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

Stock Code: 1060

2012 INTERIM REPORT

The board of directors (the "Board") of ChinaVision Media Group Limited (the "Company") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries for the six months ended 30th June, 2012 together with the comparative amounts for the corresponding period in 2011. The unaudited condensed consolidated interim financial information for the six months ended 30th June, 2012 has been reviewed by the Company's Audit Committee. Deloitte Touche Tohmatsu, the Company's auditor, has conducted its review on the unaudited condensed consolidated interim financial information for the six months ended 30th June, 2012 in accordance with the Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30TH JUNE, 2012

	Notes	**Six months ended 30th June, 2012 HK$'000 (unaudited)**	2011 HK$'000 (unaudited)/ (restated)
Revenue	3	**523,163**	97,012
Cost of sales		**(320,322)**	(102,979)
Gross profit (loss)		**202,841**	(5,967)
Other income		**12,365**	–
Other gains and losses, net	4	**36,712**	543
Distribution and selling expenses		**(62,659)**	(4,948)
Administrative expenses			
– share option expense		**(1,290)**	(45,337)
– other administrative expenses		**(77,418)**	(13,450)
		(78,708)	(58,787)
Finance costs	5		
– effective interest expense on convertible notes		**(11,673)**	–
– other finance costs		**(384)**	(1,647)
		(12,057)	(1,647)
Share of results of an associate		**(1,069)**	–
Profit (loss) before taxation		**97,425**	(70,806)
Taxation credit	6	**3,573**	–
Profit (loss) for the period	7	**100,998**	(70,806)

	Note	Six months ended 30th June, 2012 HK$'000 (unaudited)	2011 HK$'000 (unaudited)/ (restated)
Profit (loss) for the period attributable to:			
Owners of the Company		**102,261**	(64,092)
Non-controlling interests		**(1,263)**	(6,714)
		100,998	(70,806)
		HK cents	HK cents
Earnings (loss) per share	9		
– Basic		**1.40**	(1.27)
– Diluted		**1.40**	(1.27)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30TH JUNE, 2012

	Six months ended 30th June,	
	2012	2011
	HK$'000	HK$'000
	(unaudited)	(unaudited)/ (restated)
Profit (loss) for the period	**100,998**	(70,806)
Other comprehensive income for the period:		
Exchange difference arising on translation to presentation currency	**(10,863)**	146
Total comprehensive income (expense) for the period	**90,135**	(70,660)
Total comprehensive income (expense) for the period attributable to:		
Owners of the Company	**91,653**	(63,946)
Non-controlling interests	**(1,518)**	(6,714)
	90,135	(70,660)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30TH JUNE, 2012

	Notes	At 30th June, 2012 HK$'000 (unaudited)	At 31st December, 2011 HK$'000 (restated)
NON-CURRENT ASSETS			
Property, plant and equipment	10	**27,787**	1,711
Goodwill	18	**326,140**	–
Intangible assets		**447,971**	9,616
Club debenture		**2,784**	–
Art work	10	**149,895**	–
Deposits and prepayments	11	**67,658**	37,746
Deferred tax assets	17	**3,246**	–
		1,025,481	49,073
CURRENT ASSETS			
Inventories		**8,540**	–
Film rights		**50,576**	119,657
Investments held for trading		**21,327**	–
Trade and other receivables, deposits and prepayments	11	**636,632**	99,211
Amounts due from non-controlling interests		**2,180**	1,720
Amounts due from related companies	13	**–**	3,122
Amount due from a shareholder		**–**	24
Bank balances and cash		**194,229**	59,212
		913,484	282,946
CURRENT LIABILITIES			
Trade and other payables and deposits received	12	**195,016**	128,952
Amounts due to related companies	13	**7,083**	–
Amount due to a non-controlling interest		**21,709**	–
Amount due to a shareholder	14	**–**	31,803
Tax liabilities		**25,725**	4,541
Convertible notes	16	**319,820**	–
		569,353	165,296
NET CURRENT ASSETS		**344,131**	117,650
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,369,612**	166,723

	Notes	At 30th June, 2012 HK$'000 (unaudited)	At 31st December, 2011 HK$'000 (restated)
CAPITAL AND RESERVES			
Issued share capital	15	**1,935,686**	520,648
Reserves		**(718,489)**	(358,637)
Equity attributable to owners of the Company		**1,217,197**	162,011
Non-controlling interests		**30,020**	4,712
TOTAL EQUITY		**1,247,217**	166,723
NON-CURRENT LIABILITIES			
Convertible notes	16	**20,260**	–
Deferred tax liabilities	17	**102,135**	–
		122,395	–
		1,369,612	166,723

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30TH JUNE, 2012

	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$'000	Equity component of convertible notes HK$'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 period	–	–	–	–	–	–	–	(64,092)	(64,092)	(6,714)	(70,806)
Exchange difference arising on translation to presentation currency	–	–	–	–	146	–	–	–	146	–	146
Total comprehensive income and expense for the period	–	–	–	–	146	–	–	(64,092)	(63,946)	(6,714)	(70,660)
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	–	–	–	–	–	–	–	–	–	2,879	2,879
Acquisition of subsidiaries (note 18)	–	–	–	2,806	–	–	–	–	2,806	1,135	3,941
Recognition of equity-settled share-based payments (note 20)	–	–	–	45,337	–	–	–	–	45,337	–	45,337
At 30th June, 2011 (unaudited)/(restated)	520,648	245,223	(570,793)	60,267	14	–	–	(82,426)	172,933	(2,700)	170,233
At 1st January, 2012 (restated)	**520,648**	**245,223**	**(570,793)**	**60,267**	**341**	**–**	**–**	**(93,675)**	**162,011**	**4,712**	**166,723**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**102,261**	**102,261**	**(1,263)**	**100,998**
Exchange difference arising on translation to presentation currency	**–**	**–**	**–**	**–**	**(10,608)**	**–**	**–**	**–**	**(10,608)**	**(255)**	**(10,863)**
Total comprehensive income and expense for the period	**–**	**–**	**–**	**–**	**(10,608)**	**–**	**–**	**102,261**	**91,653**	**(1,518)**	**90,135**
Amounts arising from the reverse acquisition – deemed consideration (note 18)	**1,260,188**	**403,260**	**(976,192)**	**–**	**–**	**3,971**	**23,280**	**–**	**714,507**	**–**	**714,507**
– recognition of non-controlling interests (note 18)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**26,826**	**26,826**
Subscription of shares (note 15)	**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 20)	**–**	**–**	**–**	**–**	**–**	**–**	**1,290**	**–**	**1,290**	**–**	**1,290**
At 30th June, 2012 (unaudited)	**1,935,686**	**741,369**	**(1,546,985)**	**60,267**	**(10,267)**	**3,971**	**24,570**	**8,586**	**1,217,197**	**30,020**	**1,247,217**

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, 30th June, 2011 and 1st January, 2011 represents the difference between (i) the aggregate of the 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 current interim period 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 period ended 30th June, 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 15.

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2012

	Notes	Six months ended 30th June, 2012 HK$'000 (unaudited)	2011 HK$'000 (unaudited)/ (restated)
NET CASH USED IN OPERATING ACTIVITIES		**(137,846)**	(163,061)
INVESTING ACTIVITIES			
Purchase of art work		**(89,728)**	–
Addition to intangible assets		**(2,344)**	–
Repayment from a former subsidiary		**30,000**	–
Repayment from a third party		**18,393**	–
Deposit paid for purchase of art work		**(9,768)**	–
Deposit paid for purchase of property, plant and equipment		**(6,692)**	–
Advance to a joint venture partner		**(14,442)**	–
Repayment from a joint venture partner		**9,626**	–
Repayment from related companies		**29,009**	–
Repayment from a shareholder		**–**	4,713
Acquisition of subsidiaries, net of cash and cash equivalent acquired	18	**74,535**	5,293
Disposal of subsidiaries	19	**77,560**	–
Other investing cash flows		**(2,908)**	(1,561)
NET CASH GENERATED FROM INVESTING ACTIVITIES		**113,241**	8,445
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**	–
Repayments of borrowings		**(23,297)**	(9,450)
Repayment to a joint venture partner		**(5,331)**	–
Advance to related companies		**(28,018)**	–
Repayment to a shareholder		**(31,803)**	(4,212)
Capital contribution from a non-controlling interest of a subsidiary		**–**	2,879
Other financing cash flows		**(395)**	–
NET CASH GENERATED FROM FINANCING ACTIVITIES		**158,916**	184,295
NET INCREASE IN CASH AND CASH EQUIVALENTS		**134,311**	29,679
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		**59,212**	296
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**706**	(8)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD, represented by bank balances and cash		**194,229**	29,967

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2012

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

On 21st October, 2011, ChinaVision Media Group Limited (the "Company") entered into a sale and purchase agreement with Sequoia Capital 2010 CGF Holdco, Ltd., Brilliant Mark Limited and World Charm Holdings Limited ("World Charm") (collectively referred to as the "Target 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 has been 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 at a market price of HK$0.33 per share (note 15).

Upon completion of the Acquisition, the Target 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 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", 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.

The condensed 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 condensed 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 18.

1. BASIS OF PREPARATION *(Continued)*

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 condensed consolidated financial statements of the CEMG Group for the comparative period ended 30th June, 2011 and as at 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 Beijing Asian Union Culture and Media Investments, Ltd ("Asian Union"), Vision Ventures Media Limited ("Vision Ventures"), Beijing Zhong Lian Hua Yi Shan He Shui Film and Culture, Ltd ("Zhong Lian Hua Yi Shan He Shui") and Beijing Peng An Sheng Shi Advertising, Ltd ("Peng An Sheng Shi") have been consolidated since their respective acquisition dates.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30th June, 2012 are the same as those followed in the preparation of the ChinaVision Group's annual financial statements for the year ended 31st December, 2011 as disclosed in the annual report of the Company for the year ended 31st December, 2011 except for the following accounting policy which was adopted during the period ended 30th June, 2012.

Interest in an associate

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.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA:

- amendments to HKFRS 7 Disclosures – Transfers of Financial Assets.
- amendments to HKAS 12 Deferred Tax: Recovery of Underlying Assets.

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

The CEMG Group is principally engaged in the production and distribution of film rights and advertising agency for television networks ("TV networks"), 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 period.

The Group's operating segments, determined based on information reported to the board of directors, the chief operation decision maker, 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 and television programmes
(ii)	Advertising agency for TV networks	–	television advertising agency 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)	Advertising agency and newspaper distribution	–	circulation and subscription of newspapers Beijing Times and newspaper advertising agency in the PRC
(vi)	Advertising agency and magazine distribution	–	circulation and subscription of fashion magazine FIGARO and magazine advertising agency in the PRC
(vii)	Securities trading and investments	–	trading of securities in Hong Kong investments

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

The segments under (iv) and (v) above are operated through jointly controlled entities.

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

The revenue and segment information for the period ended 30th June, 2012 and 2011 is presented below.

	Production and distribution of film rights	Advertising agency for TV networks	Mobile value-added services	Mobile TV subscription	Advertising agency and newspaper distribution	Advertising agency and magazine distribution	Securities trading and investments	Reportables' segment total	All other segments	Consolidated
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
For the six months ended 30th June, 2012 (unaudited)										
Segment revenue	**252,685**	**123,607**	**5,598**	**5,390**	**93,716**	**16,964**	**–**	**497,960**	**25,203**	**523,163**
Segment results	**93,164**	**(4,581)**	**1,845**	**3,396**	**19,910**	**(9,426)**	**(1,421)**	**102,887**	**281**	**103,168**
Unallocated interest income and other gains										**1,290**
Share of results of an associate										**(1,069)**
Gain on disposal of subsidiaries										**30,034**
Corporate administrative expenses and share option expense										**(23,941)**
Finance costs										**(12,057)**
Profit before taxation										**97,425**
For the six months ended 30th June, 2011 (unaudited)/(restated)										
Segment revenue	–	97,012	–	–	–	–	–	97,012	–	97,012
Segment results	(9,901)	(13,596)	–	–	–	–	–	(23,497)	–	(23,497)
Unallocated interest income and other gains										543
Corporate administrative expenses and share option expense										(46,205)
Finance costs										(1,647)
Loss before taxation										(70,806)

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

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment results represent the profit (loss) generated or incurred by each segment without allocation of interest income from banks, net foreign exchange gain, corporate administrative expenses, share option expense, finance costs on borrowings, gain on disposal of subsidiaries and share of results of an associate. This is the measure reported to the board of directors for the purpose of resource allocation and performance assessments.

Segment assets

The following is an analysis of the Group's assets by operating segment.

	Production and distribution of film rights	Advertising agency for TV networks	Mobile value-added services	Mobile TV subscription	Advertising agency and newspaper distribution	Advertising agency and magazine distribution	Securities trading and investments	Reportables' segment total	All other segments	Consolidated
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 30th June, 2012 (unaudited)										
Segment assets	**662,695**	**36,513**	**9,652**	**14,144**	**706,080**	**23,339**	**21,327**	**1,473,750**	**32,448**	**1,506,198**
Property, plant and equipment – corporate										**3,481**
Art work										**149,895**
Other receivables, deposits and prepayments										**79,736**
Amounts due from non-controlling interests										**2,180**
Bank balances and cash										**194,229**
Deferred tax assets										**3,246**
Consolidated assets										**1,938,965**
At 31st December, 2011 (restated)										
Segment assets	238,212	29,618	–	–	–	–	–	267,830	–	267,830
Property, plant and equipment – corporate										20
Other receivables, deposits and prepayments										91
Amounts due from non-controlling interests										1,720
Amounts due from related companies										3,122
Amount due from a shareholder										24
Bank balances and cash										59,212
Consolidated assets										332,019

4. OTHER GAINS AND LOSSES, NET

	Six months ended 30th June, 2012 HK$'000 (unaudited)	2011 HK$'000 (unaudited)/ (restated)
Gain on disposal of subsidiaries (note 19)	**30,034**	–
Net foreign exchange gain	**953**	543
Reversal of allowance for bad and doubtful debts	**7,170**	–
Change in fair value of investments held for trading	**(1,445)**	–
	36,712	543

5. FINANCE COSTS

	Six months ended 30th June, 2012 HK$'000 (unaudited)	2011 HK$'000 (unaudited)/ (restated)
Effective interest expense on convertible notes	**11,673**	–
Interest on borrowings wholly repayable within five years:		
Imputed interest on borrowings from a shareholder	**–**	1,647
Interest on borrowings from a shareholder	**384**	–
	12,057	1,647

6. TAXATION CREDIT

	Six months ended 30th June, 2012 HK$'000 (unaudited)	2011 HK$'000 (unaudited)/ (restated)
Current tax:		
PRC Enterprise Income Tax	**11,176**	–
Reversal of tax payable (Note)	**(14,855)**	–
Deferred tax:		
Current period (note 17)	**106**	–
	(3,573)	–

Note: On 2nd April, 2012, a subsidiary of the Company has reallocated certain film right contracts which have been completed in previous years to another subsidiary of the Company. 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.

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 periods.

Enterprise Income Tax in the PRC is calculated at 25% of estimated assessable profit for the period ended 30th June, 2012.

No provision for Enterprise Income Tax has been made for the period ended 30th June, 2011 as the CEMG Group companies operating in the PRC did not have any assessable profit during the prior period.

7. PROFIT (LOSS) FOR THE PERIOD

	Six months ended 30th June, 2012 HK$'000 (unaudited)	2011 HK$'000 (unaudited)/ (restated)
Profit (loss) for the period has been arrived at after charging (crediting):		
Staff costs (including directors' remuneration)	**34,747**	8,838
Amortisation of intangible assets (included in cost of sales)	**2,725**	–
Depreciation of property, plant and equipment	**5,354**	83
Film rights recognised as an expense (included in cost of sales)	**135,857**	–
Rental payments for premises under operating leases	**9,496**	780
Interest income	**(337)**	–

8. DIVIDENDS

No dividends were paid, declared or proposed during the reporting period. The directors have determined that no dividend will be paid in respect of the interim period.

9. EARNINGS (LOSS) PER SHARE

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

	Six months ended 30th June, 2012 HK$'000 (unaudited)	2011 HK$'000 (unaudited)/ (restated)
Earnings (loss)		
Profit (loss) for the period attributable to the owners of the Company for the purposes of basic and diluted earnings (loss) per share	**102,261**	(64,092)

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

	Six months ended 30th June, 2012 Number of shares	2011 Number of shares (restated)
Number of shares		
Weighted average number of ordinary shares in issue or deemed to be in issue during the period for the purposes of basic and diluted earnings (loss) per share	**7,297,346,110**	5,040,750,000

The weighted average number of shares used for the purpose of calculating earnings per share for the period ended 30th June, 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 period ended 30th June, 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 period ended 30th June, 2012. In addition, the computation of diluted earnings per share does not assume the exercise of share options because the exercise price of these options was higher than the average market price for shares for the period ended 30th June, 2012.

10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND OTHER NON-CURRENT ASSETS

During the period, the Group acquired property, plant and equipment and art work at a cost of approximately HK$3,568,000 and HK$89,728,000 respectively (six months ended 30th June, 2011: HK$615,000 and nil respectively).

In addition, during the current interim period, the Group placed deposits of approximately HK$6,692,000 and HK$9,768,000 (six months ended 30th June, 2011: nil) for leasehold improvement of office premises and purchase of art work respectively.

11. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	At 30th June, 2012 HK$'000 (unaudited)	At 31st December, 2011 HK$'000 (restated)
Trade receivables	**395,168**	61,720
Other tax recoverable	**34,321**	1,268
Rental and utility deposits	**8,677**	–
Other receivables and deposits	**26,408**	1,299
Refundable deposit in relation to acquisition of an investee (Note 1)	**29,304**	29,557
Amount receivable from a former subsidiary (Note 2)	**18,195**	–
Receivable for disposal of other financial asset (Note 2)	**8,075**	–
Prepayment for purchase of inventories	**2,902**	–
Prepayment for film production (Note 3)	**48,183**	42,207
Payment for purchase of artwork	**9,768**	–
Payment for purchase of property, plant and equipment	**6,692**	–
Other prepayments	**14,514**	906
Deferred consideration for disposal of subsidiaries (note 19)	**77,560**	–
Amount due from a joint venture partner	**24,523**	–
	704,290	136,957
Analysed as		
Current	**636,632**	99,211
Non-current	**67,658**	37,746
	704,290	136,957

11. 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 entity and paid it a deposit of RMB24,000,000 (equivalent to HK$29,304,000), which then submitted an application and the deposit to Shanghai United Assets and Equity Exchange ("SUAEE") for its intention to acquire for the 50% equity interest in another entity. The deposit is fully refundable prior to the approval of SUAEE and completion of the transaction. As at the end of the current interim period, the transaction has not yet been approved and completed. After assessing the transaction, the directors of the Company planned to withdraw its application and demand for refund within twelve months from the end of the reporting period. Accordingly, the balance is classified as current assets.

2. As at 30th June, 2012, the amount receivable from a former subsidiary and receivable for disposal of other financial asset were secured by the future revenue to be generated under a profit sharing right of a TV drama held by the purchaser of the former subsidiary and the other financial asset.

3. During the year ended 31st December, 2011, the CEMG Group has signed two cooperative agreements with other film production companies ("Film Workshops") pursuant to which the CEMG Group paid total start-up costs of RMB34,230,000 (equivalent to HK$42,155,000) 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$37,424,000 (31st December, 2011: HK$37,746,000) is classified as non-current assets.

Trade receivables

Trade receivables consist of receivables from debtors arising from production and distribution of film rights segments and other business segments analysed as follows:

	At 30th June, 2012 HK$'000 (unaudited)	At 31st December, 2011 HK$'000 (restated)
Production and distribution of film rights	**258,318**	34,507
Other business segments	**136,850**	27,213
	395,168	61,720

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

For the production and distribution of film rights segment, according to certain sales contracts signed with customers who usually pay upfront deposits (around 30% – 50% of total contract value) after obtaining the master copies of films or TV drama, they are required to settle the remaining balance when the relevant films or TV drama are broadcasted, which is normally within two years. In the opinion of the directors, these trade receivables are not considered as past due. 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 settlement.

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 delivery date of the master copies of films and TV drama at the end of the reporting period:

	At 30th June, 2012 HK$'000 (unaudited)	At 31st December, 2011 HK$'000 (restated)
0 – 90 days	**194,237**	34,507
91 – 180 days	**488**	–
181 – 365 days	**34,188**	–
Over 365 days	**29,405**	–
	258,318	34,507

The following is 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:

	At 30th June, 2012 HK$'000 (unaudited)	At 31st December, 2011 HK$'000 (restated)
0 – 90 days	**75,349**	12,641
91-180 days	**17,883**	14,564
181 – 365 days	**39,276**	8
Over 365 days	**4,342**	–
	136,850	27,213

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

The Group has a policy of allowing credit periods normally ranging from 120 days to 180 days for its trade customers from all business segments other than production and distribution of film rights segment. 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.

12. TRADE AND OTHER PAYABLES AND DEPOSITS RECEIVED

	At 30th June, 2012 HK$'000 (unaudited)	At 31st December, 2011 HK$'000 (restated)
Trade and bills payables	**46,287**	51,571
Advance payments from customer	**38,401**	22,599
Other tax payable	**37,300**	11,940
Accrued staff costs	**4,706**	5,226
Deposit received from customers	**23,573**	18,791
Amounts due to joint venture partners	**9,203**	7,578
Other payables and accrued charges	**35,546**	11,247
	195,016	128,952

Included in other payables and accrued charges are payables and accruals on legal and professional fees in relation to merger and acquisition projects amounting to HK$15,301,000 (31st December, 2011: HK$3,750,000). The remaining balances are payables and accruals for daily operation expenses.

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

The following is an aged analysis of trade and bills payables presented based on the invoice date at the end of the reporting period:

	At 30th June, 2012 HK$'000 (unaudited)	At 31st December, 2011 HK$'000 (restated)
0 – 90 days	**25,890**	51,227
91 – 180 days	**6,106**	314
181 – 365 days	**10,583**	–
Over 365 days	**3,708**	30
	46,287	51,571

13. AMOUNT DUE FROM/TO RELATED COMPANIES

The balances are unsecured, non-interest bearing and repayable on demand. At 30th June, 2012, the related companies are controlled directly by members of the key management personel of the Group.

14. AMOUNT DUE TO A SHAREHOLDER

The balance represented shareholder's loan granted by one of the shareholders of CEMG bearing interest of 15% per annum and was settled on 31st January, 2012. The loan was guaranteed by Mr. Dong.

15. 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

15. ISSUED SHARE CAPITAL *(Continued)*

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 the Preferred shares are entitled to have the voting right in the same manner as the holders of ordinary shares. The holders of the Preferred shares are also entitled to receive payment of dividend in priority to the holders of the ordinary share dividends declared by CEMG.

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 30th June, 2012	10,000,000,000	2,500,000
Issued and fully paid:		
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 30th June, 2012	7,742,742,564	1,935,686

15. ISSUED SHARE CAPITAL *(Continued)*

Notes:

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

(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 at a market price of HK$0.33 per share as the total consideration in exchange of the entire issued share capital of CEMG.

(4) Upon the completion of the Acquisition and pursuant to a conditional subscription agreement entered into on 21st October, 2011, the Company issued a further 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 during the period ended 30th June, 2012 and year ended 31st December, 2011 ranked pari passu with the existing shares of the Company in all respects.

16. CONVERTIBLE NOTES

Pursuant to the equity transfer agreements for acquisition of the entire issued share capital of Prefect Strategy International Limited ("Prefect Strategy") and Main City Limited which have indirect control and an effective interest of 100% in Beijing Beida Culture Development Company Limited ("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 an 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.

16. CONVERTIBLE NOTES *(Continued)*

The convertible notes are denominated in Hong Kong dollar (HK$). 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-dilutive 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 30th June, 2012, the entire issued share capital of Prefect Strategy was pledged as a share charge for the CB1 on 3rd June, 2010.

Upon issuance of the convertible notes, the HK$ principal amount of the convertible notes shall be equivalent to its Renminbi (RMB) principal amount of the convertible notes translated at the exchange rate at the date of issuance of HK$1.00 = RMB0.91. Any payment in the event of redemption by the Company shall be made in HK$, equivalent to their RMB principal amount translated at the prevailing exchange rate at the date of redemption.

The number of shares to be issued on conversion of notes will be determined by dividing the RMB principal amount of the notes to be converted (translated into HK$ at the fixed exchange rate of HK$1.00 = RMB0.91) by the conversion price in effect at the conversion date.

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 (convertible notes equity reserve) is determined using the Binomial model.

16. CONVERTIBLE NOTES *(Continued)*

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

	CB1	Additional CB
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 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 rate is determined by reference to the Hong Kong Exchange Fund Notes.

The fair value of the conversion right as at the Acquisition date are determined by application of Binomial Model and time to maturity equal to the expected remaining life of the option.

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.

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.

17. DEFERRED TAXATION

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

	Intangible assets HK$'000	Allowance for doubtful debts HK$'000	Others HK$'000	Total HK$'000
At 1st January, 2010 (restated), 30th June, 2011 (unaudited)/(restated) and 31st December, 2011 (restated)	–	–	–	–
Addition arising from the Acquisition	**(103,015)**	**2,554**	**826**	**(99,635)**
Exchange differences	**880**	**(21)**	**(7)**	**852**
Charge to condensed consolidated income statement for the period	–	**(106)**	–	**(106)**
At 30th June, 2012 (unaudited)	**(102,135)**	**2,427**	**819**	**(98,889)**

For the purpose of presentation in the condensed 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:

	At 30th June, 2012 HK$'000 (unaudited)	At 31st December, 2011 HK$'000 (restated)
Deferred tax liabilities	**(102,135)**	–
Deferred tax assets	**3,246**	–
	(98,889)	–

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 condensed consolidated financial statements in respect of the temporary differences attributable to such profits amounting to approximately HK$166,091,000 (31st December, 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 30th June, 2012, the Group has unused tax losses of HK$224,787,000 (31st December, 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$70,492,000 (31st December, 2011: HK$23,450,000) that will expire in 5 years from the year of origination. Other unused tax losses may be carried forward indefinitely.

18. ACQUISITION OF SUBSIDIARIES

(a) Acquisition of business through purchase of subsidiaries for the period ended 30th June, 2012

As set out in note 1, the Company acquired the entire issued share capital of CEMG in which Mr. Dong, a director of the Company has controlling interests, which was completed on 31st January, 2012. As the Acquisition resulted in the Target Shareholders of the 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 representing shares issued for the business combination accounted for as a reverse acquisition amounted to approximately HK$687,256,000, representing the fair value of 2,082,592,564 ordinary shares of the Company in issue immediately prior to the Acquisition. The fair value of the ordinary shares was 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$34,615,000 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 ChinaVision Group.

18. ACQUISITION OF SUBSIDIARIES *(Continued)*

(a) Acquisition of business through purchase of subsidiaries for the period ended 30th June, 2012 *(Continued)*

The fair values 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

18. ACQUISITION OF SUBSIDIARIES *(Continued)*

(a) Acquisition of business through purchase of subsidiaries for the period ended 30th June, 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 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 the 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	(2,811)
Carrying value at 30th June, 2012	326,140

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 advertising agency and newspaper distribution business of the Group.

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

Cash inflow arising on the Acquisition

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

18. ACQUISITION OF SUBSIDIARIES *(Continued)*

(a) Acquisition of business through purchase of subsidiaries for the period ended 30th June, 2012 *(Continued)*

Impact of the Acquisition on the results of the Group

Included in the profit for the period attributable to the owners of the Company and non-controlling interests are HK$43,353,000 and HK$4,789,000 respectively generated by the ChinaVision Group businesses. Revenues for the period include HK$198,464,000 generated from the ChinaVision Group.

Had the Acquisition been effected at the beginning of the current interim period, total Group's revenue for the six months ended 30th June, 2012 would have been HK$535,678,000, and the Group's profit for the period would have been HK$86,186,000. 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 interim period, nor is it intended to be a projection of future results.

(b) Acquisition of assets and liabilities through purchase of subsidiaries for the period ended 30th June, 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 the power 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

18. ACQUISITION OF SUBSIDIARIES *(Continued)*

(b) Acquisition of assets and liabilities through purchase of subsidiaries for the period ended 30th June, 2011 *(Continued)*

(i) *(Continued)*

Note: 35,555 ordinary shares of World Charm, one of the shareholders of CEMG which held equity interest representing 31.25% of the ordinary share capital of CEMG, were transferred by the owner of World Charm to the vendor 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, which constitute 3.56% of the share capital of World Charm, 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

18. ACQUISITION OF SUBSIDIARIES *(Continued)*

(b) Acquisition of assets and liabilities through purchase of subsidiaries for the period ended 30th June, 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 HK$1,181,000).

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)

18. ACQUISITION OF SUBSIDIARIES *(Continued)*

(b) Acquisition of assets and liabilities through purchase of subsidiaries for the period ended 30th June, 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
	–

19. 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 a wholly-owned subsidiary of the Group will dispose of 100% equity interests in Fame Tower Limited ("Fame Tower") and Golden Pace Limited ("Golden Pace") 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 HK$155,120,000 (the "Disposal"). The Disposal was completed on 31st May, 2012, on which date the control of Fame Tower and Golden Pace was passed to the acquirer.

19. 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 HK$77,560,000) will be settled in cash on or before 31st March, 2013.

Analysis of assets and liabilities over which control was lost

	HK$'000
Intangible assets	20,430
Interest in an associate	104,656
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 period ended 30th June, 2012, Fame Tower and Golden Pace paid HK$3,623,000 of the Group's net operating cash flows.

20. SHARE-BASED PAYMENTS

The Company has a share option scheme for eligible participants of the Group. Aggregate share options of 147,910,000 were granted to certain employees, senior management, directors and consultants on 18th March, 2010 and 4th May, 2010. Both share options granted will have 1/3 issued options vested after 1st, 2nd and 3rd years, respectively of continuous employment/service of the grantee with the Group commencing from 23rd April, 2009 or other date of grantee's commencement of employment/service with the Group whichever is later. The validity period of the share options shall not be more than 10 years from the date of grant. None of these were exercised nor forfeited as at 30th June, 2012 and 31st December, 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	8.13 years	8.26 years
Expected volatility	76.28%	76.28%
Dividend yield	0%	0%
Risk-free interest rate	1.12%	1.12%

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.

During the interim period, no share options granted had been exercised or lapsed. At 30th June, 2012, the Group has 147,910,000 (31st December, 2011: 147,910,000) share options outstanding. The Group recognised the total expense of HK$1,290,000 for the period ended 30th June, 2012 in relation to the share options granted by the Company.

During the period ended 30th June, 2011, Mr. Dong transferred at nil consideration certain of his shareholding in World Charm, one of the shareholders of CEMG, to certain consultants and individuals who participated in the industries of production of television programmes and films and television 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 shareholder's contribution reserve in equity.

21. OPERATING LEASE COMMITMENTS

The Group had commitments for future minimum lease payments under other non-cancellable operating leases for premises and plant and equipment which fall due as follows:

	At 30th June, 2012 HK$'000 (unaudited)	At 31st December, 2011 HK$'000 (restated)
Not later than one year	**17,874**	2,761
Later than one year and not later than five years	**78,969**	–
Later than five years	**91,137**	–
	187,980	2,761

22. RELATED PARTY TRANSACTIONS

Apart from amounts due from/to related companies, non-controlling interests and a shareholder as disclosed in page 4 of the condensed consolidated statement of financial position and/or notes 13 and 14, the Group has entered into the following related party transactions:

	Six months ended 30th June, 2012 HK$'000 (unaudited)	2011 HK$'000 (unaudited)/ (restated)
(a) Advertising agency fee paid to a non-controlling interest of a subsidiary	**102,912**	102,071
(b) Key management compensation		
Short-term employee benefits	**2,505**	2,081
Post-employment benefit	**13**	137
Share-based payments	**151**	–
	2,669	2,218

23. NON-CASH TRANSACTION

During the period ended 30th June, 2012, the amounts due to group companies of HK$116,742,000 in the subsidiaries in which the Group disposed of were settled by assignment of shareholder's loan.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30th June, 2012 (30th June, 2011: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

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 at a price of HK$0.4 per share. Upon completion of the acquisition, the shareholders of CEMG received 5,040,750,000 ordinary shares of the Company, representing 70.8% of the enlarged issued share capital of the Company 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 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. As a result, the 5 months' (1st February, 2012 to 30th June, 2012) financial results of the Company and its subsidiaries were consolidated into the financial statements of the acquirer for the period ended 30th June, 2012. All comparative figures have been restated (applying CEMG's 2011 figures as comparative figures) to conform to the above accounting treatment.

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, namely movies, television drama series and television advertising. Subsequent to the completion of the transaction, the 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 competitive advantages. Although the acquisition was only completed in late January, the consolidation of two groups has proceeded smoothly and the revenue contributions from production and distribution of television dramas substantially jumped to HK$252,685,000, equivalent to over 48% of the Group's total turnover, with a satisfactory segmental profit of HK$93,164,000 recorded for the period under review. More television series were in the pipeline for production and launch in the second half of 2012 and the coming years. At the same time more synergies are expected to be created within the enlarged organisation which will position the Group well to seize numerous business opportunities within the People's Republic of China (the "PRC").

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Review of Operations

During the period ended 30th June, 2012, the Group was primarily engaged in two businesses, namely (i) media related businesses; and (ii) securities trading and investments. The media related businesses principally included: the planning, production, publication, investment, distribution and licensing of television drama and films and organising cultural and artistic exchange activities, television advertising, mobile value-added services, mobile games business, mobile TV business, sales and distribution of newspapers and magazines, an advertising agency and packaging services for TV programmes. A majority of these businesses were conducted in the PRC.

For the six months ended 30th June, 2012, the Group reported substantial improvements in revenue and executed a successful business turnaround. Turnover and gross profit of the Group soared to approximately HK$523,163,000 and HK$202,841,000 respectively (30th June, 2011: turnover and gross loss were HK$97,012,000 and HK$5,967,000 respectively), which was mainly attributable to the favorable performance of the media related businesses, particularly after the merger with CEMG.

The Group's business turnaround resulted in profit attributable to the owners of the Company amounting to HK$102,261,000 for the first six months of 2012 (30th June, 2011: loss attributable to the owners of the Company was HK$64,092,000). Excluding the non-cash effective interest expense on convertible notes and the share option expense of HK$12,963,000 (30th June, 2011: HK$45,337,000), the net profit attributable to the owners of the Company would have been HK$115,224,000 (30th June, 2011: net loss attributable to the owners of the Company was HK$18,755,000).

Earnings per share (both basic and diluted) for the period ended 30th June, 2012 was 1.40 HK cents (30th June, 2011: loss per share was 1.27 HK cents). Net asset value attributable to owners of the Company per share was HK$0.16 (31st December, 2011: HK$0.03).

Segmental Review

Media Related Businesses

For the six months ended 30th June, 2012, the film, television programme and television drama series production, distribution and licensing business brought the Group a revenue of HK$252,685,000 with a segment profit of HK$93,164,000. The remarkable growth was principally attributable to the improved quality of the Group's television and film business with a strengthened management team and an enriched portfolio of television dramas, movies and media content after the merger with CEMG. The seamless consolidation of two leading media corporations fortified each other's content delivery platforms by utilising the opportunities for cross-channel sales. The improved operating efficiency brought about through sharing of resources and expenses also enhanced the segment's profitability. The two major dramas, namely "Zheng Zhe Wu Di" (正者無敵) of "The Heroic Trilogy" series (英雄無敵系列) and "Liang Jian – Tie Xue Jun Hun" (亮劍－鐵血軍魂) delivered satisfactory sales with a favorable profit margin. The Group also launched "Qiang Shen Chuan Qi" (槍神傳奇) during the period under review which brought the Group significant sales revenue.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Segmental Review *(Continued)*

Media Related Businesses *(Continued)*

During the period ended 30th June, 2012, the advertising agency for TV networks business brought the Group a revenue of HK$123,607,000 (30th June, 2011: HK$97,012,000) with segment loss trimmed to HK$4,581,000 (30th June, 2011: loss of HK$13,596,000).

Subsequent to the resumption of its SMS-value-added business in December 2011, the Group's mobile value-added business was then able to realise a stable income. During the first six months of 2012, the mobile value-added business brought the Group net revenues of HK$5,598,000 with segment profit of HK$1,845,000. This business 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 six months ended 30th June, 2012, the net revenue of the mobile TV business amounted to HK$5,390,000, after the 49% share of results, with a segment profit of HK$3,396,000. The Group is still bullish on the prospects of the emerging mobile internet segment due to favorable Government policies as well as the extensive roll-out of the 3G network in the PRC which will drive accelerated growth of 3G users in the coming years. More details about this segment can be found in the Prospects section within the "Mobile New Media Business" section.

The newspaper advertising agency and distribution businesses, on the other hand, contributed to the Group a revenue and segment profit of HK$93,716,000 (after the 50% share of results) and HK$19,910,000 respectively during the period under review. Stable income was realised from this business segment mainly thanks to the steady growth of advertising placement not only on its single newspaper – Beijing Times but also on the diversified portals associated with the paper under the brand name of "Jinghua".

In addition, the high-end women's magazine 費加羅 FIGARO delivered stable income after its successful launch in mid-August 2011. During the period under review, this magazine recorded a revenue of HK$16,964,000 with a segment loss of HK$9,426,000. The Group expects the magazine to deliver stronger returns in the future by forging collaboration with diverse media resource platforms within the Group.

Securities Trading and Investment

For the first six months of 2012, the Group's securities trading and investment recorded a segment loss of HK$1,421,000, mainly due to loss from change in fair value of investments held for trading.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Segmental Review *(Continued)*

Other Businesses

Revenues and profit from other businesses 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$25,203,000 and HK$281,000 respectively during the period ended 30th June, 2012.

With an aim to streamline the Group's operations and reallocate more resources to its core businesses which bring stable returns, the Group entered into a conditional sale and purchase agreement with an independent third party on 29th March, 2012 to dispose of its 30% equity interests in Super Sports Media Inc. ("Super Sports") and the mobile audio-visual broadcasting rights for English Premier League ("EPL") matches, for a total consideration of US$20,000,000. This transaction was completed on 31st May, 2012 and a profit of HK$30,034,000 was recognised as other income in the condensed consolidated income statement for the six months ended 30th June, 2012. The disposal strengthened the Group's financial position with a strong influx of cash which facilitated the Group to achieve better cost-controls and higher cost efficiency. Upon the disposal, the Group has still retained the non-exclusive mobile broadcasting rights of EPL matches.

Operating and other expenses

The distribution and selling expenses and other administrative expenses increased from HK$4,948,000 and HK$13,450,000 to HK$62,659,000 and HK$77,418,000 respectively for the period ended 30th June, 2012. The increases were primarily resulted from the consolidation of the 5 months' expenses of the Company's various businesses.

For the period ended 30th June, 2012 and 2011, share option expense mainly represented the share options granted by the Company to the employees, directors and consultants in 2010 and an one-off share option expense in 2011 related to an incentive for certain individuals to join CEMG.

Finance costs increased from HK$1,647,000 to HK$12,057,000 for the six months ended 30th June, 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 period ended 30th June, 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 30th June, 2012, the Group maintained cash reserves of HK$194,229,000 (31st December, 2011: HK$59,212,000). As at 30th June, 2012, the equity attributable to owners of the Company amounted to HK$1,217,197,000 (31st December, 2011: HK$162,011,000) with total borrowings of HK$340,080,000 (31st December, 2011: nil). As at 30th June, 2012, the Group's gearing ratio (net borrowings including convertible notes over total equity) was 12% (31st December, 2011: nil).

On 31st January, 2012, the Company issued 5,040,750,000 shares of the Company at the price of HK$0.40 per share 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.

Charges on Assets

As at 30th June, 2012, the entire issued share capital of a wholly-owned subsidiary of the Group was pledged as a share charge for the convertible note of HK$350,000,000 issued by the Group on 3rd June, 2010 (31st December, 2011: nil).

Contingent Liabilities

As at 30th June, 2012, the Group had no material contingent liabilities (31st December, 2011: nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 30th June, 2012, the Group, including its subsidiaries and jointly control entities but excluding its associates, employed approximately 1,600 (30th June, 2011: approximately 140) 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 period under review, 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.

PROSPECTS

In recent years, the cultural industry has been growing rapidly, developing in tandem with the PRC economy. As suggested from a survey conducted by the China's National Bureau of Statistics, the overall scale of the cultural business is increasing steadily. The optimization of the industry has also led to the rapid development of associated businesses such as online publishing, mobile publishing, cartoon and online gaming and electronic printing. With more comprehensive planning and policies in place, the cultural industry in the PRC is set to reach new heights. The "Outline of Cultural Reform and Development under the Twelfth Five-year Plan" that was announced during the Sixth Plenary Session of the Seventeenth Central Committee of the Communist Party of China ("CCCPC") last October included the cultural industry as one of the pillars of the PRC economy, and suggested the need to strengthen relevant reforms to promote cultural development with the aim of building a culturally strong nation. Consequently, the market expects a series of supportive policies and initiatives to be launched in the short-run, enabling the PRC cultural industry to flourish.

The Group remains confident about the new media industry. As such, the Group has sought to enhance the synergies generated between its various divisions with the goal of becoming a pioneer of the cultural industry in the PRC.

In the first half of 2012, the Group continued to fervently push ahead with business reforms. New initiatives were taken to strengthen its core operations, including the completion of acquisition of the entire issued share capital of CEMG on 31st January, 2012, which has further expanded its business scale and opened a new page in its development history. CEMG is a fast-growing media entertainment company principally engaged in movie and television drama investment and production, satellite TV drama production and television advertising. It also possesses a team of well-recognized directors, actors and actresses. Since completing the acquisition, the Group has optimized its business chain. The Group has now become one of the largest cultural media groups that can produce its own content and operate its own extensive sales network. In addition, the Group established a strategic partnership with Tencent Holdings Limited ("Tencent"; Stock Code: 0700), which has allowed the Group to reinforce its capital foundation and generate greater synergies with other operations. The strategic partnership also enables the Group to use Tencent's promotion-related resources and sales channels, including Instant Messaging QQ, web portal QQ.com, Tencent video platform, QQ game platform, social network Qzone and mobile wireless portal to promote and launch the Group's films, television drama series, artists, new media content and mobile entertainment content. The Group believes the move will consolidate its leading position in the PRC media and cultural industry.

PROSPECTS *(Continued)*

Television and Film Business

The Group's television and film business has been further strengthened since the acquisition of CEMG was completed and the Group is seeking to build a top brand as always. Following the CEMG acquisition, a number of well-known TV drama series were broadcasted, including "Liang Jian – Tie Xue Jun Hun" (亮劍－鐵血軍魂) and "Zheng Zhe Wu Di" (正者無敵) of the "Heroic Trilogy" series (英雄無敵系列) on various channels, and were well received among audiences. "Liang Jian – Tie Xue Jun Hun" (亮劍－鐵血軍魂) began broadcasting on Zhejiang Satellite TV Channels since December 2011, and on the first day of broadcast, its rating was the highest within its time slot. This stunning large-scale New Year production ranked first in viewership for several months during its broadcast on Zhejiang Satellite TV Channels. Following the program's availability via video websites, it generated a click rate of over 200 million within one week.

With respect to "Zheng Zhe Wu Di" (正者無敵), the program has already led to broadcasting contracts with certain major satellite TV stations since it started shooting, and other popular video websites have also secured contracts and will provide coverage as well. Thus far, the program has been broadcasted on six local TV stations and has received positive responses from audiences. The Group plans to deliver the program to nationwide audiences through four satellite TV stations at the end of September this year. Based on the sales contracts already secured, income from the program has already exceeded production costs by more than twofold, and has also generated record the highest income based on a single-episode basis. The Group has plans to continue the "Heroic Trilogy" series (英雄無敵系列) of which "Yi Zhe Wu Di" (義者無敵) will complete shooting this October. Initial sales have been performing well, and the program is expected to generate good returns for the Group after it commences broadcast next year.

In light of the upcoming Eighteenth CCCPC conference, the Group will launch a large-scale production about the defense and military industry, called "Qiang Shen Chuan Qi" (槍神傳奇) in the second half year. The TV drama series has finished filming and is now in post-production. Sales have so far been satisfactory and recorded higher margin than that of a similar production. "Qiang Shen Chuan Qi" (槍神傳奇) will be shown via local TV stations this September and then broadcasted from satellite TV channels.

The Group has been known for producing top-quality TV drama series and documentaries. After its merger with CEMG, more efforts were directed toward producing new TV drama series, including romance, action and trendy social dramas as they have a larger audience base, and enjoy a similar level of popularity as large-scale productions. Consequently, three commercial TV drama series, specifically, "Ya Dian Na Nu Shen"(雅典娜女神), "Nu Ren Bang" (女人幫) and "Cheng Shi Lian Ren" (城市戀人) will hit the screens in the second half of 2012 and in 2013.

PROSPECTS *(Continued)*

Television and Film Business *(Continued)*

One of the major productions of the year, "Ya Dian Na Nu Shen" (雅典娜女神), a romantic and action drama, has completed shooting and pending broadcast on four provincial satellite TV stations and several local TV stations starting from this September. The director of this drama series is Tan Qiao, a famous action director, and the main cast are Michelle Ye, Monica Mok, Enyon Liu and Diwen Wu. To date, sales of this drama series has been good, and is expected to generate continuous sales contributions to the Group. In addition, the Group also invested in "Nu Ren Bang" (女人幫), featuring Jiang Wenli, which will be shown in the second half of this year. On the other hand, "Cheng Shi Lian Ren" (城市戀人), which is predominantly invested, produced and filmed by the Group, will complete shooting in September. It features famous Korean star Choi Ji Woo and other popular actors and actresses from the PRC, including Qin Hao, Ethan Li and Jenny Zhang, plus directed by the rising star Li Yuan, making it one of the most highly anticipated dramas in 2012. What makes it even more exciting is that Choi Ji Woo will appear on the Chinese idol drama again, nine years after the previous production. This appealing TV series will be broadcasted on various satellite TV channels and local TV stations in the second half of this year.

By working with capable partners, the Group is able to further enrich its productions with more patriotic, action, trendy and romantic content. The Group plans to film historical dramas as well, such as the "Three Kingdoms" series (三國系列).

In respect of the movie segment, the Group will continue to explore opportunities to produce or invest in TV dramas or movies that promise high investment returns. The Group will adhere to its motto of "Building a Strong Brand; Producing Outstanding Dramas" to secure better income and profits.

Television Advertising Business

After the Group acquired CEMG, it signed a 10-year strategic cooperative agreement with Gansu Provincial Film and TV Broadcast Group to exclusively operate television advertising and content programming segments of the Gansu Satellite TV network. Gansu Satellite TV is one of the 32 satellite TV stations in the PRC. It owns a valuable provincial satellite TV channel that can access nationwide audiences, and its network currently serves over 400 million viewers across the country. During the period, the Group sought to optimize the Gansu Satellite TV network through such measures as better securing advertising time slots and enhancing program content. In the first half of 2012, the Group produced a program called "老梁看電影", which represents a new type of movie commentary. The Group plans to launch another new program called "微電影展播" in August this year, which will be the first satellite TV channel in the PRC to broadcast short films from mobile media to television.

Mobile New Media Business

The mobile new media business has been one of the Group's major areas of development focus. With the burgeoning 3G era underway in China, the number of 3G users is expected to boom in the coming two years. Therefore, the Group remains optimistic about the mobile new media market and will actively seek opportunities to expand its reach in this segment. For the period ended 30th June, 2012, total revenue from the mobile new media business increased by more than 190% as compared to the same period last year. The number of users rose to 10.13 million, with the mobile TV business delivering the most impressive growth, up by over 90% year-on-year in sales revenue, and generating handsome returns for the Group.

PROSPECTS *(Continued)*

Mobile New Media Business *(Continued)*

The mobile TV business has been growing very satisfactorily and brought promising revenue and profit contributions to the Group during the review period. The key programs covered, included news stories, issues relating with the social and legal system, entertainment, film and television and recorded broadcasts of EPL matches. In the second half of this year, the Group will continue to strengthen cooperation with three major operators, namely China Mobile, China Unicom and China Telecom, to develop the mobile TV business, aiming to sustain rapid growth. In addition, its mobile digital reading, mobile music and mobile animation businesses have also made good progress. In 2012, the Group once again cooperated with a number of telecom providers to launch various wireless value-added services; offering personalized information and entertainment information services to mobile users in the PRC, available at anytime and anywhere through SMS, MMS and mobile news. The Group also sought to provide a wide variety of quality content, such as mobile games and mobile digital reading to users. During the first half 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). This segment is expected to maintain growth momentum in the second half year.

Regarding the mobile game business, mobile online games such as "玄境OL", "星彈堂" and "鐵騎", which have already been launched in the market, continued to bring stable revenue to the Group. In view of the highly competitive PRC market and rising development costs of mobile online games, the Group intends to allocate more resources toward developing other core businesses that carry higher margins and deliver greater returns.

Print Media Business – Newspaper

In Beijing's highly competitive media environment, Beijing Times is one of the most popular mainstream newspapers that readers turn to. It has 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 various electronic terminal products under the Jinghua brand. As at 30th June, 2012, Beijing Times' share of the morning post market exceeded 70%[1], far outperforming other daily newspapers in Beijing.

Rising costs in the PRC, particularly in terms of paper and labor, have however applied pressure on the Group's overhead. Nevertheless, leveraging its extensive readership and strong brand, together with the Group's dedicated efforts to explore other marketing channels for broadening the revenue streams of this segment, Beijing Times continued to deliver stable income to the Group. Having established a chic business division in early 2011, placement of high-end product advertisements in Beijing Times has since maintained steady growth. The growth of advertisements placed by the financial sector and high-end consumer goods brands was especially strong. Such momentum is expected to continue in the second half of 2012.

[1] Data from CTR and HC analysis

PROSPECTS *(Continued)*

Print Media Business – Magazine

The Group's upscale women's magazine, 費加羅 FIGARO, has been included in a list of the country's premier magazines, and is widely recognized by renowned international brands in less than a year since its launch back in August 2011. According to the research report issued by CTR in early 2012, 費加羅 FIGARO has developed into a premium publication in less than four months. 費加羅 FIGARO iPad edition has also unveiled a new image to readers since it went online. With innovative animations, interactive features and information on the latest trends, the iPad edition has attracted downloads from a large number of readers and drawn the attention of many major brands. It also ranked first in the women's magazine category of App Store in June this year and ninth in the magazine and newspaper category in the PRC, reflecting its outstanding performance. The Group expects 費加羅 FIGARO will contribute more stable income to the Group in the future.

Other Business

In order to streamline operations and bolster its financial strength, the Group decided to sell 30% equity interest in its associated company, Super Sports as well as the rights to the mobile live, delayed and recorded broadcasts of EPL matches to an independent third party on 29th March, 2012. The transaction was completed on 31st May, 2012 and 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. The Group will continue to hold the broadcasting rights of EPL matches, though not exclusively. The Group will seek to broaden its income stream by capitalizing on the synergies generated among other new media platforms.

The first half of 2012 represents an important milestone in the Group's development history. The completed acquisition of CEMG and strategic partnership with Tencent have helped reinforce and enhance its core competitive strengths. Such moves have also strengthened the Group's position in the PRC cultural industry, as well as the operation of its television and film business and the production and operation of its mobile TV business. Moreover, the Group's efforts toward fully leveraging its business advantages and prudently investing resources in developing strategic businesses have led to seamless business integration and greater economies of scale. The Group has subsequently achieved a turnaround in its business in the first half year, enjoying encouraging gains in sales and profit and progressing towards a period of huge growth.

Looking ahead, the Group will continue to enhance production and distribution of film and television drama series. As well, the Group aims to promote the Group's content and products, explore more potential market opportunities across various sales networks, improve operational efficiency and generate greater synergies among different businesses through content creation, broadcast platform expansion and tapping various channels. Under the leadership of an excellent and experienced management team as well as the solid effort of its staff, the Group's business scale has continued to grow, forming a solid foundation to realize its objective of becoming one of the leading diversified culture and media companies in the PRC. The Group will continue to consolidate the three major businesses of television and film, mobile new media and traditional print media through organic growth and by exploring cooperation and investment opportunities. The Group will also actively develop the new television advertising business, further unite the Group's core competitive strengths, integrate internal resources and capitalize on economies of scale to generate long-term and high returns for its shareholders.

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES

As at 30th June, 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	1,805,252,500[3]	14,100,000	1,819,352,500	23.50%
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 30th June, 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 30th June, 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.

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 30th June, 2012, none of the Directors, the 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.

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 period 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 period	Outstanding as at 30th June, 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

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 period, no Share Options were granted, exercised, cancelled or lapsed.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 30th June, 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]	1,819,352,500	23.50%
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%
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%
Chu Hoi Chun	Held by controlled corporation[5]	676,110,000	8.73%
Great Esteem Group Limited ("Great Esteem")	Beneficial owner[5]	676,110,000	8.73%
Tencent Holdings Limited ("Tencent")	Held by controlled corporation[6]	619,400,000	8.00%
Wu Jiao	Held by controlled corporation[7] and beneficial owner[8]	444,697,500	5.74%
Time Zone Investments Limited ("Time Zone")	Beneficial owner[7]	439,587,500	5.68%

INTERESTS OF SUBSTANTIAL SHAREHOLDERS *(Continued)*

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

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 30th June, 2012.

2. This represents the interest in 1,805,252,500 ordinary shares of the Company held by Mr. Dong Ping as beneficial owner.

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

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 676,110,000 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.

6. 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.

7. 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.

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

Save as disclosed above, as at 30th June, 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

CORPORATE GOVERNANCE

The Company has applied and complied with the applicable code provisions set out in the Code on Corporate Governance Practices ("Former CG Code") (effective until 31st March, 2012) during the period from 1st January, 2012 to 31st March, 2012 and the Corporate Governance Code ("New CG Code") (effective from 1st April, 2012) (the "CG Amendments") during the period from 1st April, 2012 to 30th June, 2012 contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), except for certain deviations which are summarised below: –

Code Provision A.2.1

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 continue to identify an appropriate person to take up the role of chief executive when necessary.

Code Provision A.6.7

Code provision A.6.7 of the New CG Code stipulates that independent non-executive directors ("INEDs") and other non-executive directors should attend general meetings. Mr. Chen Ching and Mr. Jin Hui Zhi, both being the INEDs of the Company, were unable to attend the annual general meeting of the Company held on 11th June, 2012 (the "2012 AGM") due to other business engagements.

Code Provisions B.1.3 and C.3.3

Code provisions B.1.3 and C.3.3 of the Former CG Code stipulate that the terms of reference of the remuneration committee and audit committee should include, as a minimum, those specific duties as set out in the respective code provisions.

The terms of reference of the remuneration committee (the "Remuneration Committee") adopted by the Company are in compliance with the code provisions B.1.3 of the Former CG Code and (following the CG Amendments) B.1.2 of the New CG Code except that the Remuneration Committee should review (as opposed to determine under the code provision) and make recommendations to the Board on the remuneration packages of Executive Directors only and not senior management (as opposed to Directors and senior management under the code provision).

CORPORATE GOVERNANCE AND OTHER INFORMATION *(Continued)*

CORPORATE GOVERNANCE *(Continued)*

Code Provisions B.1.3 and C.3.3 *(Continued)*

The terms of reference of the audit committee (the "Audit Committee") adopted by the Company are in compliance with the code provision C.3.3 of the Former CG Code except that the Audit Committee (i) should recommend (as opposed to implement under the code provision) the policy on the engagement of the external auditor to supply non-audit services; (ii) only possesses the effective ability to scrutinise (as opposed to ensure under the code provision) whether management has discharged its duty to have an effective internal control system; and (iii) can promote (as opposed to ensure under the code provision) the coordination between the internal and external auditors, and check (as opposed to ensure under the code provision) whether the internal audit function is adequately resourced. Following the amendment to the terms of reference of the Audit Committee to make them correspond with the code provision C.3.3 of the New CG Code with effect from 29th March, 2012, there is no more deviation in such terms of reference from the code provision of the Former CG Code and the New CG Code.

The reasons for the above deviations are set out in the section "Corporate Governance Report" contained in the Company's annual report for the financial year ended 31st December, 2011. The Board considers that the Remuneration Committee and the Audit Committee should continue to operate according to the terms of reference adopted by the Company. The Board will review the terms at least annually and make appropriate changes when necessary.

Code Provision E.1.2

Code Provision E.1.2 of the Former CG Code and the New CG Code stipulates that the chairman of the board should attend the annual general meeting. Mr. Dong Ping, the Chairman of the Board, was unable to attend the 2012 AGM due to other business engagement.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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 the Company's code of conduct regarding Director's securities transactions. Having made specific enquiry with all Directors, they have confirmed their compliance with the required standard as set out in the Model Code throughout the six months ended 30th June, 2012.

CORPORATE GOVERNANCE AND OTHER INFORMATION *(Continued)*

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B (1) of the Listing Rules, changes in information of Directors of the Company required to be disclosed are set out below:–

Name of Director	**Details of Changes**
Chen Ching	Total emoluments increased by HK$20,000 to HK$120,000 as from year 2012.
Jin Hui Zhi	Total emoluments increased by HK$20,000 to HK$120,000 as from year 2012.
Li Chak Hung	Total emoluments increased by HK$30,000 to HK$150,000 as from year 2012.

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 six months ended 30th June, 2012.

By Order of the Board
ChinaVision Media Group Limited
Dong Ping
Chairman

Hong Kong, 22nd August, 2012

As at the date of this report, the Board comprises Mr. Dong Ping (Chairman), Mr. Ng Qing Hai and Mr. Zhao Chao, being the Executive Directors; Mr. Kong Muk Yin, being the Non-Executive Director; and Mr. Chen Ching, Mr. Jin Hui Zhi and Mr. Li Chak Hung, being the Independent Non-Executive Directors.