2013 中期報告
INTERIM REPORT

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

Stock Code: 1060

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 (the "Group") for the six months ended 30th June, 2013 together with the comparative amounts for the corresponding period in 2012. The unaudited condensed consolidated interim financial information for the six months ended 30th June, 2013 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, 2013 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.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2013

	NOTES	Six months ended 30th June, 2013 HK$'000 (unaudited)	2012 HK$'000 (unaudited)/ (restated)
Revenue	3	**481,986**	421,291
Cost of sales and services		**(271,580)**	(281,213)
Gross profit		**210,406**	140,078
Other income		**15,510**	10,839
Other gains and losses, net	4	**47,539**	36,611
Distribution and selling expenses		**(23,844)**	(33,993)
Administrative expenses			
– share-based payment expenses		**–**	(1,290)
– other administrative expenses		**(68,342)**	(67,676)
		(68,342)	(68,966)
Finance costs	5		
– effective interest expense on convertible notes		**(17,966)**	(11,673)
– other finance costs		**–**	(384)
		(17,966)	(12,057)
Share of loss of an associate		**–**	(1,069)
Share of (losses) profits of joint ventures		**(4,000)**	21,408
Profit before taxation		**159,303**	92,851
Taxation (charge) credit	6	**(20,241)**	8,305
Profit for the period	7	**139,062**	101,156

	NOTE	Six months ended 30th June, 2013 HK$'000 (unaudited)	2012 HK$'000 (unaudited)/ (restated)
Profit (loss) for the period attributable to:			
Owners of the Company		**133,070**	102,261
Non-controlling interests		**5,992**	(1,105)
		139,062	101,156
		HK cents	HK cents
Earnings per share	9		
– Basic		**1.72**	1.40
– Diluted		**1.72**	1.40

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30TH JUNE, 2013

	Six months ended 30th June,	
	2013	2012
	HK$'000	HK$'000
	(unaudited)	(unaudited)/ (restated)
Profit for the period	**139,062**	101,156
Other comprehensive income (expense):		
Item that will not be reclassified subsequently to profit or loss:		
Exchange difference arising on translation to presentation currency	**28,390**	(10,857)
Total comprehensive income for the period	**167,452**	90,299
Total comprehensive income (expense) for the period attributable to:		
Owners of the Company	**161,246**	91,653
Non-controlling interests	**6,206**	(1,354)
	167,452	90,299

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30TH JUNE, 2013

	NOTES	At 30th June, 2013 HK$'000 (unaudited)	At 31st December, 2012 HK$'000 (restated)
NON-CURRENT ASSETS			
Property, plant and equipment	10	**14,989**	15,514
Goodwill		**174,204**	171,160
Intangible assets		**12,682**	12,003
Interests in joint ventures		**26,769**	636,248
Club debenture		**2,886**	2,836
Art work	10	**167,218**	164,307
Deposits and prepayments	11	**97,918**	67,468
Deferred tax assets		**1,322**	1,319
		497,988	1,070,855
CURRENT ASSETS			
Film rights		**92,151**	169,296
Investments held for trading		**6,454**	21,569
Trade receivables	11	**532,377**	345,796
Other receivables, deposits and prepayments	11	**218,820**	222,731
Amounts due from non-controlling interests		**2,214**	4,538
Bank balances and cash		**177,485**	107,753
		1,029,501	871,683
Assets classified as held for sale	12	**609,776**	–
		1,639,277	871,683
CURRENT LIABILITIES			
Trade and other payables and accrued charges	13	**158,825**	143,296
Receipts in advance from customers		**54,345**	59,885
Amount due to a third party	16	**350,000**	–
Amounts due to related companies	14	**1,206**	1,105
Amounts due to non-controlling interests		**2,810**	760
Derivative financial instruments		**3,968**	–
Tax liabilities		**41,746**	32,402
Convertible note	16	**–**	333,069
		612,900	570,517
Liabilities associated with assets classified as held for sale	12	**8,949**	–
		621,849	570,517
NET CURRENT ASSETS		**1,017,428**	301,166
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,515,416**	1,372,021

	NOTES	At 30th June, 2013 HK$'000 (unaudited)	At 31st December, 2012 HK$'000 (restated)
CAPITAL AND RESERVES			
Issued share capital	15	**1,935,686**	1,935,686
Reserves		**(457,700)**	(618,946)
Equity attributable to owners of the Company		**1,477,986**	1,316,740
Non-controlling interests		**15,215**	34,037
TOTAL EQUITY		**1,493,201**	1,350,777
NON-CURRENT LIABILITY			
Convertible note	16	**22,215**	21,244
		1,515,416	1,372,021

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30TH JUNE, 2013

	Attributable to owners of the Company										
	Issued share capital HK$'000 (Note a)	Share premium HK$'000 (Note a)	Other reserve HK$'000 (Note b)	Shareholder's contribution reserve HK$'000	Translation reserve HK$'000	Convertible notes equity reserve HK$'000	Share option reserve HK$'000	(Accumulated losses) retained profits HK$'000 (Note c)	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1st January, 2012 (audited)	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	(1,105)	101,156
Other comprehensive expense for the period	–	–	–	–	(10,608)	–	–	–	(10,608)	(249)	(10,857)
Total comprehensive (expense) income for the period	–	–	–	–	(10,608)	–	–	102,261	91,653	(1,354)	90,299
Amounts arising from the reverse acquisition:											
– deemed consideration (note 19)	1,260,188	403,260	(976,192)	–	–	3,971	23,280	–	714,507	–	714,507
– recognition of non-controlling interests (note 19)	–	–	–	–	–	–	–	–	–	25,893	25,893
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 17)	–	–	–	–	–	–	1,290	–	1,290	–	1,290
At 30th June, 2012 (unaudited)/(restated)	1,935,686	741,369	(1,546,985)	60,267	(10,267)	3,971	24,570	8,586	1,217,197	29,251	1,246,448
At 1st January, 2013 (audited)/ (as originally stated)	**1,935,686**	**741,369**	**(1,546,985)**	**60,267**	**14,070**	**3,971**	**24,884**	**83,478**	**1,316,740**	**34,807**	**1,351,547**
Prior year adjustments (note 2)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(770)**	**(770)**
At 1st January, 2013 (audited)/(restated)	**1,935,686**	**741,369**	**(1,546,985)**	**60,267**	**14,070**	**3,971**	**24,884**	**83,478**	**1,316,740**	**34,037**	**1,350,777**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**133,070**	**133,070**	**5,992**	**139,062**
Other comprehensive income for the period	**–**	**–**	**–**	**–**	**28,176**	**–**	**–**	**–**	**28,176**	**214**	**28,390**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**28,176**	**–**	**–**	**133,070**	**161,246**	**6,206**	**167,452**
Reclassified to retained profits upon mature of convertible note	**–**	**–**	**–**	**–**	**–**	**(401)**	**–**	**401**	**–**	**–**	**–**
Dividend paid by a subsidiary to a non-controlling interest	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(25,026)**	**(25,026)**
At 30th June, 2013 (unaudited)	**1,935,686**	**741,369**	**(1,546,985)**	**60,267**	**42,246**	**3,570**	**24,884**	**216,949**	**1,477,986**	**15,217**	**1,493,203**

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 represents the difference between (i) the aggregate of issued share capital and share premium of the Company, and (ii) the aggregate of ordinary shares, Preferred shares (as defined in note 15) and share premium of China Entertainment Media Group Limited. The amount of HK$976,192,000 arising during the period ended 30th June, 2012 represented the difference between the fair value of 5,040,750,000 ordinary shares of the Company issued for the Acquisition (as defined in note 19) 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.

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, 2013

	NOTES	Six months ended 30th June, 2013 HK$'000 (unaudited)	2012 HK$'000 (unaudited)/ (restated)
NET CASH FROM (USED IN) OPERATING ACTIVITIES		**2,356**	(121,182)
INVESTING ACTIVITIES			
Purchase of art work		**(47,088)**	(89,728)
Addition to intangible assets		**(879)**	(2,344)
Repayment from a former subsidiary		**13,949**	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)
Proceeds from disposal of art work		**47,344**	–
Advances to joint venture partners		**–**	(14,442)
Repayments from joint venture partners		**–**	13,908
Repayment from related companies		**–**	29,009
Acquisition of subsidiaries, net of cash and cash equivalent acquired	19	**–**	8,540
Disposal of subsidiaries	20	**77,560**	77,560
Other investing cash flows		**(1,909)**	(2,598)
NET CASH FROM INVESTING ACTIVITIES		**88,977**	51,838
FINANCING ACTIVITIES			
Proceeds from issue of shares		**–**	247,760
Proceeds from issue of warrants		**500**	–
Repayments of borrowings		**–**	(23,297)
Repayment to a joint venture		**–**	(8,621)
Repayment to a joint venture partner		**–**	(913)
Advance from related companies		**40,923**	–
Repayments to related companies		**(41,004)**	(28,018)
Repayment to a shareholder		**–**	(31,803)
Dividend paid by a subsidiary to a non-controlling interest		**(25,026)**	–
Other financing cash flows		**–**	(395)
NET CASH (USED IN) FROM FINANCING ACTIVITIES		**(24,607)**	154,713

	Six months ended 30th June, 2013 HK$'000 (unaudited)	2012 HK$'000 (unaudited)/ (restated)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**66,726**	85,369
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**107,753**	59,212
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**3,016**	1,587
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**177,495**	146,168
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	**177,485**	146,168
Assets classified as held for sale	**10**	–
	177,495	146,168

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2013

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 ("HKAS 34") "Interim Financial Reporting" 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 (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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, as appropriate.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30th June, 2013 are the same as those followed in the preparation of the Company's annual financial statements for the year ended 31st December, 2012 as disclosed in the Annual Report of the Company for the year ended 31st December, 2012 except for the following accounting policies which were adopted during the period ended 30th June, 2013.

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Application of new or revised Hong Kong Financial Reporting Standards ("HKFRSs")

In the current interim period, the Group has applied, for the first time, certain new or revised HKFRSs issued by the HKICPA that are mandatory effective for the current interim period.

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

In the current interim period, the Group has applied for the first time HKFRS 10, HKFRS 11, HKFRS 12 and HKAS 28 (as revised in 2011) together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding the transitional guidance. HKAS 27 (as revised in 2011) is not applicable to these condensed consolidated financial statements as it deals only with separate financial statements.

The impact of the application of these standards is set out below.

Impact of the application of HKFRS 10

HKFRS 10 replaces the parts of HKAS 27 "Consolidated and separate financial statements" that deal with consolidated financial statements and HK(SIC) – INT 12 "Consolidation – Special purpose entities". HKFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee. Some guidance included in HKFRS 10 that deals with whether or not an investor that owns less than 50% of the voting rights in an investee has control over the investee is relevant to the Group.

The Group does not have any equity interest in the registered capital of 中聯京華文化傳播(北京)有限公司 ("Zhong Lian Jinghua") and 北京世通寰亞廣告有限公司 ("Beijing Shi Tong") as they are established as owned by an employee of the Group. Pursuant to certain agreements among Zhong Lian Jinghua, the registered shareholder of Zhong Lian Jinghua and the Group, the registered shareholder of Zhong Lian Jinghua agreed to assign all the shareholder's rights of Zhong Lian Jinghua and to assign the power to appoint and remove all the members of the board of directors and to govern the financial and operating policies of Zhong Lian Jinghua to the Group. The directors of the Company considered such agreements give the Group the current ability to direct the relevant activities of Zhong Lian Jinghua. Pursuant to certain agreements among Beijing Shi Tong, the registered shareholder of Beijing Shi Tong and the Group, the registered shareholder of Beijing Shi Tong agreed to assign all the shareholder's rights of Beijing Shi Tong and to assign the power to appoint and remove all the members of the board of directors and to govern the financial and operating policies of Beijing Shi Tong to the Group. The directors of the Company considered such agreements give the Group the current ability to direct the relevant activities of Beijing Shi Tong. In the opinion of the directors of the Company, all the terms of these agreements are valid, binding and legally enforceable on all parties under the applicable laws in the PRC. With the power over Zhong Lian Jinghua and Beijing Shi Tong and the ability to use the power over Zhong Lian Jinghua and Beijing Shi Tong to affect the amount of the Group's return, they are treated as wholly-owned subsidiaries of the Company under HKFRS 10 and their results, assets and liabilities are consolidated with those of the Group.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Application of new or revised Hong Kong Financial Reporting Standards ("HKFRSs") *(Continued)*

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

Impact of the application of HKFRS 10 (Continued)

Zhong Lian Jinghua holds 51% equity interests of 天津唐圖科技有限公司, 北京中聯同達文化有限公司, 甘肅飛視天成文化傳播有限公司, 北京中聯華億山和水影視文化有限公司 and 北京逆光順影影視文化傳播有限公司 (collectively referred to as the "Non Wholly-owned Subsidiaries") and 100% equity interests of 北京永聯信通科技有限責任公司, 北京北大文化發展有限公司 (in English, Beijing Beida Culture Development Company Limited, "Beida Culture"), 中聯華盟(上海)文化傳媒有限公司, 北京中聯華盟文化傳媒投資有限公司, 北京鵬安盛世廣告有限公司, 華盟(天津)文化投資有限公司, 中聯華盟(天津)廣告有限公司, 北京人和人文化有限公司 and 人和人(天津)廣告有限公司 (collectively referred to as the "Wholly-owned Subsidiaries"). Pursuant to the respective Memorandum and Article of Association of Non Wholly-owned Subsidiaries and Wholly-owned Subsidiaries, the decisions on relevant activities of these entities requires approval from shareholders with simple majority of votes. Zhong Lian Jinghua possesses over 50% of the voting powers in the shareholders of the Non Wholly-owned Subsidiaries and 100% voting powers in the shareholders of the Wholly-owned Subsidiaries which give the Group the current ability to direct the relevant activities. Accordingly, they are treated as the subsidiaries of the Company under HKFRS 10 and their results, assets and liabilities are consolidated with those of the Group.

Impact of the application of HKFRS 11

HKFRS 11 replaces HKAS 31 "Interests in joint ventures", and the guidance contained in a related interpretation, HK(SIC) – INT 13 "Jointly controlled entities – Non-monetary contributions by venturers", has been incorporated in HKAS 28 (as revised in 2011). HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under HKFRS 11, there are only two types of joint arrangements – joint operations and joint ventures. The classification of joint arrangements under HKFRS 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement. Previously, HKAS 31 had three types of joint arrangements – jointly controlled entities, jointly controlled operations and jointly controlled assets. The classification of joint arrangements under HKAS 31 was primarily determined based on the legal form of the arrangement (e.g. a joint arrangement that was established through a separate entity was classified as a jointly controlled entity).

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Application of new or revised Hong Kong Financial Reporting Standards ("HKFRSs") *(Continued)*

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

Impact of the application of HKFRS 11 (Continued)

The initial and subsequent accounting of joint ventures and joint operations are different. Investments in joint ventures are accounted for using the equity method (proportionate consolidation is no longer allowed). Investments in joint operations are accounted for such that each joint operator recognises its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable standards.

The directors of the Company reviewed and assessed the classification of the Group's investments in joint arrangements in accordance with the requirements of HKFRS 11. Zhong Lian Jinghua holds 50% equity interests of 京華文化傳播有限公司 ("JingHua Culture"). Zhong Lian Jinghua also holds 49% equity interests of 人民視訊文化有限公司 ("RenMinShiXun"). Pursuant to the Memorandum and Article of Association of JingHua Culture and RenMinShiXun, the decisions on relevant activities of these entities have to be approved by both shareholders. In other words, decisions in JingHua Culture and RenMinShiXun require the unanimous consent of the parties sharing control. Accordingly, the directors concluded that the Group's investments in RenMinShiXun and JingHua Culture, which were classified as jointly controlled entities under HKAS 31 and were accounted for using the proportionate consolidation method, should be classified as joint ventures under HKFRS 11 and accounted for using the equity method. The changes in accounting of the Group's investments in RenMinShiXun and JingHua Culture have been applied in accordance with the relevant transitional provisions set out in HKFRS 11. The initial investments as at 1st January, 2012 for the purposes of applying the equity method is measured as the aggregate of the carrying amounts of the assets and liabilities that the Group had previously proportionately consolidated (see the tables below for details). Also, the directors performed an impairment assessment on the initial investment as at 1st January, 2012 and concluded that no impairment loss is required. Comparative amounts for 2012 have been restated to reflect the change in accounting for the Group's investments in RenMinShiXun and JingHua Culture.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Application of new or revised Hong Kong Financial Reporting Standards ("HKFRSs") *(Continued)*

HKFRS 13 "Fair value measurement"

The Group has applied HKFRS 13 for the first time in the current interim period. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements, and replaces those requirements previously included in various HKFRSs. Consequential amendments have been made to HKAS 34 to require certain disclosures to be made in the interim condensed consolidated financial statements.

The scope of HKFRS 13 is broad, and applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, subject to a few exceptions. HKFRS 13 contains a new definition for 'fair value' and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

In accordance with the transitional provisions of HKFRS 13, the Group has applied the new fair value measurement and disclosure requirements prospectively. Disclosures of fair value information are set out in note 18.

Amendments to HKAS 1 "Presentation of items of other comprehensive income"

The amendments to HKAS 1 introduce new terminology for statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements.

However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the existing option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Application of new or revised Hong Kong Financial Reporting Standards ("HKFRSs") *(Continued)*

Amendments to HKAS 34 "Interim financial reporting (as part of the annual improvements to HKFRSs 2009-2011 cycle)"

The Group has applied the amendments to HKAS 34 "Interim financial reporting" as part of the annual improvements to HKFRSs 2009 – 2011 cycle for the first time in the current interim period. The amendments to HKAS 34 clarify that the total assets and total liabilities for a particular reportable segment would be separately disclosed in the interim financial statements only when the amounts are regularly provided to the chief operating decision maker ("CODM") and there has been a material change from the amounts disclosed in the last annual financial statements for that reportable segment.

The CODM reviews assets and liabilities of the Group's reportable segments for performance assessment and resource allocation purposes. In addition, there are significant changes on segment assets and liabilities as compared with those segment assets and liabilities as at 31st December, 2012. Accordingly, the Group has included information about segment assets and segment liabilities as part of segment information in note 3.

Except as described above, the application of the other new or revised HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Summary of the effect of the above changes in accounting policy

The effect of the changes in the Group's accounting policy described above on the results for the current and preceding interim periods by line items presented in the condensed consolidated statement of profit or loss and other comprehensive income is as follows:

	Six months ended 30th June, 2012
	HK$'000
Impact on profit for the interim period	
Decrease in revenue	(101,872)
Decrease in costs of sales and services	39,109
Decrease in other income	(1,526)
Decrease in other gains and losses, net	(101)
Decrease in distribution and selling expenses	28,666
Decrease in other administrative expenses	9,742
Increase in share of profits of joint ventures	21,408
Decrease in taxation charge	4,732
Net increase in profit for the interim period	158
Impact on other comprehensive income for the interim period	
Increase in exchange difference arising on translation to presentation currency	6
Net increase in total comprehensive income for the interim period	164
Increase in profit for the interim period attributable to:	
Owners of the Company	–
Non-controlling interests	158
	158
Increase in total comprehensive income for the interim period attributable to:	
Owners of the Company	–
Non-controlling interests	164
	164

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Summary of the effect of the above changes in accounting policy *(Continued)*

The effect of the changes in accounting policy described above on the financial positions of the Group as at the end of the immediately preceding financial year, i.e. 31st December, 2012, is as follows:

	At 31st December, 2012 (originally stated)	**Adjustments**	**At 31st December, 2012 (restated)**
	HK$'000	HK$'000	HK$'000
Property, plant and equipment	24,196	(8,682)	15,514
Goodwill	333,369	(162,209)	171,160
Intangible assets	456,416	(444,413)	12,003
Interests in joint ventures	–	636,248	636,248
Deferred tax assets	1,588	(269)	1,319
Inventories	2,816	(2,816)	–
Trade and other receivables, deposits and prepayments	731,869	(95,874)	635,995
Bank balances and cash	192,838	(85,085)	107,753
Trade and other payables and accrued charges	(171,216)	27,920	(143,296)
Receipts in advance from customers	(84,504)	24,619	(59,885)
Tax liabilities	(38,153)	5,751	(32,402)
Deferred tax liabilities	(104,040)	104,040	–
Total effects on net assets	1,345,179	(770)	1,344,409
Non-controlling interests and total effects on equity	34,807	(770)	34,037

There is no significant impact on basic and diluted earnings per share due to the above changes in accounting policies for the six months ended 30th June, 2012.

3. REVENUE AND SEGMENT INFORMATION

The Group's operating segments, determined based on information reported to the CODM, being the executive and non-executive directors of the Company, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided, are as follows:

(i)	Production and distribution of film rights	–	production and distribution of film rights over films, television programmes and television drama series
(ii)	Television advertising ("TV advertising")	–	sale of TV advertising air-times in the PRC
(iii)	Mobile value-added services	–	provision of personalised information and entertainment services to mobile handset users in the PRC
(iv)	Magazine advertising and magazine distribution	–	distribution of fashion magazine, FIGARO, and sale of advertisements spaces in FIGARO in the PRC

In addition to the operating segments described above, each of which constitute reportable segments, the Group has other operating segments which include trading of securities in Hong Kong, mobile game subscription, provision of other agency services, TV programme packaging services and others in the PRC. None of these segments meet any of the quantitative thresholds for determining reportable segments. Accordingly, all of the above operating segments are grouped as "all other segments".

Segment of mobile TV subscription and newspaper advertising and newspaper distribution as presented in prior period are operated through the joint ventures, which were accounted for using the proportionate consolidation method in prior periods. Under HKFRS 11, such joint arrangements should be classified as joint venture and accounted for using the equity method (details set out in note 2). The CODM assesses their performance based on the share of net assets and results of these joint ventures upon the application of HKFRS 11 and no longer constitute separate operating segments. Accordingly, no separate segment information on mobile TV subscription and newspaper advertising and newspaper distribution are presented. Revenue and segment information for the period ended 30th June, 2012 is restated.

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

The following is an analysis of the Group's revenue and results by reportable segment for the six months ended 30th June, 2013 and 2012:

	Production and distribution of film rights HK$'000	TV advertising HK$'000	Mobile value-added services HK$'000	Magazine advertising and magazine distribution HK$'000	Reportable segments' total HK$'000	All other segments HK$'000	Consolidated HK$'000
For the six months ended 30th June, 2013 (unaudited)							
Segment revenue	**302,416**	**151,517**	**5,783**	**17,571**	**477,287**	**4,699**	**481,986**
Segment results	**128,820**	**38,503**	**3,386**	**(6,668)**	**164,041**	**(946)**	**163,095**
Unallocated interest income and other gains and losses, net							**46,436**
Corporate administrative expenses							**(28,262)**
Share of losses of joint ventures							**(4,000)**
Finance costs							**(17,966)**
Profit before taxation							**159,303**
For the six months ended 30th June, 2012 (unaudited)/(restated)							
Segment revenue	252,685	123,607	5,598	16,964	398,854	22,437	421,291
Segment results	93,164	(4,581)	1,845	(9,426)	81,002	(3,634)	77,368
Unallocated interest income and other gains and losses, net							31,140
Corporate administrative expenses							(22,649)
Share-based payment expenses							(1,290)
Share of loss of an associate							(1,069)
Share of profits of joint ventures							21,408
Finance costs							(12,057)
Profit before taxation							92,851

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 generated or loss incurred by each segment without allocation of interest income from banks, gain on disposal of subsidiaries, gain on disposal of art work, impairment loss on a disposal group classified as held for sale, net foreign exchange (loss) gain, change in fair value of derivative financial instruments, corporate administrative expenses, share-based payment expenses, finance costs on borrowings, effective interest expense on convertible notes, share of loss of an associate and share of (losses) profits of joint ventures. This is the measure reported to the board of directors for the purpose of resource allocation and performance assessments.

Segment assets and liabilities

	Production and distribution of film rights HK$'000	TV advertising HK$'000	Mobile value-added services HK$'000	Magazine advertising and magazine distribution HK$'000	Reportable segments' total HK$'000	All other segments HK$'000	Total HK$'000
At 30th June, 2013 (unaudited)							
Segment assets	**951,334**	**25,301**	**11,289**	**27,924**	**1,015,848**	**24,566**	**1,040,414**
Segment liabilities	**109,142**	**61,330**	**4,941**	**12,728**	**188,141**	**10,376**	**198,517**
At 31st December, 2012 (restated)							
Segment assets	779,958	22,905	10,469	28,341	841,673	49,769	891,442
Segment liabilities	68,266	71,047	3,509	18,408	161,230	10,302	171,532

4. OTHER GAINS AND LOSSES, NET

	Six months ended 30th June, 2013 HK$'000 (unaudited)	2012 HK$'000 (unaudited)/ (restated)
Gain on disposal of subsidiaries	–	30,034
Gain on disposal of art work (note 10)	**74,058**	–
Impairment loss on a disposal group classified as held for sale (note 12)	**(23,589)**	–
Net foreign exchange (loss) gain	**(1,966)**	953
Reversal of allowance for bad and doubtful debts	**79**	7,069
Change in fair value of held for trading investments (Note)	**2,925**	(1,445)
Change in fair value of derivative financial instruments	**(3,968)**	–
	47,539	36,611

Note: The amount includes net realised gain of approximately HK$4,459,000 (six months ended 30th June, 2012: nil) on disposal of investments held for trading during the current period and unrealised loss of approximately HK$1,534,000 (six months ended 30th June, 2012: HK$1,445,000) on change in fair value of investments held for trading held by the Group as at 30th June, 2013.

5. FINANCE COSTS

	Six months ended 30th June, 2013 HK$'000 (unaudited)	2012 HK$'000 (unaudited)/ (restated)
Effective interest expense on convertible notes	**17,966**	11,673
Interest on borrowings wholly repayable within five years:		
Interest on borrowings from a shareholder	–	384
	17,966	12,057

6. TAXATION (CHARGE) CREDIT

	Six months ended 30th June, 2013 HK$'000 (unaudited)	2012 HK$'000 (unaudited)/ (restated)
Current tax:		
PRC Enterprise Income Tax	**(20,221)**	(6,470)
Reversal of tax payable (Note)	**–**	14,855
Deferred tax:		
Current period	**(20)**	(80)
	(20,241)	8,305

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

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

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

EIT in the PRC charged to other PRC subsidiaries is calculated at 25% of estimated assessable profit for the period ended 30th June, 2013 and 2012.

7. PROFIT FOR THE PERIOD

	Six months ended 30th June, 2013 HK$'000 (unaudited)	2012 HK$'000 (unaudited)/ (restated)
Profit for the period has been arrived at after charging (crediting):		
Staff costs (including directors' remuneration)	**28,615**	25,082
Amortisation of intangible assets (included in cost of sales and services)	**418**	2,725
Depreciation of property, plant and equipment	**3,483**	4,125
Film rights recognised as an expense (included in cost of sales and services)	**132,905**	135,857
Rental payments for premises under operating leases	**12,107**	8,597
Interest income	**(162)**	(153)

8. DIVIDENDS

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

9. EARNINGS PER SHARE

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

	Six months ended 30th June, 2013 HK$'000 (unaudited)	2012 HK$'000 (unaudited)/ (restated)
Earnings		
Profit for the period attributable to the owners of the Company for the purposes of basic and diluted earnings per share	**133,070**	102,261
	Number of shares	Number of shares
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 per share	**7,742,742,564**	7,297,340,110

9. EARNINGS PER SHARE *(Continued)*

The weighted average number of shares used for the purpose of calculating earnings per share for the period ended 30th June, 2012 reflected 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 (as defined in note 19) and the total actual number of shares of the Company in issue after the date of 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, 2013 and 2012.

In addition, the computation of diluted earnings per share does not assume the exercise of share options and warrants because the exercise price of these options and warrants was higher than the average market price for shares for the period ended 30th June, 2013 and 2012.

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

During the current interim period, the Group disposed of certain art work with an aggregate carrying amount approximately of HK$63,930,000 at aggregated consideration of approximately HK$137,988,000 resulting in a gain on disposal of approximately HK$74,058,000.

During the period, the Group acquired property, plant and equipment and art work at a cost of approximately HK$3,729,000 and HK$65,909,000 respectively (six months ended 30th June, 2012: HK$3,075,000 and HK$89,728,000 respectively).

In addition, during the six months ended 30th June, 2012, the Group placed deposits of approximately HK$6,692,000 and HK$9,768,000 for leasehold improvement of office premise and purchase of art work respectively.

11. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	At 30th June, 2013 HK$'000 (unaudited)	At 31st December, 2012 HK$'000 (restated)
Trade receivables	**532,377**	345,796
Refundable deposit in relation to acquisition of an investee (Note 1)	**30,380**	29,851
Amount receivable from a former subsidiary (Note 2)	**27,691**	41,659
Amount receivable for disposal of art work (Note 3)	**90,644**	–
Deferred consideration for disposal of subsidiaries (note 20)	**–**	77,560
Other tax recoverable	**27,719**	24,766
Other receivables and deposits	**15,467**	13,460
	191,901	187,296
Deposits paid for acquisition of artwork and property, plant and equipment	**–**	20,157
Prepayment for film production (Note 4)	**100,987**	39,073
Prepayment for consultancy service fee	**7,452**	14,904
Other prepayments	**16,398**	13,222
Amount due from a joint venture partner (Note 5)	**–**	15,547
Total trade and other receivables, deposits and prepayments	**849,115**	635,995
Analysed as		
Current	**751,197**	568,527
Non-current	**97,918**	67,468
	849,115	635,995

Notes:

1. In prior year, the Group signed an agreement with a third party, pursuant to which the Group entrusted the third party entity and paid it a deposit of RMB24,000,000, 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 interests in another entity. The deposit is fully refundable prior to the approval of SUAEE and completion of the transaction. As at 31st December, 2012, the demand for refund had been submitted and is in progress. In the opinion of the directors of the Group, the amount will be refunded before year ended 31st December, 2013. Accordingly, the balance is classified as current assets.

2. The amount is unsecured, non-interest bearing and has no fixed repayment terms. Subsequent to the period ended 30th June, 2013, the amount was fully repaid.

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

Notes: *(Continued)*

3. The amount is unsecured and non-interest bearing and will be settled before the year ended 31st December, 2013.

4. In prior year, the Group signed two cooperative agreements with other film production companies ("Film Workshops") pursuant to which the Group paid start-up costs to the Film Workshops which in return agreed to produce at least one film each year for the agreed period as stated in the agreements. Accordingly, a portion of start-up costs amounting to HK$38,798,000 (31st December, 2012: HK$38,122,000) is classified as non-current assets.

   On 18th September, 2012, the Group entered into a film investment cooperation agreement with Mr. Chiau Sing Chi (also known as Stephen Chow, "Mr. Chiau"), pursuant to which Mr. Chiau planned to produce 5 films in the coming 7 years and the Group will invest RMB10,000,000 for each film. During the current interim period, the Group paid total investment cost of RMB50,000,000 (approximately HK$62,189,000) for the production of 5 films by Mr. Chiau and the production of first film is expected to start within twelve months from 30th June, 2013. Accordingly, a portion of prepaid production costs amounting to RMB10,000,000 (approximately HK$12,438,000) is classified as current assets and the remaining RMB40,000,000 (approximately HK$49,751,000) is classified as non-current assets.

   As at 31st December, 2012, the remaining balance represented prepayments to other film production companies which was current in nature.

5. The amount was unsecured, non-interest bearing and repayable on demand. As at 30th June, 2013, the balance is classified as assets held for sale as set out in note 12.

Trade receivables

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

	At 30th June, 2013 HK$'000 (unaudited)	At 31st December, 2012 HK$'000 (restated)
Production and distribution of film rights	**467,064**	278,976
Other business segments	**65,313**	66,820
	532,377	345,796

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

Trade receivables *(Continued)*

For the production and distribution of film rights segment, according to certain sales contracts signed with customers, 50% and 40% of the total contract value are billed upon signing of the contracts and delivery of the master copies of films or television drama series with credit periods ranged from 60 days to 90 days respectively. Remaining 10% of the contract value is billed and with credit period ranged from 60 days and 90 days after the relevant films or television drama series are broadcasted, which is normally within one year from the date of delivery of the relevant master copies of films or television drama series. 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; (iii) industry practice in settlement; and (iv) subsequent settlements.

As at 30th June, 2013 and 31st December, 2012, the films and majority of the television drama series related to the trade receivables from the respective PRC television stations outstanding as at these dates have been broadcasted prior to the end of the relevant reporting period.

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

	At 30th June, 2013 HK$'000 (unaudited)	At 31st December, 2012 HK$'000 (restated)
0 – 90 days	**248,721**	200,806
91 – 180 days	**26,582**	45,545
181 – 365 days	**186,408**	18,715
Over 365 days	**5,353**	13,910
	467,064	278,976

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

Trade receivables *(Continued)*

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

	At 30th June, 2013 HK$'000 (unaudited)	At 31st December, 2012 HK$'000 (restated)
0 – 90 days	**50,714**	63,777
91 – 180 days	**974**	1,631
181 – 365 days	**10,841**	1,412
Over 365 days	**2,784**	–
	65,313	66,820

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

12. DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

On 20th June, 2013, the Company entered into an agreement with a third party (the "Third Party") to dispose 70% of its equity interest of Beida Culture which holds 50% equity interest in JingHua Culture, at a consideration of HK$400,000,000. The Third Party is the original vendor which sold the 70% equity interest of Beida Culture to the Company at the original consideration of HK$400,000,000 during the year ended 31st December, 2010. The consideration shall be satisfied by (i) HK$50,000,000 cash consideration; and (ii) the surrender of CB1 (as defined in note 16) of aggregate principal amount of HK$350,000,000, which is presented in the condensed consolidated financial statements as payable to a third party. This transaction was not completed as at 30th June, 2013. The assets and liabilities attributable to Beida Culture that are expected to be sold within twelve months from the date of signing the agreement have been reclassified as disposal group held for sale and are separately presented in the condensed consolidated statement of financial position.

The carrying amount of the relevant assets and liabilities exceeded the consideration and, accordingly, impairment loss of HK$23,589,000 has been recognised.

12. DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE *(Continued)*

Major classes of assets and liabilities of the subsidiary as at the end of the current interim period are as follows:

	At 30th June, 2013 HK$'000
Property, plant and equipment	814
Interest in a joint venture	616,718
Amount due from a joint venture partner	15,823
Bank balances and cash	10
	633,365
Less: impairment loss recognised	(23,589)
Total assets classified as held for sale	609,776
Other payables and accrued charges	1,736
Tax liabilities	7,213
Total liabilities associated with assets classified as held for sale	8,949

Upon completion of such disposal, Beida Culture will become an associate of the Group.

13. TRADE AND OTHER PAYABLES AND ACCRUED CHARGES

	At 30th June, 2013 HK$'000 (unaudited)	At 31st December, 2012 HK$'000 (restated)
Trade payables	58,212	32,582
Other tax payable	60,299	49,535
Accrued staff costs	4,500	9,304
Amounts due to joint ventures	5,363	5,264
Other payables and accrued charges (Note)	30,451	46,611
	158,825	143,296

Note: 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$3,900,000 (31st December, 2012: HK$14,448,000). The remaining balances are payables and accruals for daily operation expenses.

13. TRADE AND OTHER PAYABLES AND ACCRUED CHARGES *(Continued)*

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 payables presented based on the invoice date at the end of the reporting period:

	At 30th June, 2013 HK$'000 (unaudited)	At 31st December, 2012 HK$'000 (restated)
0 – 90 days	**48,537**	28,042
91 – 180 days	**983**	173
181 – 365 days	**4,314**	178
Over 365 days	**4,378**	4,189
	58,212	32,582

14. AMOUNT DUE TO RELATED COMPANIES

The balances are unsecured, non-interest bearing and repayable on demand. At 30th June, 2013, the related companies are controlled directly by members of the key management personnel of the Group.

15. ISSUED SHARE CAPITAL

China Entertainment Media Group Limited ("CEMG")

	Number of shares			Share capital			
	Ordinary shares	Series A preferred shares ("Preferred shares")	Total	Par value per share US$	Ordinary shares HK$'000	Preferred shares HK$'000	Total HK$'000
Issued and fully paid:							
At 1st January, 2012 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)*

The Company

	Number of shares	Share capital HK$'000
Ordinary shares of HK$0.25 each		
Authorised:		
At 1st January, 2012, 31st December, 2012 and **30th June, 2013**	**10,000,000,000**	**2,500,000**
Issued and fully paid:		
At 1st January, 2012 and 31st January, 2012, immediately before the Acquisition	2,082,592,564	520,648
New shares issued in respect of the Acquisition (Note 1)	5,040,750,000	1,260,188
Issued by subscription of shares (Note 2)	619,400,000	154,850
At 30th June, 2012, 31st December, 2012 and **30th June, 2013**	**7,742,742,564**	**1,935,686**

Notes:

(1) On 31st January, 2012, the Company issued 5,040,750,000 ordinary shares of HK$0.25 each at a total consideration of approximately HK$2,016,300,000 in exchange of the entire issued share capital, including Preferred shares, of CEMG.

(2) Upon the completion of the Acquisition (as defined in note 19) and pursuant to the conditional subscription agreement entered into on 21st October, 2011, the Company further issued 619,400,000 ordinary shares of HK$0.25 each at the subscription price of HK$0.40 per share to an independent third party on 31st January, 2012 totalling HK$247,760,000.

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

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 in Beida Culture, the Company issued two zero coupon convertible notes with an aggregate principal amount of HK$470,000,000 on 3rd June, 2010. The first convertible note ("CB1") amounting to HK$350,000,000 issued to the Third Party will be matured on the third anniversary after the date of issue. The second convertible note ("CB2") amounting to HK$120,000,000 will be matured on the fifth anniversary after the date of issue. On 6th August, 2010, CB2 was fully converted into shares of the Company.

16. CONVERTIBLE NOTES *(Continued)*

In addition, based on the relevant agreements, the ChinaVision Group (as defined in note 19) 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 on the fifth anniversary after the date of issue.

The convertible notes entitle the note holders to convert them into shares of the Company at any time within 3 years (for CB1) or 5 years (for CB2 and Additional CB) from the date of issue of the convertible notes, at the conversion price per share of HK$1.2 for CB1 or HK$1 for CB2 and Additional CB respectively, subject to anti-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.

If the convertible notes have not been converted, they will be redeemed at par on 3rd June, 2013 (for CB1) or 30th 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.

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

The convertible notes contain two components, liability (together with embedded derivative for early redemption right by the Company which is closely related to the host debt) and equity elements. At the date of the Acquisition (as defined in note 19), 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 note holders at the date of the Acquisition are calculated using the Binomial Model. The inputs into the model were as follows:

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

Notes:

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

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

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

The fair value of the conversion right as at the date of Acquisition was 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 up to the maturity date of 3rd June, 2013 and 30th June, 2013, none of the CB1 and Additional CB with principal amount of HK$350,000,000 and HK$30,000,000 respectively has been converted.

CB1 was matured on 3rd June, 2013. On the same date, the Company and CB1 holder entered into an agreement to extend the repayment of the amount due (the "HK$350,000,000 Payable") from 3rd June, 2013 to 30th June, 2013. Since the conversion period for CB1 was matured on 3rd June, 2013, the principal amount due was reclassified as other payable.

As set out in note 12, part of the consideration for the disposal of 70% equity interest in Beida Culture will be satisfied by the surrender of HK$350,000,000 Payable. The amount is reclassified as payable to third party on 20th June, 2013. As at 30th June, 2013, the entire issued share capital of Prefect Strategy was pledged as a share charge for payable to third party.

17. SHARE-BASED PAYMENT

The Company has adopted a share option scheme (the "New Share Option Scheme") which was adopted by the shareholders pursuant to a resolution passed on 11th June, 2012 for eligible participants of the Group. Aggregate share options of 147,910,000 were granted to certain employees, management, directors and consultants on 18th March, 2010 and 4th May, 2010 under the old share option scheme (the "Old Share Option Scheme") which expired on 23rd May, 2012. These share options granted under the Old Share Option scheme shall continue to be valid and exercisable in accordance with the provisions of the Old Share Option Scheme. These share options granted will have 1/3 issued options vested after 1, 2 and 3 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 the share options were exercised nor forfeited as at 30th June, 2013 and 31st December, 2012.

The fair values of the options granted on 18th March, 2010 and 4th May, 2010 determined at the date of the Acquisition (as defined in note 19) 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 were granted under the New Share Option Scheme and no share options granted had been exercised or lapsed. At 30th June, 2013, the Group has 147,910,000 (31st December, 2012: 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. All the share options were vested during the year ended 31st December, 2012.

18. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

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

Financial assets/ financial liabilities	Fair value as at 30th June, 2013	Fair value hierarchy	Valuation technique and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Held for trading non-derivative financial assets classified as "investments held for trading" in the condensed consolidated statement of financial position	Listed equity securities in Hong Kong – HK$6,454,000	Level 1	Quoted bid prices in an active market	N/A	N/A
Unlisted warrants classified as derivative financial instruments in the condensed consolidated statement of financial position	Liabilities: 60,000,000 warrants issued by the Company – HK$3,968,000	Level 3	Binomial model The fair value is estimated based on risk free rate and share price (from observable market data), volatility of the share price of the Company and dividend yield and exercise price	Volatility of the share price of the Company, determined by reference to the historical share price of the Company	The higher the volatility of the share price of the Company, the higher the fair value

18. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis *(Continued)*

There is no transfer between different levels of the fair value hierarchy for the period ended 30th June, 2013 and 2012.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values.

Reconciliation of Level 3 fair value measurements of derivative financial instruments

	Derivative financial instruments HK$'000
On 7th June, 2013	–
Total loss in profit or loss	3,968
At 30th June, 2013	3,968

Of the total loss for the period included in profit or loss, HK$3,968,000 relates to derivative financial instruments held at the end of the current reporting period. Fair value loss on derivative financial instruments is included in "other gains and losses, net".

Fair value measurements and valuation processes

The executive directors of the Company, who are supported by the Chief Financial Officer of the Company, is the party responsible for determination of the appropriate valuation techniques and inputs for fair value measurements ("Valuation Team").

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The Valuation Team works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The Chief Financial Officer reports the Valuation Team's findings to the board of directors of the Company every half year to explain the cause of fluctuations in the fair value of the assets and liabilities.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed above.

19. ACQUISITION OF SUBSIDIARIES

On 21st October, 2011, 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 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.

As the Acquisition resulted in the Target Shareholders and target management of CEMG Group becoming, as a group, the controlling shareholders of the Company, the Acquisition was accounted for as a reverse acquisition, under which the CEMG Group was treated as the accounting acquirer and the Company and its subsidiaries (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 ChinaVision Group	3,971
Fair value of vested share options of ChinaVision Group	23,280
	714,507

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

19. ACQUISITION OF SUBSIDIARIES *(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$'000 (restated)	Fair value adjustments HK$'000	Fair value HK$'000 (restated)
Current assets			
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	157,406	–	157,406
Amounts due from non-controlling interests	805	–	805
Bank balances and cash	8,540	–	8,540
Non-current assets			
Property, plant and equipment	17,904	–	17,904
Intangible assets	26,739	(3,755)	22,984
Interest in an associate	105,724	–	105,724
Interests in joint ventures	601,572	–	601,572
Club debenture	2,808	–	2,808
Art work	60,588	–	60,588
Deposits and prepayments	11,153	–	11,153
Deferred tax assets	3,080	–	3,080
Current liabilities			
Trade and other payables and deposits received	(94,171)	–	(94,171)
Amount due to a non-controlling interest	(739)	–	(739)
Amounts due to joint ventures	(13,838)	–	(13,838)
Tax liabilities	(26,728)	–	(26,728)
Borrowings	(23,297)	–	(23,297)
Non-current liability			
Convertible notes	(328,400)	–	(328,400)
	575,815	(3,755)	572,060

19. ACQUISITION OF SUBSIDIARIES *(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$174,384,000 at the date of Acquisition had gross contractual amounts of HK$189,044,000. The best estimate at date of Acquisition of the contractual cash flows not expected to be collected amounted to HK$14,660,000.

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$25,893,000.

Goodwill arising on the Acquisition

	HK$'000 (restated)
Consideration transferred	714,507
Plus: non-controlling interests	25,893
Less: recognised amount of identifiable net assets acquired	(572,060)
Goodwill arising on the Acquisition	168,340
Exchange adjustment	(1,439)
Carrying value at 30th June, 2012	166,901

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

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

Cash inflow arising on the Acquisition

	HK$'000 (restated)
Bank balances and cash acquired	8,540

19. ACQUISITION OF SUBSIDIARIES *(Continued)*

Impact of the Acquisition on the results of the Group

Included in the profit for the period ended 30th June, 2012 attributable to the owners of the Company and non-controlling interests are HK$30,067,000 and HK$4,945,000 respectively generated by the ChinaVision Group businesses. Revenues for the period ended 30th June, 2012 include HK$27,383,000 generated from the ChinaVision Group.

Had the Acquisition been effected at the beginning of the prior interim period, total Group's revenue for the six months ended 30th June, 2012 would have been HK$424,500,000, and the Group's profit for the period would have been HK$86,399,000. 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 prior interim period, nor is it intended to be a projection of future results.

20. DISPOSAL OF SUBSIDIARIES

On 29th March, 2012, a wholly-owned subsidiary of the Group entered into a conditional sale and purchase agreement with an independent third party pursuant to which the Group will dispose of 100% of its equity interest 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 approximately HK$155,120,000 (the "Disposal"). The Disposal was completed on 31st May, 2012, on which date control of Fame Tower and Golden Pace passed to the acquirer.

Consideration received

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

The deferred consideration of US$10,000,000 (equivalent to approximately HK$77,560,000) was settled during the period ended 30th June, 2013.

Analysis of assets and liabilities over which control was lost

	HK$'000
Intangible assets	20,430
Interest in an associate	104,656
Amount due to group companies	(116,742)
Net assets disposed of	8,344

20. DISPOSAL OF SUBSIDIARIES *(Continued)*

Gain on the Disposal

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

Cash inflow arising on the Disposal

	HK$'000
Cash consideration	77,560

During the period ended 30th June, 2012, Fame Tower and Gold Pace paid HK$3,623,000 of the Group's net operating cash flows.

21. RELATED PARTY TRANSACTIONS

Apart from amounts due from/to related companies and non-controlling interests 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,	
		2013	2012
		HK$'000	HK$'000
		(unaudited)	(unaudited)
(a)	Advertising agency fee paid and payable to non-controlling interest of a subsidiary (Note)	**104,015**	102,912
(b)	Advertising service fee received from a joint venture	**3,654**	–
(c)	Key management compensation		
	Short-term employee benefits	**2,327**	2,505
	Post-employment benefit	**15**	13
	Share-based payments	**–**	151
		2,342	2,669

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

22. CAPITAL AND OTHER COMMITMENTS

The Group has entered into the following transactions have not been completed at the date of these condensed consolidated financial statements were authorised for issuance:

(i) On 12th October, 2012, a wholly-owned subsidiary of the Company entered into a film art centre framework agreement (the "Framework Agreement") with Mr. Chiau pursuant to which the wholly-owned subsidiary and Mr. Chiau will jointly establish a company and the wholly-owned subsidiary will hold 75% equity interest whereas Mr. Chiau will hold the remaining 25% equity interest for the investment in a tourism project in the PRC at a place to be agreed by the parties. According to the Framework Agreement, the Group is required to contribute capital of RMB30,000,000 (approximately HK$37,975,000) by way of cash. The Group has not made any payment as at 30th June, 2013.

(ii) On 25th May, 2013, a wholly-owned subsidiary of the Group entered into a subscription agreement with certain independent third parties pursuant to which the Group will subscribe 9,700,000 shares of Mandarin Vision Inc. ("Mandarin Vision"), a private company established in Taiwan, at a consideration of Taiwan New Dollar 97,000,000, which is equivalent to approximately HK$24,936,000. Upon completion, the Group will have 37.31% equity interest of Mandarin Vision and Mandarin Vision will be treated as an associate of the Group. Mandarin Vision is principally engaged in the production and distribution of film rights in Taiwan.

23. EVENTS AFTER THE REPORTING PERIOD

On 25th July, 2013, the Company placed 582,630,000 ordinary shares of HK$0.25 each for a total consideration of approximately HK$268,000,000 to certain independent investors at a price of HK$0.46 per share.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30th June, 2013 (30th June, 2012: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

Pursuant to the application of new Hong Kong Financial Reporting Standard 11 ("HKFRS 11"), the Group will no longer apply the proportionate consolidation accounting method but the equity method for its joint ventures. Therefore, the consolidated financial statements for the period ended 30th June, 2012 have been restated according to the changes in HKFRS 11. Profit for the period attributable to owners of the Company was not affected by the restatement.

For the period ended 30th June, 2013 (the "Period"), the Group maintained its growth momentum. Revenue and profit attributable to the owners of the Company surged by 14.4% and 30.1% respectively to approximately HK$481,986,000 and HK$133,070,000 (30th June, 2012: revenue and profit attributable to the owners of the Company was HK$421,291,000 and HK$102,261,000 respectively). The increase was mainly driven by the strong growth of the Group's core businesses, namely film and television drama series production and distribution business and satellite television advertising business. In addition, the Group continued to implement tight cost control with an aim to maximising profitability of all its core businesses.

For the six months ended 30th June, 2013, earnings per share (basic and diluted) for the Group increased by 22.9% to 1.72 HK cents (30th June, 2012: 1.40 HK cents). Net assets value attributable to the owners of the Company per share reached HK$0.19 (31st December, 2012: HK$0.17).

Business Review

During the period ended 30th June, 2013, the Group was principally engaged in media related businesses, principally including planning, production, publication, investment, distribution of television drama series and films and organising cultural and artistic exchange activities, mobile value-added services, mobile TV business, sales and distribution of newspapers and magazines, satellite television advertising, magazine advertising and TV programme packaging services. An overwhelming majority of these businesses were conducted in the People's Republic of China (the "PRC").

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Film, television drama series production and distribution business

For the six months ended 30th June, 2013, the revenue of film, television drama series production and distribution business amounted to HK$302,416,000 (30th June, 2012: HK$252,685,000), accounting for 62.7% of the Group's revenue; segment profit before tax amounted to HK$128,820,000 (30th June, 2012: HK$93,164,000). In particular, television drama series production and distribution accounted for 69% of the segment revenue, whereas film production and distribution made up 31%. The strong growth in this segment revenue was mainly attributable to the sales of two television dramas series, namely "Righteous Invincible" (義者無敵), the new episode from the "Heroic" series (英雄無敵系列), and an emotional drama "Left Hand Joins Right Hand" (左手親情右手愛).

In addition, the Group was entitled to 30% of investment return in the blockbuster movie "Journey to the West: Conquering the Demon". Directed by the Chinese movie guru and super star, Mr. Chiau Sing Chi (also known as Stephen Chow, "Mr. Chiau"), this movie broke numerous box office records. It has also become the first movie to rank "Number One in Box Office for Five Consecutive Weeks" in the Chinese movie history. As at 30th June, 2013, the cumulative box office from both the domestic and the overseas markets recorded over HK$1.6 billion, bringing considerable returns for the Group.

During the Period, the Group implemented stringent cost control measures to streamline the production chain and improve the efficiency and overall profitability while enhancing the productivity.

Television Advertising Business

For the six months ended 30th June, 2013, the revenue of the television advertising business reached HK$151,517,000 (30th June, 2012: HK$123,607,000), accounting for 31.4% of the Group's revenue with a segment profit before tax of HK$38,503,000 (30th June, 2012: segment loss before tax was HK$4,581,000). Following the acquisition of China Entertainment Media Group Limited in 2012, the Group acquired the exclusive right to operate television advertising and content programming for Gansu Satellite Television Network ("Gansu Satellite TV"). To seize the rapid change of market demand, the Group modulated the marketing strategy to attract high quality customers and implemented strict and effective cost control, resulting in substantial increase in gross profit of the television advertising business during the Period. With an aim to increasing the viewership and subsequently boost the advertising income, the Group has been repositioning the television station and improving the programme quality.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Mobile New Media business

The Group's mobile new media business mainly includes mobile value-added services and mobile TV business. The mobile TV business is operated under a joint venture. For the six months ended 30th June, 2013, net revenue and segment profit before tax of the mobile new media business (including mobile value-added services and mobile TV business) were HK$15,548,000 (30th June, 2012: HK$10,988,000) and HK$9,025,000 (30th June, 2012: HK$5,241,000) respectively.

Of the business, net revenue and segment profit before tax of the mobile TV business were HK$9,765,000 (30th June, 2012: HK$5,390,000) and HK$5,639,000 (30th June, 2012: HK$3,396,000) respectively (calculated based on the 49% share of results of joint venture attributable to the Group). Since the mobile TV business was under the operation of a joint venture, the net revenue and segment profit before tax were recognised in the share of results of joint ventures attributable to the Group using the equity method. During the Period, revenue of the Group's corporations with the three major telecommunication operators, namely China Mobile Limited ("China Mobile"), China United Network Communications Group ("China Unicom") and China Telecommunications Corporation (China Telecom) recorded steady growth. In particular, the cooperation with China Mobile made the highest revenue contribution of RMB33,582,000 (equivalent to HK$42,135,000), representing an increase of 110% compared to the same period last year. It accounted for 78% of the income of this business.

The net revenue and segment profit before tax of the mobile value-added services reached HK$5,783,000 (30th June, 2012: HK$5,598,000) and HK$3,386,000 (30th June, 2012: HK$1,845,000) respectively, accounting for 1.2% of the Group's revenue. The Group's mobile value-added services included SMS, digital reading and online games, and personalised information and entertainment services for Chinese mobile phone users. The growth was mainly driven by the rising popularity of the emerging mobile internet and the fast-growing mobile phone users.

Magazine Advertising and Magazine Distribution Business

The distribution and adverting business of high-end women's magazine 費加羅 FIGARO generated a revenue of HK$17,571,000 (30th June, 2012: HK$16,964,000), accounting for 3.6% of the overall revenue, with a segment loss before tax of HK$6,668,000 (30th June, 2012: HK$9,426,000). Since its launch in August 2011, 費加羅 FIGARO has been recognised as one of the premier magazines in the PRC and widely accepted by internationally renowned advertisers. Although the magazine and newspaper industry remained sluggish during the Period, 費加羅 FIGARO still recorded growth in magazine sales and advertising sales as compared to the corresponding period of last year.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Other businesses

For the six months ended 30th June, 2013, the revenue and segment loss before tax from other segments, including trading of securities in Hong Kong, distribution of magazines and newspapers apart from Beijing Times and 費加羅 FIGARO, mobile games subscription, provision of other agency services, TV programme packaging services income and others in the PRC, amounted to HK$4,699,000 (30th June, 2012: HK$22,437,000) and HK$946,000 (30th June, 2012: HK$3,634,000) respectively.

In addition, the Group's joint venture businesses include newspaper advertising and distribution and mobile TV business (please refer to the above "Mobile New Media Business" chapter for details). For the period ended 30th June, 2013, the share of losses of joint ventures attributable to the Group was HK$4,000,000 (30th June, 2012: share of profits was HK$21,408,000), which was mainly due to the loss recorded in the newspaper advertising and distribution business.

During the Period, the newspaper advertising and distribution business recorded a decrease in revenue and an operating loss. The rising domestic costs, particularly paper costs and wages, caused a great pressure on the operating cost of this business. As such, on 20th June, 2013, the Group announce to propose a disposal of the 70% equity interest of a wholly-owned subsidiary, Beijing Beida Culture Development Company Limited ("Beida Culture") for a consideration of HK$400,000,000 to a third party. Beida Culture owns 50% equity interest of the newspaper advertising and distribution business of JingHua Culture Broadcast Company Limited ("JingHua Culture"). Of the total consideration, HK$50,000,000 will be paid in cash, and the remaining HK$350,000,000 will be settled with the surrender of the convertible note (issued by the Group in the equivalent amount) by the third party free from encumbrance. The disposal is expected to record an estimated book loss of HK$23,589,000. The loss has been accounted for as an impairment loss on a disposal group classified as held for sale in the consolidated financial statements for the period ended 30th June, 2013. This transaction has not been completed at the date of this report.

In February 2013, the Group announced that it signed a memorandum and a cooperative agreement with the People's Government of Tongxiang City, Zhejiang Province to acquire the land use right of a parcel of land in the total area of approximately 1,048.5 Mou in the PRC for development of "Journey to the West" film art centre project. As at the date of this report, there has no new development of this project as the Board is still in the process of evaluation.

The Group is currently structured through a series of contractual agreements, such that the Group's major businesses including the production and distribution of film rights, television advertising, print media and mobile TV subscription businesses are controlled through indirectly controlled entities domiciled in China. The Company consolidates the financial statements of these indirectly controlled entities as consolidated affiliated entities. In order to strengthen the Company's control over these indirectly controlled entities and to mitigate potential regulatory and legal risks in association with those indirectly controlled entities, the Group is now undergoing a reorganisation enabling its wholly-owned subsidiaries to directly operate these businesses in China, or to put in place commercial arrangements, in accordance with the Mainland and Hong Kong Closer Economic Partnership Arrangement or other relevant regulations. The Chinese Government's recent policies on revitalising and promoting the development of China's cultural industries allow foreign investments in a number of permitted cultural domains, such as movies and television drama series. The Company expects to complete the reorganisation by the end of this year.

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, 2013, the Group maintained cash reserves of HK$177,485,000 (31st December, 2012: HK$107,753,000). As at 30th June, 2013, the equity attributable to owners of the Company amounting to HK$1,477,986,000 (31st December, 2012: HK$1,316,740,000) with total borrowings of HK$22,215,000 (31st December, 2012: HK$354,313,000). As at 30th June, 2013, the Group's gearing ratio (net borrowings including convertible notes and deducting the cash reserves over total equity) was 0% (31st December, 2012: 18.7%).

On May, 2013, the Company placed 60,000,000 warrants to confer the right to subscribe for one ordinary share of the Company of HK$0.25 each at an initial subscription price of HK$0.5 per share, at a placing price of HK$0.01 per warrant. For the period ended 30th June, 2013, the net proceeds of HK$500,000 from the issue of the warrants were used for general working capital of the Group. The Company will receive additional gross proceeds of approximately HK$30 million upon exercise in full subscription rights attaching to the warrants. The Company intends to use such proceeds as general working capital of the Group. Such issuance of warrants has been completed on 7th June, 2013.

On 25th July, 2013, the Company issued and allotted 582,630,000 ordinary shares of the Company of HK$0.25 each at the subscription price of HK$0.46 to investors, approximately 7% of the issued share capital of the Company as enlarged by the allotment and issue of the subscription shares as at 25th July, 2013. The net proceeds of approximately HK$260,000,000 from the subscription were used for general working capital of the Group and/or for investments when opportunities arise. The subscription has been completed on 25th July, 2013.

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 of 30th June, 2013, the entire issued share capital of a wholly-owned subsidiary of the Group was pledged as a share charge for the amount due to a third party of HK$350,000,000 (31st December, 2012: the entire issued share capital of a wholly-owned subsidiary of the Group was pledged as a share charge for the convertible note amounting to HK$350,000,000 issued by the Company on 3rd June, 2010).

Contingent Liabilities

As at 30th June, 2013, the Group had no material contingent liabilities (31st December, 2012: nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 30th June, 2013, the Group, including its subsidiaries and joint ventures, employed approximately 1,660 (30th June, 2012: approximately 1,600) 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.

RISK FACTORS

The Group's business development is dependent on the China Central Government's policy on the development of cultural industries, the film and television drama series business and satellite television advertising business. The businesses, results of operations and financial condition of the Group may be materially adversely affected by factors such as the Group's ability to accurately gauge changes in viewers' taste; competition from foreign films; the television advertising business's sensitivity to popularity amongst viewers; the regulatory environment; economic conditions and seasonality of advertising budgets; the Group's dependency, to a certain extent, on theatre circuits; the Group's ability to effectively select products for use in in-film advertisements which do not harm the Group's reputation; and compliance with relevant laws and regulations.

PROSPECTS

Under the "Outline of the Cultural Reform and Development" of the "Twelfth Five-year Plan", the Chinese Government is going to build the cultural industry as the pillar industry in China. With an aim to building a culturally strong nation, China is reforming its cultural system stimulating the rapid growth of the cultural industry. As both the traditional and new media are under revolution, various new media products emerged. With an uptick in China's GDP growth, the increasingly affluent domestic population is driving cultural consumption, fuelling the media industry to bloom. According to a forecast by a Chinese securities firm, even in the time of economic downturn, China's media market still recorded a year-on-year increase by 20% in the first quarter of 2013.

The Group is one of the rare leading integrated platforms in China providing high quality content production and distribution and multiple distribution channels extending from the investment and production of films and television drama series, production of satellite television programmes and operation of television advertising as well as print media and mobile new media platforms. Such integrated platform creates synergistic benefits and improved operating efficiency leading to greater economies of scale among its peers.

PROSPECTS *(Continued)*

Film Production and Distribution Business

Film production and distribution business is one of the core businesses of the Group. According to the State Administration of Radio Film and Television, China's film market continued its rapid growth momentum. The cumulative box office reached over RMB9 billion, representing year-on-year growth of nearly 42%, whereas the number of moviegoers jumped by 44% in the first five months of 2013. According to market estimation, the annual box office receipts will exceed RMB23 billion in 2013, representing an increase of 35% as compared to RMB17 billion of last year. Movie theaters have been widely covered in the second-tier and third-tier cities in recent years. The number of theaters and screens in the PRC reached 3,370 and 13,100 respectively by the end of 2012. Both the historical trend and the recent growth data show that China's film industry has entered a period of prosperity.

To further seize the opportunities in this rapidly growing industry, the Group is now accelerating its long-term strategic cooperation with Mr. Chiau. Following the tremendous success of "Journey to the West: Conquering the Demons", the Group aims to speed up the process of production of the upcoming five movies with Mr. Chiau. Planning of the shooting schedule of the second "Journey to the West" series will be started in the second half of 2013 and completed in 2014. The Group is proud to bring in Mr. Chiau`s innovative ideas and extraordinary entertainment experience to audience.

Moreover, the strategic cooperation with the China Film Group Corporation ("CFGC") aims to bring in commercial films and high quality art films to the Chinese audience in the PRC. Amongst them, movies such as "The Faithful Meeting" (玩命邂逅), and "918 Event" (九一八大案) are expected to be released in 2014. The Group has great resources including renowned contracted directors, screenwriters and actors, while CFGC is a strong brand name in the movie industry with comprehensive distribution channels. Leveraged on the talents and resources from both sides, the Group is planning to offer diversified movie choices to the market and further enhance its position in the field of film production and investment. In recent years, Taiwanese movies have become very popular. The unique teenage romantic style has made Taiwanese movies a big hit across South-east Asia. In January 2013, China's State Press and Publication Administration of Radio announced administrative rules to promote cross-strait cooperation in the film industry, favoring movie producers in greater China to integrate resources and develop co-production platform. To capture such opportunity, the Group has partnered with Taiwanese film investors to establish a film production company called Mandarin Vision Inc to be jointly operated and managed by the Group and the Taiwanese investors, such as CTBC Venture Capital Co., Ltd, Sunsino Ventures Group and certain management. Through the collaboration, the Group is able to consolidate resources from both side and aiming to produce small-scale and low-cost with fresh style Taiwanese movies targeting audience across Mainland China, Hong Kong and Taiwan. Apart from that, the Group has also invested in a movie, namely "My Rival is Superman" (我的情敵是超人) in the third quarter of 2013. It was based on the story "Sneezing" (打噴嚏), written by Mr. Giddens Ko ("Mr. Ko"), a famous Taiwanese director who directed "You Are the Apple of My Eye" (那些年，我們一起追的女孩). With Mr. Ko as a producer of the new movie, "My Rival is Superman" is expected to create another wave of Taiwanese teenage romance in Asia. The Group envisages that there will be a deeper and closer cooperation with Mr. Ko in the coming years to offer audience with diverse movie selections.

PROSPECTS *(Continued)*

Film Production and Distribution Business *(Continued)*

With the long-term cooperation with Mr. Chiau, the strategic cooperation with CFGC as well as the new co-production platform with Taiwanese film-makers, the Group's film production business have turned diversified and well established. In the second half of 2013, the Group plans to release one to two movies, including "He and She" (他和她), bringing additional revenues from the film production and distribution business to the Group. The Group still aims to invest and produce four to six quality films per year, in order to become the industry leader in China.

Television Drama Series Production and Distribution Business

Television drama series production and distribution business is another core business of the Group. Television drama series are still the most watched programmes on television networks in China. Television stations compete for viewership with an aim to boosting advertising income. Such competition has led to programme innovations and drives the television drama series industry to grow. On top of that, more and more online television channels participated in the competition of quality television drama series, hence further pushing the demand and price of television drama series. The transaction value of television drama series in China already exceeded RMB10 billion in 2012, with Compound Annual Growth Rate of 13% over the past six years. According to an estimate from a securities firm, the total transaction value is expected to reach RMB16.5 billion in 2015.

The Group has achieved encouraging results in the past few years, especially from its "Heroic" (英雄無敵) series. Two of the television drama from the series, namely "The Heart of Justice" (正者無敵) and "Righteous Invincible" (義者無敵) were released in 2012 and 2013 respectively and contributed considerable profits to the Group. The new episode from the series – "The Power of Faith" (信者無敵) commenced production in the third quarter of 2013; in which, the famous actor Mr. Chen Bao Guo will continue to act in the leading role. This television drama series is expected to complete shooting in the first half of 2014. Apart from the "Heroic" series, the Group is also in the process of producing a trendy contemporary series, "A Good Woman" (美麗的誘惑), which is expected to receive strong response and hence, generate fruitful contribution to the Group. In addition, two to three more television drama series, including "Qianwang" (槍王) will be released in the second half of 2013.

Looking ahead, quality will still be the Group's priority in television drama series productions. At the same time, the Group also plans to develop successful movies such as "Journey to the West: Conquering the Demons" into television drama series. Leveraged on the Group's in-depth knowledge of the market trend, as well as its careful selection of screenplays, directors, productions and actors, the Group will make greater investment in high-quality movies and television drama series. The Group will stick to its plan to produce four to six television drama series per year with an aim to increasing the investment return of each project.

PROSPECTS *(Continued)*

Television Advertising Business

The Group believes that there is still huge room for improvement in the television advertising and content programming segments of the Gansu Satellite TV. According to a third party research provider, China is the third largest advertising market in the world after the United States and Japan, in terms of advertising expenditure. Television is still the dominant form of media platform for advertising expenditures in China. According to the CVSC-TNS Research Media Intelligence (央視市場研究股份有限公司), television advertising expenditure (based on the published advertising rate) grew by 6.4% to RMB544 billion by the end of 2012, representing more than 70% of the total advertising revenue in China. It is expected to reach RMB577 billion in 2013. The Group aims to positioning itself as a "Top Living Satellite Channel" in China, bringing a trendy, healthy, green and intelligent lifestyle to audience. A series of improved programmes and reshuffled programme schedules have been arranged to lift Gansu Satellite TV's brand image, the utilization of air time and the advertising rate.

Mobile New Media Business

The Group will continue to seize the opportunities brought forth by 3G and 4G network development and accelerate the business expansion in mobile new media business. According to China's Ministry of Industry and Information Technology Report, mobile Internet users climbed to 420 million in 2012, representing an increase of 74.5% as compared to the year before. Mobile phone has become the most popular platform for Chinese Internet users. The Group will continue to strengthen its collaboration with the three major mobile communication operators to broaden the sales and marketing channel and provide wider selection of quality mobile television content. In addition, the Group will launch 12 television drama series and 44 films and a range of mobile value-added services such as mobile digital reading, mobile music and mobile animation to attract more paid users. At present, the Group is testing a new Android online game and development of China Mobile music channel of Sichuan, China Mobile cartoon e-books channel of Zhejiang will start in the second half of 2013, aiming to achieve positive results in the near future.

Print Media Business

By keeping the remaining 15% effective interest in JingHua Culture, the Group will continue to explore new marketing channels for broadening the newspaper advertising revenue streams such as the Cloud Newspaper (being an integration of traditional print and new media) launched last year.

The Group's first-line women's magazine, FIGARO has already been included in the list of the PRC's premier magazines. The download rate of FIGARO iPad edition continues to soar since its launch in 2012, which attracted the attention of renowned international brands. At the same time, the magazine has also developed its official "Weibo" and "WeChat" account at the emerging social networking platforms, successfully built a large audience base and reinforced the influential power of FIGARO. In the future, the Group will fully integrate the traditional print media with the mobile new media, actively expand readership, in order to enhance the advertising revenue of the magazine. To reach the target readers, the Group distributes the magazines in the first-tier, second-tier and third-tier cities, especially in the airports, central business districts, high-end residential areas, office buildings, where medium-high income individuals cluster. The Group is actively expanding its distribution channels for FIGARO with added multi-media functions, especially through the Group's numerous media resources. The Group will keep on enhancing brand awareness and advertising value of the magazine, allowing the business to self-sustain and ultimately contribute returns to the Group.

PROSPECTS *(Continued)*

The Group has entered the fast-growing phase and will focus on developing its core businesses. During the Period, the Group successfully raised additional working capital in the market and expanded its shareholder base, which reflected the capital market's confidence on the Group's business direction and future development. Leveraged on its one-stop media platform in China and its film and television drama series production resources, the Group will focus on speeding up the cooperation projects with its strategic partners in the second half of 2013. In the meantime, the Group will also selectively delegate resources to develop the production and sales channel of its new media business. With its comprehensive media platform, the Group is well-set to capture the flourishing opportunity from China's rapidly developing media and cultural industry. Management believes, the Group will continue to maintain the growth momentum and create fruitful returns for its shareholders.

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

As at 30th June, 2013, the interests and short positions of the Directors and the chief executive 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	1,913,982,500[3]	14,100,000	1,928,082,500	24.90%
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%

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE *(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, 2013.

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, 2013, 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, 2013, none of the Directors, the chief executive 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, 2013**	**Exercised during the period**	**Outstanding as at 30th June, 2013**
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, 2013, 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]	1,928,082,500	24.90%
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%
Tencent Holdings Limited ("Tencent")	Held by controlled corporation[5]	619,400,000	8.00%
Wu Jiao	Held by controlled corporation[6] and beneficial owner[7]	444,697,500	5.74%
Time Zone Investments Limited ("Time Zone")	Beneficial owner[6]	439,587,500	5.68%
Chu Hoi Chun	Held by controlled corporation[8]	423,905,000	5.47%
Great Esteem Group Limited ("Great Esteem")	Beneficial owner[8]	423,905,000	5.47%

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, 2013.

2. This represents the interest in 1,913,982,500 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 619,400,000 ordinary shares of the Company held by THL F Limited ("THL") as beneficial owner. THL was a wholly-owned subsidiary of Tencent which was 34.02% owned by MIH TC Holdings Limited ("MIH TC"). MIH TC was controlled by Naspers Limited ("Naspers") through its wholly-owned controlled companies, MIH Holdings (Proprietary) Limited ("MIHHP") (formerly known as MIH Holdings Limited), MIH Ming He Holdings Limited ("MIHMHH") and MIH (Mauritius) Limited ("MIHM"). As such, Naspers, MIHHP, MIHMHH, MIHM, MIH TC and Tencent were deemed to have the same interest held by THL.

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

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

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

Save as disclosed above, as at 30th June, 2013, 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

During the six months ended 30th June, 2013, the Company has applied and complied with the applicable code provisions set out in the Corporate Governance Code 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 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. There has been no separation of the roles of the chairman and the chief executive since the appointment of Mr. Dong Ping, the Chairman of the Company, as the acting Chief Executive Officer of the Company with effect from 9th January, 2012. In view of Mr. Dong Ping's extensive experience in the industry and in-depth knowledge of the Group's operation and business, the Board considers that the current management structure works effectively in enabling it to discharge the responsibilities and thus, there is no imminent need to separate the roles into two individuals. However, the Board will identify an appropriate person to take up the role of chief executive when necessary.

Code Provision B.1.2

Code provision B.1.2 stipulates that the terms of reference of the remuneration committee should include, as a minimum, those specific duties as set out in the code provision.

The terms of reference of the remuneration committee (the "Remuneration Committee") adopted by the Company are in compliance with the code provision B.1.2 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).

The reasons for the above deviation are set out in the section "Corporate Governance Report" contained in the Company's annual report for the financial year ended 31st December, 2012. The Board considers that the Remuneration 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 if considered necessary.

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, 2013.

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, 2013.

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

Hong Kong, 28th August, 2013

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.