK$'000 (restated)
Trade receivables	**406,032**	61,720
Refundable deposit in relation to acquisition of an investee (Note 1)	**29,851**	29,557
Amount receivable from a former subsidiary (Note 2)	**41,659**	–
Deferred consideration for disposal of subsidiaries (note 34)	**77,560**	–
Other tax recoverable	**48,973**	1,268
Other receivables and deposits	**18,022**	1,299
	216,065	32,124
Deposits paid for acquisition of art work and property, plant and equipment	**20,157**	–
Prepayment for film production (Note 3)	**39,073**	42,207
Prepayment for consultancy service fee	**14,904**	–
Other prepayments	**13,624**	906
Amount due from a joint venture partner (Note 4)	**22,014**	–
Total trade and other receivables, deposits and prepayments	**731,869**	136,957
Analysed as		
Current	**664,401**	99,211
Non-current	**67,468**	37,746
	731,869	136,957

25. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS *(Continued)*

Notes:

1. During the year ended 31st December, 2011, the CEMG Group signed an agreement with a third party, pursuant to which the CEMG Group entrusted the third party and paid it a deposit of RMB24,000,000 (equivalent to HK$29,851,000), which then submitted an application and the deposit to SUAEE for its intention to acquire for the 50% equity interests in another entity. The deposit is fully refundable prior to the approval of SUAEE and completion of the transaction. As at 30th June, 2012, the transaction has not yet been approved and completed. After assessing the transaction, the directors of the CEMG Group withdrew its application and demanded for refund. As at 31st December, 2012, the demand for refund has been submitted and is in progress. In the opinion of the directors of the Group, the amount will be refunded within twelve months from 31st December, 2012. Accordingly, the balance is classified as current assets.

2. The amount is unsecured, non-interest bearing and has no fixed repayment terms. In the opinion of the directors of the Group, the amount will be repaid within twelve months from 31st December, 2012. Accordingly, the balance is classified as current assets.

3. During the year ended 31st December, 2011, the CEMG Group signed two cooperative agreements with other film production companies ("Film Workshops") pursuant to which the CEMG Group paid start-up costs to the Film Workshops which in return agreed to produce at least one film each year for the agreed period as stated in the agreements. Accordingly, a portion of start-up costs amounting to HK$38,122,000 (2011: HK$37,746,000) is classified as non-current assets. Remaining balance represents prepayment to other film production companies which is current in nature.

4. The amount is unsecured, non-interest bearing and repayable within twelve months from 31st December, 2012. Accordingly, the balance is classified as current assets.

Trade receivables

Trade receivables consist of receivables from debtors arising from production and distribution of film rights segment and other business segments, net of allowance for doubtful debts, are analysed as follows:

	2012	2011
	HK$'000	HK$'000
		(restated)
Production and distribution of film rights	**278,976**	34,507
Other business segments	**127,056**	27,213
	406,032	61,720

25. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS *(Continued)*

Trade receivables *(Continued)*

For the production and distribution of film rights segment, according to certain sales contracts signed with customers, 50% and 40% of the total contract value are billed upon signing of the contracts and delivery of the master copies of films or TV drama series with credit periods ranged from 60 days to 90 days respectively. Remaining 10% of the contract value is billed and with credit period ranged from 60 days and 90 days after the relevant films or TV drama series are broadcasted, which is normally within one year from the date of delivery of the relevant master copies of films or TV drama series. However, the directors will assess whether allowance on these receivables is necessary on a regular basis after considering (i) the reputation and historic trading history of these customers; (ii) the market situations that lead to delay of broadcasting; and (iii) subsequent settlements.

As at 31st December, 2012 and 2011, the films and TV drama series related to the trade receivables from the respective PRC TV stations outstanding as at these dates have been broadcasted prior to the end of the reporting period.

The following is an aged analysis of trade receivables, net of allowance for doubtful debts, for production and distribution of film rights segment presented based on the date of delivery of the master copies of films or TV drama series which approximated the respective dates on which revenue was recognised:

	2012	2011
	HK$'000	HK$'000
		(restated)
0 – 90 days	**200,806**	34,507
91 – 180 days	**45,545**	–
181 – 365 days	**18,715**	–
Over 365 days	**13,910**	–
	278,976	34,507

25. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS *(Continued)*

Trade receivables *(Continued)*

The following is an aged analysis of trade receivables, net of allowance for doubtful debts, for other business segments presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates:

	2012 HK$'000	2011 HK$'000 (restated)
0 – 90 days	**95,439**	26,833
91 – 180 days	**16,486**	371
181 – 365 days	**10,463**	9
Over 365 days	**4,668**	–
	127,056	27,213

The Group has a policy of allowing its trade customers from all business segments other than production and distribution of film rights segment credit periods normally ranging from 120 days to 180 days. Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Credit limits granted to customers are reviewed regularly.

Included in the Group's trade receivables are debtors with aggregate carrying amount of HK$29,041,000 (2011: HK$9,000) which are past due as at the end of the reporting period for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. The average age of these receivables is 525 days (2011: 180 days).

Ageing of trade receivables which are past due but not impaired

	2012 HK$'000	2011 HK$'000 (restated)
181 – 365 days	**10,463**	9
Over 365 days	**18,578**	–
Total	**29,041**	9

26. BANK BALANCES AND CASH

Bank balances and cash comprise cash and bank balances held by the Group with maturity of three months or less and carry interest at prevailing deposit rates which range from 0.01% to 0.5% (2011: 0.01% to 0.36%) per annum.

27. TRADE AND OTHER PAYABLES AND ACCRUED CHARGES

Trade and other payables and accrued charges comprise amounts outstanding for trade purchases and ongoing costs. The following is an aged analysis of trade and bill payables presented based on the invoice date at the end of the reporting period as well as the analysis of other payables and accrued charges at 31st December, 2012:

	2012 HK$'000	2011 HK$'000 (restated)
0 – 90 days	**48,045**	51,227
91 – 180 days	**1,589**	314
181 – 365 days	**3,009**	–
Over 365 days	**4,361**	30
Total trade and bill payables	**57,004**	51,571
Other tax payable	**51,136**	11,940
Accrued staff cost	**12,422**	5,226
Amounts due to joint venture partners	**2,685**	7,578
Other payables and accrued charges (Note)	**47,969**	11,247
	171,216	87,562

The average credit period on purchase of goods is normally ranging from 120 days to 210 days.

Note: Included in other payables and accrued charges are payables and accruals of HK$14,448,000 (2011: HK$3,983,000) on legal and professional fees in relation to acquisition projects. The remaining balances are payables and accruals for daily operation expenses.

28. ISSUED SHARE CAPITAL

CEMG

	Number of shares			Share capital			
	Ordinary shares	Series A preferred shares ("Preferred shares")	Total	Par value per share	Ordinary shares	Preferred shares	Total
				US$	HK$'000	HK$'000	HK$'000
Issued and fully paid:							
On incorporation	1	–	1	1	–	–	–
Issuance of ordinary shares (Note 1)	9,999	–	9,999	1	78	–	78
Subdivision of shares on 17th March, 2011 (Note 2)	99,990,000	–	99,990,000	0.0001	–	–	–
Issuance of Preferred shares on 21st March, 2011 (Note 4)	–	20,000,000	20,000,000	0.0001	–	16	16
Subdivision of shares on 28th March, 2011 (Note 3)	900,000,000	180,000,000	1,080,000,000	0.00001	–	–	–
Issuance of Preferred shares on 4th May, 2011 (Note 4)	–	50,000,000	50,000,000	0.00001	–	4	4
At 31st December, 2011 and 31st January, 2012, immediately before the Acquisition	1,000,000,000	250,000,000	1,250,000,000	0.00001	78	20	98

Notes:

(1) On 4th January, 2011, CEMG issued 9,999 ordinary shares at par value of US$1 each to the companies which were wholly-owned by Mr. Dong.

(2) Pursuant to the approval by the shareholders of CEMG on 17th March, 2011, each of the issued and unissued shares of par value of US$1 were subdivided into 10,000 shares at par value of US$0.0001 each.

(3) Pursuant to the approval by the shareholders of CEMG on 28th March, 2011, each of the issued and unissued shares at par value of US$0.0001 were further subdivided into 10 shares of par value of US$0.00001 each.

(4) Pursuant to the approval by the board of directors of CEMG on 17th March, 2011 and 4th May, 2011, 20,000,000 Preferred shares at par value of US$0.0001 each and 50,000,000 Preferred shares at par value of US$0.00001 each were issued to a third party investor to raise fund of HK$156,000,000 and HK$39,000,000 respectively. The holders of Preferred shares are entitled to have the voting right in the same manner as the holders of ordinary shares. Holders of Preferred shares are also entitled to receive payment of dividend in priority to the holders of the ordinary share dividends declared by CEMG and the distribution amount shall be equal to the distribution that such holder would have been received if such Preferred shares had been converted into ordinary shares of CEMG. In addition, CEMG has no obligation to redeem the Preferred shares.

(5) Upon the completion of the Acquisition, all the ordinary shares and Preferred shares are held by the Company.

28. ISSUED SHARE CAPITAL *(Continued)*

THE COMPANY

	Number of shares	Share capital HK$'000
Ordinary shares of HK$0.25 each		
Authorised:		
At 1st January, 2011, 31st December, 2011 and **31st December, 2012**	**10,000,000,000**	**2,500,000**
Issued and fully paid:		
At 1st January, 2011	1,937,592,564	484,398
Issued in consideration for the acquisition of Year Wealth Limited in the year 2009 (Note 1)	20,000,000	5,000
Issued by placing of new shares (Note 2)	125,000,000	31,250
At 31st December, 2011 and 31st January, 2012, immediately before the Acquisition	2,082,592,564	520,648
New shares issued in respect of the Acquisition (Note 3)	**5,040,750,000**	**1,260,188**
Issued by subscription of shares (Note 4)	**619,400,000**	**154,850**
At 31st December, 2012	**7,742,742,564**	**1,935,686**

Notes:

(1) The Company issued 20,000,000 ordinary shares to the vendor on 30th March, 2011 to settle the contingent consideration for the acquisition of the entire issued share capital of Year Wealth Limited in the year 2009.

(2) On 24th June, 2011, the Company placed 125,000,000 ordinary shares to an independent investor at a price of HK$0.40 per share.

(3) On 31st January, 2012, the Company issued 5,040,750,000 ordinary shares of HK$0.25 each as the total consideration in exchange of the entire issued share capital, including the Preferred shares, of CEMG.

(4) Upon the completion of the Acquisition and pursuant to the conditional subscription agreement entered into on 21st October, 2011, the Company further issued 619,400,000 ordinary shares of HK$0.25 each at the subscription price of HK$0.40 per share to an independent third party on 31st January, 2012 totalling HK$247,760,000.

All the shares issued ranked pari passu with the existing shares of the Company in all respects.

29. CONVERTIBLE NOTES

Pursuant to the equity transfer agreements for the acquisition of the entire issued share capital of Prefect Strategy International Limited ("Prefect Strategy") and Main City Limited ("Main City") which have indirect control and an effective interest in Beida Culture, the Company issued two zero coupon convertible notes which have an aggregate principal amount of HK$470,000,000 on 3rd June, 2010. The first convertible note ("CB1") amounting to HK$350,000,000 will be matured in 3 years after the date of issue. The second convertible note ("CB2") amounting to HK$120,000,000 will be matured in 5 years after the date of issue. On 6th August, 2010, CB2 was fully converted into shares of the Company.

In addition, based on the relevant agreements, the ChinaVision Group is required to issue the additional amount of convertible note of the Company amounting to a principal amount of HK$30,000,000 (the "Additional CB") to the vendor if profit after taxation of Beida Culture in the year 2010 exceeds HK$50,000,000 (the "Condition") has been satisfied. Since the Condition was fulfilled as at 31st December, 2010, the obligation of the issuance of the Additional CB was established. The Additional CB, a zero coupon convertible note with principal amount of HK$30,000,000 was issued on 30th March, 2011 and will be matured in 5 years after the date of issue.

The convertible notes entitle the note holders to convert them into shares of the Company at any time within 3 years (for CB1) or 5 years (for CB2 and Additional CB) from the date of issue of the convertible notes, at the conversion price per share of HK$1.2 for CB1 or HK$1 for CB2 and Additional CB respectively, subject to anti-dilution clauses. In addition, the note holders shall exercise its conversion rights in relation to all outstanding amount of the convertible notes if (i) the market closing price of the shares on the Stock Exchange shall for 10 consecutive trading days be more than HK$1.5 per share; and (ii) the Company shall have given to the note holders within 7 business days written notice of compulsory conversion requiring the note holders to exercise its conversion rights in relation to all outstanding amount of the convertible notes regardless of the 15% issued share capital restriction set out in the convertible notes under any circumstance.

If the convertible notes have not been converted, they will be redeemed at par on 2nd June, 2013 (for CB1) or 29th March, 2016 (for Additional CB) respectively. The Company is allowed at any time since the date of issue to the maturity date, to redeem the convertible notes at its face value provided that any such redemption shall be made in amount of not less than a whole multiple of HK$1,000,000 as specified in the redemption notice of not less than 7 days (which notice will be irrevocable), if there shall occur before the maturity date any period of 20 consecutive trading days within which the shares shall be trading on the Stock Exchange at the volume of not less than 10,000,000 shares for each of the trading days within the conversion period with the market closing price of the shares being not less than HK$1.5.

As at 31st December, 2012, the entire issued share capital of Prefect Strategy was pledged as a share charge for CB1 issued on 3rd June, 2010.

29. CONVERTIBLE NOTES *(Continued)*

The convertible notes are issued in HK$. However, upon issuance of the convertible notes and throughout the period until maturity date, the convertible notes shall be translated at the exchange rate at the date of issuance of HK$1.00 = RMB0.91. Any payment in the event of redemption by the Company shall be made in RMB by reference to the exchange rate of HK$1.00 = RMB0.91. Any conversion shall be made by reference to the principal amounts stated in HK$.

The convertible notes contain two components, liability (together with embedded derivative for early redemption right by the Company which is closely related to the host debt) and equity elements. At the date of the Acquisition, the fair value of the liability component is determined using the prevailing market interest rate of similar non-convertible debts and the fair value of the conversion option for the note holders to convert the notes into equity which is included in equity (equity component of convertible notes) is determined using the Binomial Model.

The fair values of the embedded derivative for conversion rights by the note holders at the date of the Acquisition are calculated using the Binomial Model. The inputs into the model were as follows:

	CB1	**Additional CB**
Share price at the date of the Acquisition	HK$0.33	HK$0.33
Conversion price	HK$1.20	HK$1.00
Expected volatility (note a)	49%	80%
Expected life (note b)	1.3 years	4.2 years
Risk free interest rate (note c)	0.23% per annum	0.23% per annum

Notes:

(a) Expected volatility for embedded derivative was determined by calculating the historical volatility of the Company's share price based on weekly basis.

(b) Expected life was the expected remaining life of the embedded derivative.

(c) The risk free interest rate is determined by reference to the Hong Kong Exchange Fund Note.

The fair values of the liability component and equity component for CB1 and Additional CB at the date of the Acquisition were as follows:

	CB1	**Additional CB**
	HK$'000	HK$'000
Liability component	308,948	19,452
Equity component	400	3,571

29. CONVERTIBLE NOTES *(Continued)*

The effective interest rate of the liability component is 10.2% for CB1 and 10.9% for Additional CB at the date of the Acquisition.

The movement of the liability component of the convertible notes for the year is set out below:

	Principal amount HK$'000	**Carrying amount** HK$'000
At 1st January, 2011 and 31st December, 2011 (restated)	–	–
Addition arising from the Acquisition (note 33(a))	**380,000**	**328,400**
Interest charged (note 11)	**–**	**25,983**
Exchange adjustments	**–**	**(70)**
At 31st December, 2012	**380,000**	**354,313**

Since the date of the Acquisition and up to the end of the reporting period, none of the CB1 and Additional CB with principal amounts of HK$350,000,000 and HK$30,000,000 respectively has been converted. At 31st December, 2012, CB1 with carrying amount of HK$333,069,000 is classified as current liability as at 31st December, 2012 since its will be matured on 2nd June, 2013. The remaining carrying amount of HK$21,244,000 represents carrying amount of the Additional CB which will be matured on 29th March, 2016 and therefore is classified as non-current liability.

30. DEFERRED TAXATION

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2012 **HK$'000**	2011 HK$'000 (restated)
Deferred tax assets	**1,588**	–
Deferred tax liabilities	**(104,040)**	–
	(102,452)	–

30. DEFERRED TAXATION *(Continued)*

The following are the major deferred tax (liabilities) assets recognised and movements thereon during the current and prior years:

	Intangible assets	Allowance for doubtful debts	Others	Total
	HK$'000	HK$'000	HK$'000	HK$'000
At 1st January, 2011 and 31st December, 2011 (restated)	–	–	–	–
Arising from the Acquisition (note 33)	**(103,015)**	**2,554**	**826**	**(99,635)**
Exchange difference	**(1,025)**	**8**	**9**	**(1,008)**
Charge to consolidated income statement for the year	**–**	**(1,809)**	**–**	**(1,809)**
At 31st December, 2012	**(104,040)**	**753**	**835**	**(102,452)**

Starting from 1st January, 2008, the tax law of the PRC requires payment of withholding tax upon the distribution of profits earned by the PRC subsidiaries to the foreign shareholders. Deferred tax has not been provided for in the consolidated financial statements in respect of the temporary differences attributable to such profits generated by subsidiaries amounting to approximately HK$279,862,000 (2011: HK$4,633,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

At 31st December, 2012, the Group had estimated unused tax losses of HK$186,989,000 (2011: HK$23,450,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams. Included in unrecognised estimated tax losses are losses of HK$109,559,000 (2011: HK$23,450,000) that will expire in 5 years from the year of origination. Other losses may be carried forward indefinitely.

31. SHARE-BASED PAYMENT TRANSACTIONS

Share option schemes of the Company

Pursuant to the old share option scheme (the "Old Share Option Scheme") which was adopted by the Company on 23rd May, 2002, the board of directors of the Company may grant to any director or employee of the Company or any of its subsidiaries options to subscribe for shares in the Company, in accordance with the terms of the Old Share Option Scheme. The Old Share Option Scheme expired on 23rd May, 2012. The share options granted under the Old Share Option Scheme prior to its expiry shall continue to be valid and exercisable in accordance with the provisions of the Old Share Option Scheme. A summary of the terms applicable to the outstanding share options of the Old Share Option Scheme has been disclosed in the Company's 2011 Annual Report.

The Company's new share option scheme (the "New Share Option Scheme") was adopted by the shareholders pursuant to a resolution passed on 11th June, 2012 for the primary purpose of providing incentives or rewards to any director, employee and other eligible participants who may make contribution to the Group. The directors of the Company considered that the New Share Option Scheme, which will be valid for 10 years from the date of its adoption, will provide the Company with more flexibility in long term planning of granting of the share options to eligible persons in a longer period in the future after the expiry of the Old Share Option Scheme. The New Share Option Scheme will expire on 11th June, 2022.

The total number of shares in respect of which options may be granted under the New Share Option Scheme and any other schemes is not permitted to exceed 10% of the shares of the Company in issue at the date of shareholders' approval of the New Share Option Scheme (the "Scheme Mandate Limit") or, if such 10% limit is refreshed, at the date of shareholders' approval of the renewal of the Scheme Mandate Limit. The maximum aggregate number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the New Share Option Scheme and any other share option schemes, must not exceed 30% of the total number of shares of the Company in issue from time to time. As at 31st December, 2012, a total of 774,274,256 (2011: 193,759,256) shares of the Company (representing 10% of the existing issued share capital of Company) are available for issue under the New Share Option Scheme (2011: the Old Share Option Scheme).

The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company then in issue, without prior approval from the Company's shareholders. Each grant of options to any director, chief executive or substantial shareholder must be approved by independent non-executive directors. Where any grant of options to a substantial shareholder or an independent non-executive director or any of their respective associates would result in the shares of the Company issued and to be issued upon exercise of options already granted and to be granted in excess of 0.1% of the Company's issued share capital and with a value in excess of HK$5,000,000 in the 12-month period up to the date of grant must be approved in advance by the shareholders of the Company.

31. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

Share option schemes of the Company *(Continued)*

Options granted must be taken up within 21 days from date of grant, upon payment of HK$1 per each grant of options. An option may be exercised in accordance with the terms of the New Share Option Scheme at any time during the effective period of the New Share Option Scheme to be notified by the board of directors which shall not be later than 10 years from date of grant. The exercise price is determined by the directors of the Company, and will not be less than the higher of the closing price of the Company's shares on the date of grant and, the average closing price of the Company's shares on the Stock Exchange for the five business days immediately preceding the date of grant, provided that the exercise price should not be lower than the nominal value of the Company's share.

No share options were granted under the New Share Option Scheme since its adoption during the year ended 31st December, 2012. No share options were granted under the Old Share Option Scheme before its expiry during the years ended 31st December, 2012 and 2011.

The fair values of the options granted on 18th March, 2010 and 4th May, 2010 determined at the date of the Acquisition using the Binomial Model were HK$19,802,000 and HK$5,082,000 respectively.

The following assumptions were used to calculate the fair values of share options:

Grant date	18th March, 2010	4th May, 2010
share price at the date of the Acquisition	HK$0.33	HK$0.33
Exercise price	HK$0.475	HK$0.56
Expected life	7.2 – 8.3 years	4.1 – 8.0 years
Expected volatility	80%	80%
Dividend yield	0%	0%
Risk-free interest rate per annum	2.65%	2.93%

The Binomial Model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. Changes in variables and assumptions may result in changes in the fair value of the options.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in the consolidated income statement, with a corresponding adjustment to the share option reserve.

Details of the movements of the share options granted by the Company pursuant to the Old Share Option Scheme from the date of the Acquisition are as below. To provide a better understanding on details of the Old Share Option Scheme, additional information before the Acquisition has been disclosed.

31. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

Share option schemes of the Company *(Continued)*

Category		Date of grant	Exercise price per share	Number of share options: At 1st January, 2011, the date of the Acquisition and outstanding as at 31st December, 2011 and 2012
		(Note 1)	HK$	
1.	Directors	04.05.2010	0.560	29,160,000
2.	Employees	18.03.2010	0.475	82,250,000
		04.05.2010	0.560	7,200,000
3.	Consultants	18.03.2010	0.475	29,300,000
	Total			147,910,000
	Exercisable at 31st December, 2012			**147,910,000**
	Weighted average exercise price at 31st December, 2012			**HK$0.50**
	Exercisable at the date of Acquisition and 31st December, 2011			98,607,000
	Weighted average exercise price at the date of Acquisition and 31st December, 2011			HK$0.496
	Exercisable as at 1st January, 2011			49,303,000
	Weighted average exercise price at 1st January, 2011			HK$0.496

31. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

Share option schemes of the Company *(Continued)*

Notes:

1. Date of grant refers to the date on which ChinaVision Group granted share options to its directors, employees and consultants.

2. The share options are exercisable as follows:

Exercise criteria		Amount of share options that can be exercised
(i)	On completion of the continuous employment/service of the grantee with the Group for 1 year commencing from 23rd April, 2009 or the date of the relevant grantee's commencement of employment/service (whichever is the later)	Up to one-third of the share options granted
(ii)	On completion of the continuous employment/service of the grantee with the Group for 2 years commencing from 23rd April, 2009 or the date of the relevant grantee's commencement of employment/service (whichever is the later)	Up to two-thirds of the share options granted
(iii)	On completion of the continuous employment/service of the grantee with the Group for 3 years commencing from 23rd April, 2009 or the date of the relevant grantee's commencement of employment/service (whichever is the later)	Up to all of the share options granted

According to the Old Share Option Scheme, all the share options granted on 18th March, 2010 and 4th May, 2010 were vested since 23rd April, 2009.

3. The period within which the share options must be exercised shall not be more than 10 years from the date of grant.

4. Employees are working under employment contracts that are regarded as "continuous contracts" for the purposes of the Employment Ordinance.

5. During the years ended 31st December, 2012 and 2011, no share options were exercised, cancelled or lapsed. The options outstanding as at 31st December, 2012 and 2011 have a weighted average remaining contractual life of 8 years (2011: 9 years).

6. The Group recognised the total expense of HK$1,604,000 for the year ended 31st December, 2012 in relation to the share options granted to the directors and employees of the Company.

31. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

Share option schemes of the Company *(Continued)*

In the opinion of the directors, the consultancy services rendered by the consultants are similar to those rendered by the employees. Therefore, the fair value of the share options granted to the consultants was measured by the same accounting policies as that of the employees in accordance with HKFRS 2. During the year ended 31st December, 2012, share-based payment expense of HK$542,000 in respect of the share options granted to the consultants has been charged to the consolidated income statement.

Share-based payment of CEMG

During the year ended 31st December, 2011, Mr. Dong transferred at nil consideration certain of his shareholding in World Charm, one of the shareholders of CEMG, to certain consultants who participated in the industries of production of television programmes and films and TV advertising in the PRC as an incentive for these people to join the CEMG Group. The fair value of the shares of World Charm at the dates of grant is assessed by an independent valuer using the market approach with application of the forward enterprise value to sales ratio of other comparable listed companies to the forecast sales for the year ended 31st December, 2011 of CEMG with adjustment for the specific status of CEMG. An amount of approximately HK$45,337,000 was recognised immediately in the profit or loss with corresponding adjustment to shareholder's contribution reserve in equity.

32. RETIREMENT BENEFIT SCHEMES

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Group and each employee employed in Hong Kong are required to make a contribution of 5% on the employees' monthly relevant income with a maximum monthly contribution of HK$1,250 per person (the maximum monthly contribution is HK$1,000 per person before 1st June, 2012).

The PRC employees of the Group are members of a state-managed retirement benefit scheme operated by the local government. The Group is required to contribute 20% – 22% (2011: 20% – 22%) of their payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

During the year, the Group made total contributions to the retirement benefits schemes of HK$22,690,000 (2011: HK$3,496,000). Included in the total contributions made, HK$148,000 (2011: HK$8,000) is contribution made for Hong Kong employees.

33. ACQUISITION OF SUBSIDIARIES

(a) Acquisition of business through purchase of subsidiaries for the year ended 31st December, 2012

As set out in note 2, the Company acquired the entire issued share capital of CEMG in which Mr. Dong, a director of CEMG has controlling interests, which was completed on 31st January, 2012. As the Acquisition resulted in the Target's Shareholders of CEMG Group becoming, as a group, the controlling shareholders of the Company, the Acquisition was accounted for as a reverse acquisition, under which the CEMG Group was treated as the accounting acquirer and the ChinaVision Group immediately before the completion of the Acquisition was deemed to have been acquired by the CEMG Group.

Deemed consideration transferred

	HK$'000
Shares issued (Note)	687,256
Fair value of equity component of convertible notes of the ChinaVision Group	3,971
Fair value of vested share options of the ChinaVision Group	23,280
	714,507

Note: The deemed consideration amounted to approximately HK$687,256,000 represents the fair value of 2,082,592,564 ordinary shares of the Company in issue immediately prior to the Acquisition determined by reference to the published closing market price of HK$0.33 per share at the date of the Acquisition i.e. 31st January, 2012.

Acquisition-related costs amounting to HK$3,983,000 have been excluded from the cost of acquisition and have been recognised directly as an expense in the year ended 31st December, 2011 and included in the "other expenses" line item in the consolidated income statement of the CEMG Group.

33. ACQUISITION OF SUBSIDIARIES *(Continued)*

(a) Acquisition of business through purchase of subsidiaries for the year ended 31st December, 2012 *(Continued)*

The fair value of net assets of the ChinaVision Group acquired in the transaction and the goodwill arising as at the date of the Acquisition are as follows:

	Acquiree's carrying amounts before the Acquisition HK$'000	Fair value adjustments HK$'000	Fair value HK$'000
Current assets			
Inventories	2,151	–	2,151
Film rights	30,916	–	30,916
Investments held for trading	13,586	–	13,586
Loan receivable	22,167	–	22,167
Trade and other receivables, deposits and prepayments	235,228	–	235,228
Amounts due from non-controlling interests	805	–	805
Bank balances and cash	74,535	–	74,535
Non-current assets			
Property, plant and equipment	28,076	–	28,076
Intangible assets	466,773	(3,755)	463,018
Interest in an associate	105,724	–	105,724
Club debenture	2,808	–	2,808
Art work	60,588	–	60,588
Deposits and prepayments	11,433	–	11,433
Deferred tax assets	3,380	–	3,380
Current liabilities			
Trade and other payables and deposits received	(153,198)	–	(153,198)
Amount due to a non-controlling interest	(739)	–	(739)
Amount due to a joint venture partner	(7,057)	–	(7,057)
Tax liabilities	(26,327)	–	(26,327)
Borrowings	(23,297)	–	(23,297)
Non-current liabilities			
Deferred tax liabilities	(103,015)	–	(103,015)
Convertible notes	(328,400)	–	(328,400)
	416,137	(3,755)	412,382

33. ACQUISITION OF SUBSIDIARIES *(Continued)*

(a) Acquisition of business through purchase of subsidiaries for the year ended 31st December, 2012 *(Continued)*

The receivables acquired (which principally comprised loan receivable, trade and other receivables and amounts due from non-controlling interests) with a fair value of HK$247,153,000 at the date of the Acquisition had gross contractual amounts of HK$263,016,000. At the date of the Acquisition, the best estimate of the contractual cash flows not expected to be collected amounted to HK$15,863,000.

Non-controlling interests

The non-controlling interests in the ChinaVision Group recognised at the date of the Acquisition was measured by reference to the respective proportionate shares of recognised amounts of net assets of relevant subsidiaries and amounted to HK$26,826,000.

Goodwill arising on Acquisition

	HK$'000
Consideration transferred	714,507
Plus: non-controlling interests	26,826
Less: recognised amount of identifiable net assets acquired	(412,382)
Goodwill arising on Acquisition	328,951
Exchange adjustment	4,418
Carrying value at 31st December, 2012	333,369

The goodwill arising on the Acquisition is attributable to the anticipated synergy effect of the production and distribution of film rights and the anticipated profitability of the newspaper advertising and newspaper distribution business of the Group.

None of the goodwill arising on this Acquisition is expected to be deductible for tax purposes.

Cash inflow arising on Acquisition

	HK$'000
Bank balances and cash acquired	74,535

33. ACQUISITION OF SUBSIDIARIES *(Continued)*

(a) Acquisition of business through purchase of subsidiaries for the year ended 31st December, 2012 *(Continued)*

Impact of the Acquisition on the results of the Group

Included in the profit for the year attributable to the owners of the Company and non-controlling interests are HK$75,364,000 and HK$2,348,000 respectively generated by the ChinaVision Group businesses. Revenues for the year include HK$280,303,000 generated from the ChinaVision Group.

Had the Acquisition been effected at the beginning of the current year, total Group's revenue for the year ended 31st December, 2012 would have been HK$1,029,001,000 and the Group's profit for the year would have been HK$165,266,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the Acquisition been completed at the beginning of the year, nor is it intended to be a projection of future results.

(b) Acquisition of assets and liabilities through purchase of subsidiaries for the year ended 31st December, 2011

(i) on 4th January, 2011, You Li Hao Ge Media & Culture, Ltd. ("You Li Hao Ge"), a wholly-owned subsidiary of CEMG, acquired the entire interest in Asian Union which holds 51% of Vision Ventures, through certain agreements ("Agreements") signed among Asian Union, the owners of the Asian Union and You Li Hao Ge. Pursuant to the Agreements, the owners of Asian Union agreed to assign the power to appoint and remove all the members of the board of directors and to govern the financial and operating policies of Asian Union to You Li Hao Ge and to transfer all beneficial interests of these entities to You Li Hao Ge. Accordingly, Asian Union is treated as a wholly-owned subsidiary of CEMG and its results, assets and liabilities are consolidated with those of the CEMG Group.

The purpose of this acquisition was to obtain the operating licenses for production and publication of television drama series, television programmes and films in the PRC, which allowed the CEMG Group to develop television and film production business. Such acquisition did not constitute a business combination and did not give rise to any goodwill.

Consideration transferred

	HK$'000
Shares issued (note)	2,806

33. ACQUISITION OF SUBSIDIARIES *(Continued)*

(b) Acquisition of assets and liabilities through purchase of subsidiaries for the year ended 31st December, 2011 *(Continued)*

Note: 35,555 ordinary shares of one of the shareholders of CEMG were transferred by that shareholder to the vendors as consideration shares. The fair value of such consideration shares is assessed by an independent valuer using the market approach with application of the forward enterprise value to sales ratio of other comparable listed companies to the forecast sales for the year ended 31st December, 2011 of CEMG with adjustment for the specific status of CEMG. At the date of completion of the acquisition, the fair value of such consideration shares was amounted to approximately HK$2,806,000.

Assets and liabilities recognised by the CEMG Group at the date of acquisition:

	HK$'000
Non-current assets	
Property, plant and equipment	460
Intangible assets	9,223
Current assets	
Other receivables	802
Amount due from a shareholder	4,713
Amount due from a related company	27,150
Bank balances and cash	5,672
Current liabilities	
Trade and other payables, accruals and deposits received	(28,042)
Amount due to a non-controlling shareholder of a subsidiary	(5,330)
Tax liabilities	(2,392)
Bank borrowings	(9,450)
	2,806

The intangible assets mainly represent operating licences for production and publication of television drama series, television programmes and films in the PRC.

Cash inflow arising on acquisition

	HK$'000
Bank balances and cash acquired	5,672

33. ACQUISITION OF SUBSIDIARIES *(Continued)*

(b) Acquisition of assets and liabilities through purchase of subsidiaries for the year ended 31st December, 2011 *(Continued)*

(ii) On 5th January, 2011, the CEMG Group acquired 51% equity interest in Zhong Lian Hua Yi Shan He Shui for a cash consideration of RMB1,000,000 (equivalent to approximately HK$1,181,000). Zhong Lian Hua Yi Shan He Shui has not commenced business at the date of acquisition.

Consideration transferred

	HK$'000
Cash consideration	1,181

Assets and liabilities recognised by the CEMG Group at the date of acquisition:

	HK$'000
Non-current asset	
Property, plant and equipment	732
Current assets	
Other receivables	831
Bank balances and cash	802
Current liability	
Other payables	(49)
	2,316
Non-controlling interest	(1,135)
	1,181

Net cash outflow arising on acquisition

	HK$'000
Cash consideration paid	(1,181)
Bank balances and cash acquired	802
	(379)

33. ACQUISITION OF SUBSIDIARIES *(Continued)*

(b) Acquisition of assets and liabilities through purchase of subsidiaries for the year ended 31st December, 2011 *(Continued)*

(iii) On 11th February, 2011, the CEMG Group acquired 100% equity interest in Peng An Sheng Shi. Peng An Sheng Shi has not commenced business at the date of acquisition.

Consideration transferred

	HK$'000
Cash consideration	1,185

Asset recognised by the CEMG Group at the date of acquisition:

	HK$'000
Current asset	
Bank balances and cash	1,185

Net cash flow arising on acquisition

	HK$'000
Cash consideration paid	(1,185)
Bank balances and cash acquired	1,185
	–

34. DISPOSAL OF SUBSIDIARIES

On 29th March, 2012, a wholly-owned subsidiary of the Company entered into a conditional sale and purchase agreement with an independent third party pursuant to which the Group will dispose of 100% equity interests in Fame Tower Limited ("Fame Tower") and Golden Pace Limited ("Golden Pace") (collectively referred to as the "Disposal Group") which mainly hold 30% equity interest in Super Sports Media Inc. and the broadcasting right in connection with the mobile audio-visual broadcasting respectively for a total consideration of US$20,000,000, which is equivalent to approximately HK$155,120,000 (the "Disposal"). The Disposal was completed on 31st May, 2012, on which date control of Fame Tower and Golden Pace was passed to the acquirer.

34. DISPOSAL OF SUBSIDIARIES *(Continued)*

Consideration received

	HK$'000
Cash received	77,560
Deferred cash consideration	77,560
	155,120

The deferred consideration of US$10,000,000, equivalent to approximately HK$77,560,000 is required to be settled in cash on or before 31st March, 2013. Such amount was settled subsequent to the year ended 31st December, 2012.

Analysis of assets and liabilities over which control was lost

	HK$'000
Intangible assets	20,431
Interest in an associate	104,655
Amounts due to group companies	(116,742)
Net assets disposed of	8,344

Gain on disposal of subsidiaries

	HK$'000
Consideration received and receivable	155,120
Net assets disposed of	(8,344)
Assignment of shareholder's loan	(116,742)
Gain on disposal	30,034

Cash inflow arising on disposal

	HK$'000
Cash consideration	77,560

During the year ended 31st December, 2012, Fame Tower and Golden Pace paid HK$3,623,000 of the Group's net operating cash flows.

Subsequent to the date of the Acquisition as disclosed in note 2, the Disposal Group signed an agreement to further extend the licensing period for the broadcasting right of the mobile audio-visual broadcasting. Having considered this, the consideration for the Disposal in March 2012 exceeded the fair value of the Disposal Group as at the date of the Acquisition.

35. OPERATING LEASE COMMITMENTS

	2012	2011
	HK$'000	HK$'000
		(restated)
Minimum lease payments under operating leases recognised as an expense in the year	**18,898**	3,032

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases for premises which fall due as follows:

	2012	2011
	HK$'000	HK$'000
		(restated)
Not later than one year	**16,157**	2,761
Later than one year and not later than five years	**29,098**	–
	45,255	2,761

Operating leases and rentals are negotiated for an original average term of two to five years.

36. CAPITAL COMMITMENT

The Group has entered into the following transaction, which have not been completed at the date the consolidated financial statements were authorised for issuance:

On 12th October, 2012, a wholly-owned subsidiary of the Company entered into a film art centre framework agreement (the "Framework Agreement") with Mr. Chiau Sing Chi (also known as Stephen Chow, "Mr. Stephen Chow") pursuant to which the wholly-owned subsidiary and Mr. Stephen Chow will jointly establish a company and the wholly-owned subsidiary will hold 75% equity interest whereas Mr. Stephen Chow will hold the remaining 25% equity interest for the investment in a tourism project in the PRC at a place to be agreed by the parties. According to the Framework Agreement, the Group is required to contribute capital of RMB30,000,000 (approximately HK$37,313,000) by way of cash. The Group has not made any payment as at 31st December, 2012.

37. RELATED PARTY TRANSACTIONS

At 31st December, 2012 and 2011, the Group had the following significant balances with related parties.

	At 31st December, 2012 HK$'000	At 31st December, 2011 HK$'000 (restated)
Amounts due (to) from related companies (Note)	**(1,105)**	3,122

Note: At 31st December, 2012 and 2011, the related companies are controlled indirectly by members of the key management personnel of the Group. The balances are unsecured, non-interest bearing and repayable on demand.

Apart from the above and amounts due from/to non-controlling interests and shareholders as disclosed in the consolidated statement of financial position and/or note 38, the Group has entered into the following related party transactions:

	For the year ended 31st December, 2012 HK$'000	2011 HK$'000 (restated)
Advertising fee paid and payable to a non-controlling interest (Note)	**206,788**	205,825
Interest expense paid to a shareholder	**385**	607
Imputed interest on borrowings from a shareholder	**–**	3,305
Key management compensation:		
Short-term employee benefits	**5,383**	4,461
Post-employment benefits	**26**	227
Share-based payments	**150**	–
	5,559	4,688

Note: Such transaction constituted as a connected transaction under the Listing Rules.

38. AMOUNTS DUE FROM/TO NON-CONTROLLING INTERESTS AND SHAREHOLDERS

As at 31st December, 2011, amount due to a shareholder was interest bearing at 15% per annum, repayable on or before 31st January, 2012 and guaranteed by Mr. Dong. Such amount was repaid on 31st January, 2012.

All other balances are unsecured, non-interest bearing and repayable on demand.

39. MAJOR NON-CASH TRANSACTION

During the year ended 31st December, 2011, amount due to a shareholder, Mr. Dong, of HK$42,512,000 was settled through transfer of a property categorised as property, plant and equipment with carrying amount of HK$34,134,000 to a close family member of Mr. Dong at a consideration of HK$42,512,000. A gain of HK$8,378,000 was recognised in profit or loss upon disposal.

40. EVENTS AFTER THE REPORTING PERIOD

On 21st February, 2013, a wholly-owned subsidiary of the Company has entered into Tongxiang Wuzhen "Journey to the West" film art centre project cooperative agreement and Tongxiang Wuzhen "Journey to the West" film art centre project memorandum with the People's Government of Tongxiang City of the Zhejiang Province (the "Tongxiang City Government") pursuant to which (i) the Tongxiang City Government will be responsible for requisition and agricultural land conversion of the land use right in the PRC which comprise of a parcel of land of an area of approximately 691.4 Mu (the "Sale Land") and another parcel of land of an area of approximately 357.1 Mu (the "Leased Land"); (ii) the wholly-owned subsidiary will acquire the Sale Land from public land sales for the development of the project; and (iii) the wholly-owned subsidiary shall be under no obligation to take up the lease of the Leased Land if the wholly-owned subsidiary fails to obtain the Sale Land. The proposed acquisition of the land use right in the PRC has not yet been completed as at the date of the consolidated financial statements for the year ended 31st December, 2012 authorised for issuance.

41. FINANCIAL INFORMATION OF THE COMPANY

Financial information of the Company at the end of the reporting period includes:

	Notes	2012 HK$'000	2011 HK$'000
Non-current assets			
Unlisted investments		**1,966,092**	134,723
Amounts due from subsidiaries	a	**588,932**	807,463
		2,555,024	942,186
Current assets			
Investments held for trading		**21,569**	13,317
Amounts due from subsidiaries	b	**525,179**	138,347
Prepayments		**15,606**	520
Bank balances and cash		**10,319**	5,089
		572,673	157,273
Current liabilities			
Other payables and accrued charges		**20,016**	31,278
Amounts due to subsidiaries	b	**184,865**	108,214
Amounts due to related companies	b	**–**	45,841
Convertible notes		**333,069**	–
		537,950	185,333
Net current assets (liabilities)		**34,723**	(28,060)
Total assets less current liabilities		**2,589,747**	914,126
Capital and reserves			
Share capital		**1,935,686**	520,648
Reserves	c	**632,817**	67,476
		2,568,503	588,124
Non-current liability			
Convertible notes		**21,244**	326,002
		2,589,747	914,126

Particulars of the principal subsidiaries of the Company at 31st December, 2012 and 2011 are set out in note 42.

41. FINANCIAL INFORMATION OF THE COMPANY *(Continued)*

Notes:

(a) Amounts due from subsidiaries

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the directors of the Company, the amounts will not be repaid in the next five years from 31st December, 2012 and the amounts are therefore shown as non-current assets. The effective interest rate of the amounts is 5.25% (2011: 5%) per annum.

(b) Amounts due from/to subsidiaries and related parties

The amounts due from/to subsidiaries and related companies are unsecured, interest-free and repayable on demand. The related companies are controlled indirectly by members of the key management personnel of the Group.

(c) Reserves of the Company

	Share option reserve HK$'000	Convertible notes equity reserve HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000	Translation reserve HK$'000	Share issuable reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1st January, 2011	28,266	39,017	223,978	918	65,409	38,899	7,500	(316,412)	87,575
Exchange difference arising on translation to presentation currency	–	–	–	–	–	26,160	–	–	26,160
Loss for the year	–	–	–	–	–	–	–	(85,310)	(85,310)
Issue of shares for acquisition of subsidiaries	–	–	2,500	–	–	–	(7,500)	–	(5,000)
Shares issued	–	–	18,750	–	–	–	–	–	18,750
Transaction costs attributable to issue of shares	–	–	(5)	–	–	–	–	–	(5)
Recognition of equity component of convertible notes	–	12,188	–	–	–	–	–	–	12,188
Recognition of equity-settled share-based payments	13,118	–	–	–	–	–	–	–	13,118
At 31st December, 2011	41,384	51,205	245,223	918	65,409	65,059	–	(401,722)	67,476
Exchange difference arising on translation to presentation currency	–	–	–	–	–	24,710	–	–	24,710
Profit for the year	–	–	–	–	–	–	–	42,289	42,289
Shares issued for the Acquisition	–	–	403,260	–	–	–	–	–	403,260
Subscription of shares	–	–	92,910	–	–	–	–	–	92,910
Transaction costs attributable to issue of shares	–	–	(24)	–	–	–	–	–	(24)
Recognition of equity-settled share-based payments	2,196	–	–	–	–	–	–	–	2,196
At 31st December, 2012	43,580	51,205	741,369	918	65,409	89,769	–	(359,433)	632,817

41. FINANCIAL INFORMATION OF THE COMPANY *(Continued)*

Notes *(Continued)*:

(c) Reserves of the Company *(Continued)*

The contributed surplus of the Company represents the aggregate of:

(i) the difference between the consolidated shareholders' funds of a group of subsidiaries at the date on which the corporate reorganisation became effective and the nominal amount of the Company's shares issued under the reorganisation; and

(ii) a net balance arising from reduction of issued share capital and share premium after setting off accumulated losses of the Company during 2002 and after deducting the accumulated dividend paid from contributed surplus to shareholders.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus of the Company is available for distribution. However, the Company cannot declare or pay a dividend or make a distribution out of contributed surplus if:

(i) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

In the opinion of directors of the Company, as at 31st December, 2012 and 2011, the Company's reserve available for distribution to shareholders was approximately HK$580,694,000 and HK$15,353,000 respectively.

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries of CEMG before the date of the Acquisition are as follows:

Name of subsidiary	Country/ place of incorporation/ registration	Place/ country of operations	Issued and fully paid share capital/ registered capital	Proportion of issued share capital/ registered capital held by CEMG				Principal activities
				2012		2011		
				Directly %	**Indirectly %**	Directly %	Indirectly %	
Orient Ventures Limited	British Virgin Islands	Hong Kong	Ordinary US$1	**100**	**–**	100	–	Investment holding
甘肅飛視天成文化傳播有限公司 Gansu Fei Shi Tian Cheng Culture and Broadcast, Ltd.* ("Gansu Fei Shi") (Note a)	PRC (Note b)	PRC (Note b)	Registered capital RMB5,000,000	**–**	**–**	–	–	Sales of TV advertising air-times
Zhong Lian Hua Yi Shan He Shui (Note a)	PRC (Note b)	PRC (Note b)	Registered capital RMB1,000,000	**–**	**–**	–	–	Production and distribution of film rights over films and TV programmes
北京逆光順影影視文化傳播有限公司 Beijing Ni Guang Shun Ying Film, Culture and Broadcast, Ltd.* ("Ni Guang Shun Ying") (Note a)	PRC (Note b)	PRC (Note b)	Registered capital RMB3,000,000	**–**	**–**	–	–	Production and distribution of film rights over films
Asian Union (Note a)	PRC (Note b)	PRC (Note b)	Registered capital RMB10,000,000	**–**	**–**	–	–	Production and distribution of film rights over films and TV programmes
Peng An Sheng Shi (Note a)	PRC (Note b)	PRC (Note b)	Registered capital RMB1,000,000	**–**	**–**	–	–	Sales of TV advertising air-times

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Country/ place of incorporation/ registration	Place/ country of operations	Issued and fully paid share capital/ registered capital	Proportion of issued share capital/ registered capital held by CEMG 2012 Directly %	2012 Indirectly %	2011 Directly %	2011 Indirectly %	Principal activities
華盟（天津）文化投資有限公司 Hua Meng (Tianjin) Culture and Investments, Ltd.* ("Tianjin Culture") (Note a)	PRC (Note b)	PRC (Note b)	Registered capital RMB15,000,000	–	–	–	–	Production and distribution of film rights over films and TV programmes
中聯華盟（天津）廣告有限公司 Asian Union (Tianjin) Advertising, Ltd.* ("Tianjin Advertising") (Note a)	PRC (Note b)	PRC (Note b)	Registered capital RMB7,500,000	–	–	–	–	Sales of TV advertising air-times
You Li Hao Ge	PRC (Note c)	PRC (Note c)	Registered capital RMB100,000	–	100	–	100	Investment holding

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Particulars of the principal subsidiaries of the Company after the date of the Acquisition are as follows:

Name of subsidiary	Country/ place of incorporation/ registration	Place/ country of operations	Issued and fully paid share capital/ registered capital	Proportion of issued share capital/ registered capital held by the Company 2012 Directly %	Indirectly %	Principal activities
CEMG	Cayman Islands	Hong Kong	Ordinary US$10,000 Preferred US$2,500	**100**	–	Investment holding
Orient Ventures Limited	British Virgin Islands	Hong Kong	Ordinary US$1	–	**100**	Investment holding
China Allied Culture Media Group Limited	British Virgin Islands	Hong Kong	Ordinary US$1	**100**	–	Investment holding
Gain Favour Limited	British Virgin Islands	Hong Kong	Ordinary US$1	**100**	–	Investment holding
Rich Data Limited	British Virgin Islands	Hong Kong	Ordinary US$1	**100**	–	Provision of management services to group companies
Prefect Strategy	British Virgin Islands	Hong Kong	Ordinary US$1	–	**100**	Investment holding
Main City	British Virgin Islands	Hong Kong	Ordinary US$1	–	**100**	Investment holding
SAC Enterprises Limited	Hong Kong	Hong Kong	Ordinary HK$1,000	**100**	–	Provision of management services to group companies
SAC Finance Company Limited	Hong Kong	Hong Kong	Ordinary HK$100	–	**100**	Provision of financing services
SAC Nominees Limited	Hong Kong	Hong Kong	Ordinary HK$100	**100**	–	Provision of nominee services
SAC Secretarials Limited	Hong Kong	Hong Kong	Ordinary HK$100	**100**	–	Provision of secretarial services

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Country/ place of incorporation/ registration	Place/ country of operations	Issued and fully paid share capital/ registered capital	Proportion of issued share capital/ registered capital held by the Company 2012 Directly %	Indirectly %	Principal activities
Worthwide Limited	British Virgin Islands	Hong Kong	Ordinary US$1	100	–	Investment holding
Year Wealth Limited	British Virgin Islands	Hong Kong	Ordinary US$50,000	–	100	Investment holding
Zhong Lian Jinghua (Note d)	PRC (Note b)	PRC (Note b)	Registered capital RMB10,000,000	–	–	Investment holding
北京中聯同達文化有限公司 Beijing Zhong Lian Tong Da Culture Company Limited* ("Zhong Lian Tong Da") (Note d)	PRC (Note b)	PRC (Note b)	Registered capital RMB1,000,000	–	–	Provision of TV programmes packaging services
天津唐圖科技有限公司 Tianjin Tang Tu Technology Company Limited* ("Tianjin Tang Tu") (Note d)	PRC (Note b)	PRC (Note b)	Registered capital RMB10,000,000	–	–	Development and distribution of mobile games
Gansu Fei Shi (Note d)	PRC (Note b)	PRC (Note b)	Registered capital RMB5,000,000	–	–	Sales of TV advertising air-times
Zhong Lian Hua Yi Shan He Shui (Note d)	PRC (Note b)	PRC (Note b)	Registered capital RMB1,000,000	–	–	Production and distribution of film rights over films and TV programmes
Ni Guang Shun Ying (Note d)	PRC (Note b)	PRC (Note b)	Registered capital RMB3,000,000	–	–	Production and distribution of film rights over films

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Country/ place of incorporation/ registration	Place/ country of operations	Issued and fully paid share capital/ registered capital	Proportion of issued share capital/ registered capital held by the Company 2012 Directly %	Indirectly %	Principal activities
北京永聯信通科技有限責任公司 Youline Technology Company Limited* ("Youline Technology") (Note d)	PRC (Note b)	PRC (Note b)	Registered capital RMB10,000,000	–	–	Provision of mobile value–added services
Beida Culture (Note d)	PRC (Note b)	PRC (Note b)	Registered capital RMB100,000,000	–	–	Provision of other agency services
Hua Meng Shanghai (Note d)	PRC (Note b)	PRC (Note b)	Registered capital RMB15,000,000	–	–	Production and distribution of film rights over films and TV programmes
Asian Union (Note d)	PRC (Note b)	PRC (Note b)	Registered capital RMB10,000,000	–	–	Production and distribution of film rights over films and TV programmes
Peng An Sheng Shi (Note d)	PRC (Note b)	PRC (Note b)	Registered capital RMB1,000,000	–	–	Sales of TV advertising air-times
Tianjin Culture (Note d)	PRC (Note b)	PRC (Note b)	Registered capital RMB15,000,000	–	–	Production and distribution of film rights over films and TV programmes
Tianjin Advertising (Note d)	PRC (Note b)	PRC (Note b)	Registered capital RMB7,500,000	–	–	Sales of TV advertising air-times

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Country/ place of incorporation/ registration	Place/ country of operations	Issued and fully paid share capital/ registered capital	Proportion of issued share capital/ registered capital held by the Company 2012 Directly %	Indirectly %	Principal activities
北京世通寰亞廣告有限公司 Beijing Shi Tong Huan Ya Advertising Company Limited* ("Beijing Shi Tong") (Note e)	PRC (Note b)	PRC (Note b)	Registered capital RMB200,000	–	–	Investment holding
北京人和人文化有限公司 Beijing Ren He Ren Culture Company Limited* ("Beijing Ren He Ren") (Note d)	PRC (Note b)	PRC (Note b)	Registered capital RMB100,000	–	–	Magazine advertising and magazine distribution
人和人(天津)廣告有限公司 Ren He Ren (Tianjin) Advertising Company Limited* ("Ren He Ren Tianjin") (Note d)	PRC (Note b)	PRC (Note b)	Registered capital RMB1,500,000	–	–	Magazine advertising and magazine distribution
西安金鼎影視文化有限公司 Xian Jinding Film, Television and Culture Company Limited* ("Xian Jinding") (Note e)	PRC (Note b)	PRC (Note b)	Registered capital RMB3,000,000	–	–	Production and distribution of film rights over films and TV programmes
Shanghai Strategic (Note f)	PRC (Note b)	PRC (Note b)	Registered capital RMB1,000,000	–	–	Investment holding

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Country/ place of incorporation/ registration	Place/ country of operations	Issued and fully paid share capital/ registered capital	Proportion of issued share capital/ registered capital held by the Company 2012 Directly %	Indirectly %	Principal activities
沂大商業管理諮詢（上海）有限公司 Yi Da Commercial Management Consultancy (Shanghai) Company Limited*	PRC (Note c)	PRC (Note c)	Registered capital US$100,000	–	**100**	Investment holding
中聯京華傳媒文化（北京）有限公司 Zhong Lian Jinghua Media Culture (Beijing) Company Limited*	PRC (Note c)	PRC (Note c)	Registered capital US$100,000	–	**100**	Investment holding
中聯盛世文化（北京）有限公司 Zhong Lian Sheng Shi Culture (Beijing) Company Limited*	PRC (Note c)	PRC (Note c)	Registered capital RMB100,000,000	–	**100**	Investment holding
You Li Hao Ge	PRC (Note c)	PRC (Note c)	Registered capital RMB100,000	–	**100**	Investment holding

* The English name is for identification purpose only. The official names of those companies are in Chinese.

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Notes:

(a) During the year ended 31st December, 2011 and during the period from 1st January, 2012 to the date of the Acquisition, CEMG did not have any equity interest in the registered capital of Asian Union as it was owned by the employees of the CEMG Group. Pursuant to certain agreements among Asian Union, the owners of Asian Union and the CEMG Group, the owners of Asian Union agreed to assign the power to appoint and remove all the members of the board of directors of and to govern the financial and operating policies of Asian Union to the CEMG Group and to transfer all beneficial interests of Asian Union to the CEMG Group. Accordingly, Asian Union is treated as a wholly-owned subsidiary of CEMG and its results, assets and liabilities are consolidated with those of the CEMG Group. The registered capital of Asian Union was contributed by the CEMG Group. Asian Union holds 51% equity interests of Gansu Fei Shi, Zhong Lian Hua Yi Shan He Shui and Ni Guang Shun Ying and 100% equity interests of Peng An Sheng Shi, Tianjin Culture and Tianjin Advertising. Therefore, Asian Union controls 51% of voting powers in Gansu Fei Shi, Zhong Lian Hua Yi Shan He Shui and Ni Guang Shun Ying and 100% voting powers of Peng An Sheng Shi, Tianjin Culture and Tianjin Advertising. Gansu Fei Shi, Zhong Lian Hua Yi Shan He Shui, Ni Guang Shun Ying, Peng An Sheng Shi, Tianjin Culture and Tianjin Advertising are limited liability companies registered in the PRC. During the year ended 31st December, 2012, Asian Union was transferred to Zhong Lian Jinghua.

(b) These subsidiaries are domestic-invested enterprises.

(c) These subsidiaries are wholly-owned foreign enterprises.

(d) The Company does not have any equity interest in the registered capital of Zhong Lian Jinghua as it is owned by an employee of the Group. Pursuant to certain agreements among Zhong Lian Jinghua, the owner of Zhong Lian Jinghua and the Group, the owner of Zhong Lian Jinghua agreed to assign the power to appoint and remove all the members of the board of directors of and to govern the financial and operating policies of Zhong Lian Jinghua to the Group and to transfer all beneficial interests of Zhong Lian Jinghua to the Group. Accordingly, Zhong Lian Jinghua is treated as a wholly-owned subsidiary of the Company and its results, assets and liabilities are consolidated with those of the Group. The registered capital of Zhong Lian Jinghua was contributed by the Group. Zhong Lian Jinghua holds 51% equity interests of Tianjin Tang Tu, Zhong Lian Tong Da, Gansu Fei Shi, Zhong Lian Hua Yi Shan He Shui and Ni Guang Shun Ying and 100% equity interests of Youline Technology, Beida Culture, Hua Meng Shanghai, Asian Union, Peng An Sheng Shi, Tianjin Culture, Tianjin Advertising, Beijing Ren He Ren and Ren He Ren Tianjin. Zhong Lian Jinghua controls 51% of the voting powers in Tianjin Tang Tu, Zhong Lian Tong Da, Gansu Fei Shi, Zhong Lian Hua Yi Shan He Shui and Ni Guang Shun Ying and 100% voting powers in Youline Technology, Beida Culture, Hua Meng Shanghai, Asian Union, Peng An Sheng Shi, Tianjin Culture, Tianjin Advertising, Beijing Ren He Ren and Ren He Ren Tianjin. Tianjin Tang Tu, Zhong Lian Tong Da, Gansu Fei Shi, Zhong Lian Hua Yi Shan He Shui, Ni Guang Shun Ying, Youline Technology, Beida Culture, Hua Meng Shanghai, Asian Union, Peng An Sheng Shi, Tianjin Culture, Tianjin Advertising, Beijing Ren He Ren and Ren He Ren Tianjin are limited liability companies registered in the PRC.

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Notes *(Continued)*:

(e) The Company does not have any equity interest in the registered capital of Beijing Shi Tong as it is owned by an employee of the Group. Pursuant to certain agreements among Beijing Shi Tong, the owner of Beijing Shi Tong and the Group, the owner of Beijing Shi Tong agreed to assign the power to appoint and remove all the members of the board of directors of and to govern the financial and operating policies of Beijing Shi Tong to the Group and to transfer all beneficial interests of Beijing Shi Tong to the Group. Accordingly, Beijing Shi Tong is treated as a wholly-owned subsidiary of the Company and its results, assets and liabilities are consolidated with those of the Group. The registered capital of Beijing Shi Tong was contributed by the Group. Beijing Shi Tong holds 56% of the issued share capital of Xian Jinding and controls 56% of the voting power in Xian Jinding. Xian Jinding is a limited liability company registered in the PRC.

(f) The Company does not have any equity interest in the registered capital of Shanghai Strategic as it is owned by an employee of the Group. Pursuant to certain agreements among Shanghai Strategic, the owner of Shanghai Strategic and the Group, the owner of Shanghai Strategic agreed to assign the power to appoint and remove all the members of the board of directors of and to govern the financial and operating policies of Shanghai Strategic to the Group and to transfer all beneficial interests of Shanghai Strategic to the Group. Accordingly, Shanghai Strategic is treated as a wholly-owned subsidiary of the Company and its results, assets and liabilities are consolidated with those of the Group.

The above list includes the subsidiaries of the Company which, in the opinion of the directors, principally affect the results of the Group for the year or form a substantial portion of the assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length. In addition, to provide a better understanding on details of the subsidiaries of the Company, additional information before the Acquisition has been disclosed.

None of the subsidiaries had any debt securities outstanding at the end of the year or any time during the year.

FINANCIAL SUMMARY

FOR THE YEAR ENDED 31ST DECEMBER, 2012

RESULTS

	2008 HK$'000 (restated)	2009 HK$'000 (restated)	2010 HK$'000 (restated)	2011 HK$'000 (restated)	**2012 HK$'000**
Turnover	–	–	–	288,353	**1,016,486**
(Loss) profit before taxation	(5,277)	(6,244)	(5,714)	(74,609)	**191,017**
Taxation charge	–	–	–	(2,002)	**(10,937)**
(Loss) profit for the year	(5,277)	(6,244)	(5,714)	(76,611)	**180,080**
(Loss) profit attributable to:					
Owners of the Company	(5,277)	(6,244)	(5,714)	(75,341)	**177,153**
Non-controlling interests	–	–	–	(1,270)	**2,927**
	(5,277)	(6,244)	(5,714)	(76,611)	**180,080**

ASSETS AND LIABILITIES

	2008 HK$'000 (restated)	2009 HK$'000 (restated)	2010 HK$'000 (restated)	2011 HK$'000 (restated)	**2012 HK$'000**
Total assets	35,298	33,567	33,004	332,019	**2,105,638**
Total liabilities	(36,097)	(37,445)	(39,346)	(165,296)	**(754,091)**
Total equity	(799)	(3,878)	(6,342)	166,723	**1,351,547**
Non-controlling interests	–	–	–	(4,712)	**(34,807)**
Equity attributable to owners of the Company	(799)	(3,878)	(6,342)	162,011	**1,316,740**