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

Stock Code : 1060

2010 INTERIM REPORT

The board of directors (the "Board") of ChinaVision Media Group Limited (the "Company") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "Group" or "ChinaVision Media Group") for the six months ended 30th June, 2010 together with the comparative amounts for the corresponding period in 2009. The unaudited condensed consolidated interim financial information for the six months ended 30th June, 2010 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, 2010 in accordance with the Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30TH JUNE, 2010

		Six months ended 30th June,	
		2010	2009
	NOTES	**HK$'000**	HK$'000
		(unaudited)	(unaudited)
Revenue	3	**178,570**	247,019
Cost of sales		**(73,368)**	(225,307)
Gross profit		**105,202**	21,712
Other income		**4,099**	20,884
Other gains and losses, net	4	**(5,025)**	837
Distribution and selling expenses		**(10,824)**	(3,032)
Administrative expenses			
– share options expense		**(15,689)**	–
– other administrative expenses		**(38,423)**	(20,566)
		(54,112)	(20,566)
Other expenses		**(4,903)**	–
Impairment loss recognised on a disposal group classified as held for sale	5	**–**	(206,897)
Finance costs	6		
– effective interest expense on convertible bonds		**(5,619)**	–
– other finance costs		**(1,366)**	(25,631)
		(6,985)	(25,631)
Profit (loss) before taxation		**27,452**	(212,693)
Taxation (charge) credit	7	**(6,885)**	3,107
Profit (loss) for the period	8	**20,567**	(209,586)
Profit (loss) for the period attributable to:			
Owners of the Company		**17,155**	(211,586)
Non-controlling interests		**3,412**	2,000
		20,567	(209,586)
		HK cents	HK cents
Earnings (loss) per share	10		
– Basic		**1.08**	(20.41)
– Diluted		**1.08**	–

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30TH JUNE, 2010

	Six months ended 30th June,	
	2010	2009
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Profit (loss) for the period	**20,567**	(209,586)
Other comprehensive income for the period:		
Exchange difference arising on translation to presentation currency	**1,815**	–
Total comprehensive income and expense for the period	**22,382**	(209,586)
Total comprehensive income and expense attributable to:		
Owners of the Company	**18,453**	(211,586)
Non-controlling interests	**3,929**	2,000
	22,382	(209,586)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30TH JUNE, 2010

	NOTES	At 30th June, 2010 HK$'000 (unaudited)	At 31st December, 2009 HK$'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	11	**26,303**	19,050
Goodwill	13	**206,349**	39,781
Intangible assets	14	**408,813**	8,001
Club debenture		**2,621**	2,591
Art work		**21,808**	8,780
Deposit paid for acquisition of property, plant and equipment		**–**	268
Deposit paid for acquisition of an associate		**13,793**	6,818
Other receivables		**3,327**	2,856
Other financial asset		**34,483**	34,091
Deferred tax assets	21	**1,711**	–
		719,208	122,236
CURRENT ASSETS			
Inventories		**1,577**	–
Film rights		**39,607**	59,114
Held for trading investments		**59,149**	57,822
Trade and other receivables and deposits	15	**307,968**	98,745
Amounts due from non-controlling interests		**766**	756
Prepayments		**18,886**	1,544
Bank balances and cash		**105,290**	126,671
		533,243	344,652
CURRENT LIABILITIES			
Trade and other payables, bills payable and deposits received	16	**68,779**	32,241
Amount due to a jointly controlled entity		**3,430**	–
Amounts due to non-controlling interests		**722**	682
Tax liabilities		**18,833**	7,891
Borrowings due within one year	17	**22,989**	17,081
Derivative financial instrument	18	**25,418**	–
		140,171	57,895
NET CURRENT ASSETS		**393,072**	286,757
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,112,280**	408,993

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(continued)

AT 30TH JUNE, 2010

	NOTES	**At 30th June, 2010 HK$'000 (unaudited)**	At 31st December, 2009 HK$'000 (audited)
CAPITAL AND RESERVES			
Share capital	19	**454,398**	370,398
Reserves		**166,708**	(10,809)
Equity attributable to owners of the Company		**621,106**	359,589
Non-controlling interests		**49,666**	45,737
TOTAL EQUITY		**670,772**	405,326
NON-CURRENT LIABILITIES			
Convertible bonds	20	**339,610**	–
Deferred tax liabilities	21	**101,898**	3,667
		441,508	3,667
		1,112,280	408,993

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30TH JUNE, 2010

	Attributable to owners of the Company														
	Share capital HK$'000	Share premium HK$'000	Share options reserve HK$'000	Convertible bonds equity reserve HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000	Translation reserve HK$'000	Merger reserve HK$'000 (Note a)	Capital reserve HK$'000	Other reserves HK$'000 (Note b)	Share issuable reserve HK$'000 (Note c)	Retained profits (accumulated losses) HK$'000 (Note d)	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1st January, 2009 (audited)	182,349	–	–	–	918	44,203	42,091	1,799	824	15,125	–	25,765	313,074	192,882	505,956
(Loss) profit for the period and total comprehensive income and expense for the period	–	–	–	–	–	–	–	–	–	–	–	(211,586)	(211,586)	2,000	(209,586)
Transfer to other reserves	–	–	–	–	–	–	–	–	–	912	–	(912)	–	–	–
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	–	(8,816)	(8,816)
Shares issued	145,549	24,760	–	–	–	–	–	–	–	–	–	–	170,309	–	170,309
Transaction costs attributable to issue of shares	–	(4,578)	–	–	–	–	–	–	–	–	–	–	(4,578)	–	(4,578)
At 30th June, 2009 (unaudited)	327,898	20,182	–	–	918	44,203	42,091	1,799	824	16,037	–	(186,733)	267,219	186,066	453,285
At 1st January, 2010 (audited)	370,398	61,334	–	–	918	44,203	9,959	1,799	–	–	22,500	(151,522)	359,589	45,737	405,326
Profit for the period	–	–	–	–	–	–	–	–	–	–	–	17,155	17,155	3,412	20,567
Exchange difference arising on translation to presentation currency	–	–	–	–	–	–	1,298	–	–	–	–	–	1,298	517	1,815
Total comprehensive income for the period	–	–	–	–	–	–	1,298	–	–	–	–	17,155	18,453	3,929	22,382
Issue of shares for acquisition of subsidiaries	10,000	5,000	–	–	–	–	–	–	–	–	(15,000)	–	–	–	–
Shares issued for cash	74,000	88,800	–	–	–	–	–	–	–	–	–	–	162,800	–	162,800
Transaction costs attributable to issue of shares	–	(4,901)	–	–	–	–	–	–	–	–	–	–	(4,901)	–	(4,901)
Recognition of equity component of convertible bonds	–	–	–	69,476	–	–	–	–	–	–	–	–	69,476	–	69,476
Recognition of equity-settled share-based payments	–	–	15,689	–	–	–	–	–	–	–	–	–	15,689	–	15,689
At 30th June, 2010 (unaudited)	454,398	150,233	15,689	69,476	918	44,203	11,257	1,799	–	–	7,500	(134,367)	621,106	49,666	670,772

Notes:

(a) The merger reserve of the Group represents the difference between the nominal amount of the share capital of the subsidiaries at the date on which they were acquired by the Group and the nominal amount of the share capital issued by the Company as consideration for the acquisition under the reorganisation.

(b) Other reserves comprise reserve fund and enterprise expansion fund of some subsidiaries established in the People's Republic of China (the "PRC") and the effect of fair value adjustment at initial recognition of interest-free amount due to the former ultimate holding company. The reserve fund is to be used to expand the enterprise's working capital. When the enterprise suffers losses, the reserve fund may be used to make up unrecovered losses under special circumstances. The enterprise expansion fund is to be used for business expansion and, if approved, can also be used to increase capital. Other reserves were all transferred to retained profits (accumulated losses) upon disposal of those PRC subsidiaries during the year ended 31st December, 2009.

(c) Share issuable reserve represents 40,000,000 ordinary shares of the Company with par value of HK$0.25 each to be issued after the year ended 31st December, 2009 and 20,000,000 ordinary shares of the Company with par value of HK$0.25 each to be issued after the year ending 31st December, 2010. On 11th February, 2010, the Company issued 40,000,000 ordinary shares of the Company with par value of HK$0.25 each.

(d) Remittance outside 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.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2010

	Six months ended 30th June,	
	2010	2009
	HK$'000	HK$'000
	(unaudited)	(unaudited)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	**(92,127)**	20,982
INVESTING ACTIVITIES		
Purchase of art work	**(12,927)**	–
Repayment of refundable deposit and loan receivable	**–**	62,738
Repayment from a third party	**15,000**	–
Change in pledged bank deposits	**–**	2,272
Acquisition of subsidiaries, net of cash and cash equivalent acquired	**(86,519)**	–
Deposit paid for acquisition of an associate	**(6,897)**	–
Deposits paid for acquisition of subsidiaries	**–**	(19,602)
Deposit received for disposal of subsidiaries	**–**	20,000
Other investing cash flows	**(610)**	(694)
NET CASH (USED IN) FROM INVESTING ACTIVITIES	**(91,953)**	64,714
FINANCING ACTIVITIES		
New loans raised	**122,989**	63,175
Repayments of loans	**(117,081)**	(190,353)
Proceeds from issue of shares	**162,800**	170,309
Expenses on issue of shares	**(4,901)**	(46)
Other financing cash flows	**(1,366)**	(24,585)
NET CASH GENERATED FROM FINANCING ACTIVITIES	**162,441**	18,500
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(21,639)**	104,196
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**126,671**	60,647
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**258**	–
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD, represented by bank balances and cash	**105,290**	164,843

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2010

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's consolidated financial statements for the year ended 31st December, 2009 except for the following accounting policies which were adopted during the period ended 30th June, 2010.

The following accounting policies are newly adopted in current period due to the acquisitions of subsidiaries, establishment of a jointly controlled entity and businesses newly engaged in the current period.

(A) Revenue recognition

Circulation and subscription of sales of newspapers are recognised on the date of delivery.

Advertising income is recognised when the newspaper is published.

Agency services income from sales and distribution of newspapers and magazines is recognised when services are provided.

Agency services income from acting as advertising intermediary and organising cultural and artistic exchange activities is recognised when services are provided.

Sales of bottled water are recognised when the goods are delivered and title has passed to customers.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

FOR THE SIX MONTHS ENDED 30TH JUNE, 2010

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(A) Revenue recognition *(continued)*

Mobile value-added services is recognised upon the provision of the services.

Mobile TV subscription income and TV programmes packaging services income are recognised upon the provision of the services.

(B) Intangible assets acquired in a business combination

Intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated income statement in the period when the asset is derecognised.

(C) Jointly controlled entities

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

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

Any goodwill arising on the acquisition of the Group's interest in a jointly controlled entity is accounted for in accordance with the Group's accounting policy for goodwill arising on the acquisition of a business.

When a group entity transacts with a jointly controlled entity of the Group, profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

FOR THE SIX MONTHS ENDED 30TH JUNE, 2010

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(D) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

(E) Impairment losses on intangible assets other than goodwill

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

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

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

(F) Convertible bonds which contain liability and equity components, and early redemption option

Convertible bonds issued by the Company that contain liability (together with the early redemption option which is closely related to the host liability component) and conversion option components are classified separately into respective items on initial recognition. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument. On initial recognition, 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 bond holders to convert the bonds into equity which is included in equity (convertible bonds equity reserve) is determined using the Binomial Model.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

FOR THE SIX MONTHS ENDED 30TH JUNE, 2010

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(F) Convertible bonds which contain liability and equity components, and early redemption option *(continued)*

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

(G) Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed under a grading vesting plan over the vesting period, with a corresponding increase in equity (share options reserve).

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

FOR THE SIX MONTHS ENDED 30TH JUNE, 2010

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(G) Share-based payment transactions *(continued)*

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

Share options granted to consultants

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

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations (the "new and revised HKFRSs") issued by the HKICPA.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009
HKAS 27 (Revised 2008)	Consolidated and separate financial statements
HKAS 39 (Amendment)	Eligible hedged items
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters
HKFRS 2 (Amendment)	Group cash-settled share-based payment transactions
HKFRS 3 (Revised 2008)	Business combinations
HK(IFRIC) – INT 17	Distributions of non-cash assets to owners

Except as described below, the application of these new and revised HKFRSs had no material effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

FOR THE SIX MONTHS ENDED 30TH JUNE, 2010

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

HKFRS 3 (Revised 2008) business combinations

HKFRS 3 (Revised 2008) *Business Combinations* has been applied prospectively from 1st January, 2010. Its application has affected the accounting for the acquisitions of 北京永聯信通科技有限責任公司 (in English, Youline Technology Company Limited) ("Youline Technology"), Prefect Strategy International Limited ("Prefect Strategy") and Main City Limited ("Main City") in the current period.

The impact of adoption of HKFRS 3 (Revised 2008) has been:

- It changes the recognition and subsequent accounting requirements for contingent consideration. Previously, contingent consideration was recognised at the acquisition date only if it met probability and reliably measurable criteria, whereas under the revised standard the consideration for the acquisition always includes the fair value of any contingent consideration. Once the fair value of the contingent consideration at the acquisition date has been determined, subsequent adjustments are made against the cost of the acquisition only to the extent that

  (i) they reflect fair value at the acquisition date, and

  (ii) they occur within the 'measurement period' (a maximum of 12 months from the acquisition date). Under the previous version of the standard, adjustments to consideration were always made against the cost of the acquisition; and

- It requires acquisition-related costs to be accounted for separately from the business combination, as a result, the Group has recognised HK$4,903,000 of such costs as an expense in the condensed consolidated income statement, whereas previously they would have been accounted for as part of the cost of the acquisition.

In the current period, these changes in policies have affected the accounting for the acquisitions of Youline Technology, Prefect Strategy and Main City as follows. The adoption did not affect the Group's results and loss per share for the period ended 30th June, 2009 and the Group's financial position as at 31st December, 2009 and 1st January, 2009.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

FOR THE SIX MONTHS ENDED 30TH JUNE, 2010

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Condensed consolidated statement of financial position

	At 30th June, 2010 HK$'000 (unaudited)
Decrease in goodwill recognised as a result of the application of	
HKFRS 3 (Revised 2008):	
Acquisition-related costs expensed when incurred	(4,903)

Condensed consolidated statement of comprehensive income

	Six months ended 30th June, 2010 HK$'000 (unaudited)
Decrease in profit for the period arising on:	
Recognition of acquisition-related costs when incurred and included in other expenses	(4,903)

Impact on basic and diluted earnings per share

The effect of changes in accounting policies described above on the Group's basic and diluted earnings per share for the current period is as follows:

	Six months ended 30th June, 2010 HK cents (unaudited)
Before adjustments	1.39
Adjustments arising from changes in accounting policies in relation to:	
Recognition of acquisition-related costs when incurred	(0.31)
After adjustments	1.08

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

FOR THE SIX MONTHS ENDED 30TH JUNE, 2010

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

The Group has not early applied the following new or revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs 2010[1]
HKAS 24 (Revised 2009)	Related party disclosures[3]
HKFRS 1 (Amendment)	Limited exemption from comparative HKFRS 7 disclosures for first-time adopters[2]
HKFRS 9	Financial instruments[4]
HK(IFRIC) – INT 14 (Amendment)	Prepayments of a minimum funding requirement[3]
HK(IFRIC) – INT 19	Extinguishing financial liabilities with equity instruments[2]

1 Effective for annual periods beginning on or after 1st July, 2010 and 1st January, 2011, as appropriate
2 Effective for annual periods beginning on or after 1st July, 2010.
3 Effective for annual periods beginning on or after 1st January, 2011.
4 Effective for annual periods beginning on or after 1st January, 2013.

HKFRS 9 "Financial instruments" introduces new requirements for the classification and measurement of financial assets and will be effective from 1st January, 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 "Financial instruments: Recognition and measurement" to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 will affect the classification and measurement of the Group's financial assets.

The directors of the Company anticipate that the application of the other new or revised standards, amendments or interpretations will have no material impact on the results and financial position of the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(continued)

FOR THE SIX MONTHS ENDED 30TH JUNE, 2010

3. REVENUE AND SEGMENT INFORMATION

The Group's operating segments, based on information reported to the board of directors, the chief operating decision maker, for the purposes of resource allocation and performance assessment are as follows:

(i)	Film, television programme and television drama series	–	production and distribution of films, television programmes and television drama series and licensing of film rights over films and television programmes
(ii)	Mobile games	–	development and distribution of mobile games in the PRC
(iii)	Mobile value-added services	–	provision of personalised information and entertainment services to mobile handset users in the PRC
(iv)	Mobile TV	–	development of mobile television and subscription sales in the PRC
(v)	Advertising agency and distribution of a newspaper	–	circulation and subscription of a newspaper, Beijing Times, and its advertising income in the PRC
(vi)	Other agency services	–	acting as advertising intermediary and organising cultural and artistic exchange activities
(vii)	Securities trading and investments	–	trading of securities in Hong Kong
(viii)	Cement	–	distribution of cement in the PRC
(ix)	All other segments	–	sales and distribution of newspapers and magazines other than Beijing Times, sales of bottled water, TV programmes packaging services income and others in the PRC. None of these segments has even met any of the quantitative thresholds for determining reportable segments

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

FOR THE SIX MONTHS ENDED 30TH JUNE, 2010

3. REVENUE AND SEGMENT INFORMATION *(continued)*

The segments under (iii), (v) and (vi) above are the new operating segments upon completion of acquisitions of subsidiaries during the period ended 30th June, 2010. The segment under (v) above is operated through a jointly controlled entity. For details, please refer to note 14. The segment under (iv) above is the new operating segment engaged by the Group through establishment of a jointly controlled entity during the period ended 30th June, 2010. The segments under (i), (ii) and (vii) above are the new operating segments engaged by the Group subsequent to the period ended 30th June, 2009. For the period ended 30th June, 2009, the Group solely operated in distribution and manufacturing of cement and clinker. Therefore, no segment information is presented.

The revenue segment information for the period ended 30th June, 2010 is presented below.

	Film, television programme and television drama series HK$'000	Mobile games HK$'000	Mobile value-added services HK$'000	Mobile TV HK$'000	Advertising agency and, distribution of a newspaper HK$'000	Other agency services HK$'000	Securities trading and investments HK$'000	Cement HK$'000	All other segments HK$'000	Consolidated HK$'000
For the six months ended 30th June, 2010 (unaudited)										
Segment revenue	109,398	651	3,974	620	38,747	19,158	–	1,043	4,979	178,570
Segment results	39,269	(4,138)	1,045	(1,033)	8,754	17,155	(1,808)	7	1,962	61,213
Unallocated interest income and net exchange gains										3,912
Corporate administrative expenses and other expenses										(31,493)
Finance costs										(6,180)
Profit before taxation										27,452

All of the segment revenue reported above is from external customers.

Segment results represent the profit (loss) generated or incurred by each segment without allocation of interest income, net exchange gains, corporate administrative expenses and finance costs other than margin loan. This is the measure reported to the board of directors for the purpose of resource allocation and performance assessment.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

FOR THE SIX MONTHS ENDED 30TH JUNE, 2010

3. REVENUE AND SEGMENT INFORMATION *(continued)*

Segment assets

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

	Film, television programme and television drama series HK$'000	**Mobile games** HK$'000	**Mobile value-added services** HK$'000	**Mobile TV** HK$'000	**Advertising agency and distribution of a newspaper** HK$'000	**Other agency services** HK$'000	**Securities trading and investments** HK$'000	**Cement** HK$'000	**All other segments** HK$'000	**Consolidated** HK$'000
At 30th June, 2010 (unaudited)										
Segment assets	**334,526**	**10,266**	**30,959**	**2,024**	**604,292**	**40,575**	**59,149**	**1,713**	**4,215**	**1,087,719**
Property, plant and equipment– corporate										**4,507**
Deposit paid for acquisition of an associate										**13,793**
Deferred tax assets										**1,711**
Other receivables and deposits										**39,244**
Bank balances and cash										**105,290**
Prepayments										**187**
Consolidated assets										**1,252,451**
Segment assets	216,175	12,254	–	–	–	–	57,822	1,631	–	287,882
Property, plant and equipment – corporate										3,113
Deposit paid for acquisition of an associate										6,818
Other receivables and deposits										41,794
Bank balances and cash										126,671
Prepayments										610
Consolidated assets										466,888

4. OTHER GAINS AND LOSSES, NET

	Six months ended 30th June,	
	2010	2009
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Loss on disposal of property, plant and equipment	**(21)**	(158)
Net foreign exchange gain	**2,342**	652
Bad and doubtful debts recovered	**–**	343
Allowance for bad and doubtful debts	**(6,285)**	–
Change in fair value of held for trading investments	**(1,061)**	–
	(5,025)	837

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

FOR THE SIX MONTHS ENDED 30TH JUNE, 2010

5. IMPAIRMENT LOSS RECOGNISED ON A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

On 21st May, 2009, the Company entered into a share transfer agreement (the "Share Transfer Agreement") with Sunwealth Holdings Limited ("SHL"), a wholly-owned subsidiary of Tian An China Investments Company Limited which is listed on the Stock Exchange, which conditionally agreed to purchase and the Company conditionally agreed to sell, the entire issued share capital of a wholly-owned subsidiary, Shanghai Allied Cement Holdings Limited ("SACHL"), and the shareholder's loan owed by SACHL to the Company as at the date of the Share Transfer Agreement with carrying value of approximately HK$278,504,000 for an aggregate consideration of HK$200,000,000. A refundable deposit of HK$20,000,000 was received during the period ended 30th June, 2009. The remaining balance of the aggregate consideration of HK$180,000,000 was settled in cash upon completion of the disposal. The disposal was completed on 16th September, 2009.

As at 30th June, 2009, the assets and liabilities of SACHL was expected to be sold within twelve months, and have been classified as a disposal group held for sale and separately presented in the condensed consolidated statement of financial position. The operation was included in the Group's distribution and manufacturing of cement and clinker segment for segment reporting purpose.

The net proceeds of disposal was expected to be less than the net carrying amount of the relevant assets and liabilities and, accordingly, an aggregate impairment loss of HK$206,897,000 was recognised during the six months ended 30th June, 2009.

6. FINANCE COSTS

	Six months ended 30th June,	
	2010	2009
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Interest on:		
Bank borrowings wholly repayable within five years	**–**	5,146
Other borrowings wholly repayable within one year	**1,366**	20,472
Imputed interest on interest-free amount due to non-controlling interests	**–**	13
Effective interest expense on convertible bonds	**5,619**	–
	6,985	25,631

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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FOR THE SIX MONTHS ENDED 30TH JUNE, 2010

7. TAXATION (CHARGE) CREDIT

	Six months ended 30th June,	
	2010	2009
	HK$'000	HK$'000
	(unaudited)	(unaudited)
PRC Enterprise Income Tax:		
Current period	**(11,656)**	(1,353)
Overprovision in prior year	**–**	3,410
	(11,656)	2,057
Deferred tax:		
Current period (note 21)	**4,771**	1,050
	(6,885)	3,107

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.

Enterprise income tax in the PRC is calculated at 25% of estimated assessable profit for the period ended 30th June, 2010.

8. PROFIT (LOSS) FOR THE PERIOD

	Six months ended 30th June,	
	2010	2009
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Profit (loss) for the period has been arrived at after charging (crediting):		
Amortisation of mining right (included in administrative expenses)	**–**	86
Amortisation of intangible assets (included in cost of sales)	**4,416**	–
Depreciation of property, plant and equipment	**3,131**	14,489
Film rights recognised as an expense (included in cost of sales)	**45,475**	–
Release of prepaid lease payments on land use rights	**–**	220
Interest income	**(1,570)**	(13,766)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

FOR THE SIX MONTHS ENDED 30TH JUNE, 2010

9. DIVIDENDS

No dividends were paid, declared or proposed during the reported period. The directors do not recommend the payment of an interim dividend.

10. EARNINGS (LOSS) PER SHARE

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

	Six months ended 30th June,	
	2010	2009
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Profit (loss) for the period attributable to the owners of the Company for the purposes of basic and diluted earnings (loss) per share	**17,155**	(211,586)

	Number of shares	Number of shares
Weighted average number of ordinary shares for the purposes of basic and diluted earnings (loss) per share	**1,584,486,404**	1,036,800,784

The weighted average number of ordinary shares for the purpose of basic earnings per share for the period ended 30th June, 2010 has taken into account the issue of shares for the acquisition of subsidiaries on 11th February, 2010 and the placement held on 18th May, 2010.

The weighted average number of ordinary shares for the purpose of basic loss per share for the period ended 30th June, 2009 has taken into account the placement held on 19th January, 2009 and adjusted for the bonus element of the open offer of 437,197,521 offer shares completed on 29th June, 2009. Details of the open offer are set out in note 19.

The computation of diluted earnings per share does not assume the conversion of the Company's outstanding convertible bonds and the exercise of the Company's share options since their assumed exercise and conversion would result in an increase in earnings per share for the six months ended 30th June, 2010.

There was no diluted ordinary shares in issue during the period ended 30th June, 2009.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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FOR THE SIX MONTHS ENDED 30TH JUNE, 2010

11. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment at a cost of approximately HK$5,677,000 (six months ended 30th June, 2009: HK$1,374,000).

12. INTERESTS IN JOINTLY CONTROLLED ENTITIES

On 1st April, 2010, the Group established a jointly controlled entity 人民視訊文化有限公司 ("人民視訊") in the PRC, which is owned as to 49% by the Group. The Group contributed the capital in cash of RMB4,900,000 (equivalent to approximately HK$5,568,000) and the joint venture partner contributed capital in cash of RMB5,100,000 (equivalent to approximately HK$5,795,000). 人民視訊 is principally engaged in operating mobile TV business in the PRC.

On 1st May, 2010, the Group acquired the entire issued share capital of Prefect Strategy and Main City, which will have indirect control and an effective interest of 100% in 北大文化發展有限公司 (in English, Beijing Beida Culture Development Company Limited ("Beida Culture")) which in turn, holds 50% equity interest in 京華文化傳播有限公司 (in English, JingHua Culture Broadcast Company Limited ("JingHua")). With the exclusive advertising and distribution rights, JingHua is allowed to operate the advertising agency business and newspaper distribution business for Beijing Times together with other businesses as permitted under its business certificate. The other joint venture partner is responsible for the editorial part of the newspaper (namely Beijing Times). JingHua is principally engaged in the businesses of newspaper advertising agency and newspaper distribution of Beijing Times, advertising agency services of sales and distribution of magazines and other newspapers, sales of bottled water and operating the newspaper website (namely JingHua Website) in the PRC. For details, please refer to note 25(b).

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(continued)

FOR THE SIX MONTHS ENDED 30TH JUNE, 2010

13. GOODWILL

	HK$'000
COST	
At 1st January, 2009	83,618
Transfer to assets classified as held for sale	(83,618)
At 30th June, 2009	–
Arising on acquisition of subsidiaries	39,781
At 31st December, 2009	39,781
Arising on acquisition of subsidiaries (note 25)	166,568
At 30th June, 2010	**206,349**
IMPAIRMENT	
At 1st January, 2009	14,139
Transfer to assets classified as held for sale	(14,139)
At 30th June, 2009, 31st December, 2009 and **30th June, 2010**	**–**
CARRYING VALUES	
At 30th June, 2010 (unaudited)	**206,349**
At 31st December, 2009 (audited)	39,781

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(continued)

FOR THE SIX MONTHS ENDED 30TH JUNE, 2010

14. INTANGIBLE ASSETS

	Licenses	Mobile game platform	Mobile game	Advertising and distribution rights	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
COST					
At 1st January, 2009 and 30th June, 2009	–	–	–	–	–
Acquired on acquisition of a subsidiary	–	2,107	5,894	–	8,001
At 31st December, 2009	–	2,107	5,894	–	8,001
Acquired on acquisitions of subsidiaries	10,195	–	–	395,033	405,228
At 30th June, 2010	**10,195**	**2,107**	**5,894**	**395,033**	**413,229**
AMORTISATION					
At 1st January, 2009, 30th June, 2009 and 31st December, 2009	–	–	–	–	–
Charged for the period	1,416	790	2,210	–	4,416
At 30th June, 2010	**1,416**	**790**	**2,210**	**–**	**4,416**
CARRYING VALUES					
At 30th June, 2010 (unaudited)	**8,779**	**1,317**	**3,684**	**395,033**	**408,813**
At 31st December, 2009 (audited)	–	2,107	5,894	–	8,001

All of the Group's intangible assets were acquired from third parties through business combination.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

FOR THE SIX MONTHS ENDED 30TH JUNE, 2010

14. INTANGIBLE ASSETS *(continued)*

The above intangible assets other than advertising and distribution rights have finite useful lives. Such intangible assets are amortised on a straight-line basis over the following periods:

Licenses	3 years
Mobile game platform	2 years
Mobile game	2 years

The advertising and distribution rights of Beijing Times are obtained by the Group through acquisition of subsidiaries, Prefect Strategy and Main City during the period. The advertising and distribution rights are held by JingHua, a jointly controlled entity. The advertising and distribution rights are considered by the management of the Group as having an indefinite useful life because it is expected to contribute net cash inflows to the Group indefinitely. The advertising and distribution rights will not be amortised until its useful life is determined to be finite. Instead it will be tested for impairment annually and whenever there is an indication that it may be impaired.

15. TRADE AND OTHER RECEIVABLES AND DEPOSITS

	At 30th June, 2010 HK$'000 (unaudited)	At 31st December, 2009 HK$'000 (audited)
Trade receivables	**185,936**	48,997
Other receivables and deposits	**84,635**	49,748
Amount due from a joint venture partner	**20,939**	–
Amounts due from related companies	**16,458**	–
	307,968	98,745

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(continued)

FOR THE SIX MONTHS ENDED 30TH JUNE, 2010

15. TRADE AND OTHER RECEIVABLES AND DEPOSITS *(continued)*

Trade receivables

The Group has a policy of allowing its trade customers credit periods normally ranging from 30 days to 1 year.

The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period:

	At 30th June, 2010 HK$'000 (unaudited)	At 31st December, 2009 HK$'000 (audited)
0 – 90 days	**149,987**	5,784
91 – 180 days	**4,183**	41,227
181 – 365 days	**31,755**	1,986
Over 1 year	**11**	–
	185,936	48,997

Included in other receivables as at 30th June, 2010 is a guarantee deposit of HK$23,000,000 (31st December, 2009: nil) in relation to a loan agreement, which will be refunded by the counterparty upon repayment of the loan of RMB20,000,000 (equivalent to approximately HK$23,000,000) in full by the Company together with interest accrued thereon. The loan obtained from the counterparty has been recorded as borrowings (note 17).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

FOR THE SIX MONTHS ENDED 30TH JUNE, 2010

16. TRADE AND OTHER PAYABLES, BILLS PAYABLE AND DEPOSITS RECEIVED

	At 30th June, 2010 HK$'000 (unaudited)	At 31st December, 2009 HK$'000 (audited)
Trade payables	**15,472**	3,379
Other payables, bills payable and deposits received	**53,307**	19,775
Amounts due to related companies	**–**	9,087
	68,779	32,241

The average credit period on purchase of goods is normally ranging from 90 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, 2010 HK$'000 (unaudited)	At 31st December, 2009 HK$'000 (audited)
0 – 90 days	**12,607**	1,806
91 – 180 days	**880**	–
181 – 365 days	**341**	–
Over 1 year	**1,644**	1,573
	15,472	3,379

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

FOR THE SIX MONTHS ENDED 30TH JUNE, 2010

17. BORROWINGS

During the period, the Group obtained new borrowings of approximately HK$122,989,000 (30th June, 2009: HK$63,175,000) and repaid borrowings of approximately HK$117,081,000 (30th June, 2009: HK$190,353,000). The borrowings raised are used to finance the operations of the Group.

18. DERIVATIVE FINANCIAL INSTRUMENT

The balance represented the estimated fair value of contingent consideration at the end of the reporting period arising from the acquisition of Main City. For details, please refer to note 25(b). Based on the relevant agreement, the Group is required to issue an additional amount of convertible bond of the Company amounting to a principal amount of HK$30,000,000 to the vendor if the Beida Culture's profit after taxation in the year 2010 exceeds RMB45,000,000. The estimated fair value of this obligation is determined with reference to the fair value of convertible bonds issued for these acquisitions.

19. SHARE CAPITAL

	Number of shares	**Share capital** HK$'000
Ordinary shares of HK$0.25 each		
Authorised:		
At 1st January, 2009	2,000,000,000	500,000
Increased on 7th August, 2009	8,000,000,000	2,000,000
At 31st December, 2009 and **30th June, 2010**	**10,000,000,000**	**2,500,000**

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

FOR THE SIX MONTHS ENDED 30TH JUNE, 2010

19. SHARE CAPITAL *(continued)*

	Number of shares	Share capital HK$'000
Issued and fully paid:		
At 1st January, 2009	729,395,043	182,349
Issued by placing of new shares (note 1)	315,000,000	78,750
Issued by open offer of new shares (note 2)	437,197,521	109,299
At 31st December, 2009	1,481,592,564	370,398
Issued in consideration for the acquisition of the entire share capital of Year Wealth Limited (note 3)	40,000,000	10,000
Issued by placing of new shares (note 4)	296,000,000	74,000
At 30th June, 2010	**1,817,592,564**	**454,398**

Notes:

(1) On 19th January, 2009, the Company placed 145,000,000 ordinary shares to independent investors at a price of HK$0.27 per share.

On 29th July, 2009, the Company placed 170,000,000 ordinary shares to independent investors at a price of HK$0.52 per shares.

(2) On 15th May, 2009, the Company proposed an open offer of 437,197,521 ordinary shares of the Company at a price of HK$0.30 per share, on the basis of one offer share for every two existing shares held as at 4th June, 2009. The open offer was completed on 29th June, 2009.

(3) On 11th February, 2010, the Company issued 40,000,000 ordinary shares to the vendor pursuant to the payment term of the agreement in consideration for the acquisition of the entire share capital of Year Wealth Limited. Details are set out in the annual report for the year ended 31st December, 2009 issued by the Company.

(4) On 18th May, 2010, the Company placed 296,000,000 ordinary shares to independent investors at a price of HK$0.55 per share.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(continued)

FOR THE SIX MONTHS ENDED 30TH JUNE, 2010

20. CONVERTIBLE BONDS

Pursuant to the equity transfer agreements mentioned in note 25(b), the Company issued two zero coupon convertible bonds which have an aggregate principal amount of HK$470,000,000 on 3rd June, 2010. The first convertible bond ("CB1") amounting to HK$350,000,000 will be matured in 3 years after the date of issue. The second convertible bond ("CB2") amounting to HK$120,000,000 will be matured in 5 years after the date of issue. The convertible bonds are denominated in Hong Kong dollar (HK$). The convertible bonds entitle the bond holders to convert them into shares of the Company at any time within 3 years (for CB1) or 5 years (for CB2) from the date of issue of the convertible bonds, at the conversion price per share of HK$1.2 (for CB1) or HK$1 (for CB2) respectively, subject to anti-dilutive clauses. In addition, the bond holders shall exercise its conversion rights in relation to all outstanding amount of the convertible bonds 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 bond holders within 7 business days written notice of compulsory conversion requiring the bond holders to exercise its conversion rights in relation to all outstanding amount of the convertible bonds regardless of the 15% issued share capital restriction set out in the convertible bonds under any circumstance.

If the convertible bonds have not been converted, they will be redeemed at par on 2nd June, 2013 (for CB1) or 2nd June, 2015 (for CB2) respectively. The Company is allowed at any time since the date of issue to the maturity date, to redeem the convertible bonds 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.

Upon issuance of the convertible bonds, the HK$ principal amount of the convertible bonds shall be equivalent to its Renminbi (RMB) principal amount of the convertible bonds translated at the exchange rate at the date of issuance of HK$1.00 = RMB 0.91. Any payment in the event of redemption by the Company shall be made in HK$, equivalent to their RMB principal amount translated at the prevailing exchange rate at the date of redemption.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

FOR THE SIX MONTHS ENDED 30TH JUNE, 2010

20. CONVERTIBLE BONDS *(continued)*

The convertible bonds 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. On initial recognition, 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 bond holders to convert the bonds into equity which is included in equity (convertible bonds equity reserve) is determined using the Binomial Model.

The effective interest rate of the liability component is 10.03% for CB1 and 10.99% for CB2 at the date of initial recognition.

On 6th August, 2010, CB2 was fully converted into shares of the Company.

21. DEFERRED TAXATION

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

	Intangible assets	Accelerated tax depreciation	Allowance for doubtful debts	Tax losses	Others	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1st January, 2009	–	33,027	(4,790)	–	682	28,919
Credit to condensed consolidated income statement for the period	–	(1,047)	–	–	(3)	(1,050)
Transfer to liabilities associated with assets classified as held for sale	–	(31,980)	4,790	–	(679)	(27,869)
At 30th June, 2009 (unaudited)	–	–	–	–	–	–
Credit to consolidated income statement for the period	–	(446)	–	–	(270)	(716)
Acquisition of subsidiaries	2,000	–	–	–	1,937	3,937
Disposals of subsidiaries	–	446	–	–	–	446
At 31st December, 2009 (audited)	2,000	–	–	–	1,667	3,667
Exchange differences	–	–	–	(16)	–	(16)
Acquisition of subsidiaries	101,307	–	–	–	–	101,307
Credit to condensed consolidated income statement for the period	(1,104)	–	–	(1,695)	(1,972)	(4,771)
At 30th June, 2010 (unaudited)	**102,203**	**–**	**–**	**(1,711)**	**(305)**	**100,187**

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(continued)

FOR THE SIX MONTHS ENDED 30TH JUNE, 2010

21. DEFERRED TAXATION *(continued)*

At 30th June, 2010, the Group has unused tax losses of HK$221,714,000 (31st December, 2009: HK$183,706,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$6,780,000 (31st December, 2009: nil) of such losses. No deferred tax asset has been recognised in respect of the remaining HK$214,934,000 (31st December, 2009: HK$183,706,000) due to the unpredictability of future profit streams. The unused tax losses may be carried forward indefinitely.

At 30th June, 2010, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised were HK$91,002,000 (31st December, 2009: HK$23,281,000). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

22. SHARE-BASED PAYMENTS

The Company has a share option scheme for eligible employees, consultants and directors of the Group. Details of the share options outstanding during the current period are as follows:

In the current period, aggregate share options of 147,910,000 were granted to certain employees, senior management, directors and consultants on 18th March, 2010 and 4th May, 2010. The share options granted have and will become vested in tranches with up to one-third of the share options for each tranche to the grantee on completion of the continuous employment/service of such grantee with the Group for 1 year and each subsequent year commencing from 23rd April, 2009 or the date of the grantee's commencement of employment/service, whichever is the later. These share options shall be exercised within 10 years from the date of grant. None of these were exercised, cancelled nor forfeited as at 30th June, 2010.

The share options granted to consultants were in addition to the fixed fee paid to consultants for services. The Company determined the share options granted to the consultants were on a similar basis as the employees'. The fair value of the shares options granted was determined by applying the Binomial model as described below.

The fair values of the options determined at the dates of grant using the Binomial model were HK$33,456,217 and HK$11,585,211 respectively.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

FOR THE SIX MONTHS ENDED 30TH JUNE, 2010

22. SHARE-BASED PAYMENTS *(continued)*

The closing price of the Company's shares immediately before 18th March, 2010 and 4th May, 2010, the dates of grant, were HK$0.475 and HK$0.56 respectively.

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

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(continued)

FOR THE SIX MONTHS ENDED 30TH JUNE, 2010

23. OPERATING LEASE COMMITMENTS

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

	At 30th June, 2010 HK$'000 (unaudited)	At 31st December, 2009 HK$'000 (audited)
Not later than one year	**11,344**	10,463
Later than one year and not later than five years	**14,726**	20,269
	26,070	30,732

24. COMMITMENTS

On 28th April, 2009, a subsidiary of the Company entered into a conditional agreement with an independent third party to acquire the entire issued share capital and a shareholder's loan relating to the 25% registered capital of a Guangxi hotel at an aggregate consideration of RMB26 million (equivalent to approximately HK$30 million).

At 30th August, 2010, as certain conditions precedent are still yet to be fulfilled, the Group has reached an agreement with the independent third party that the transaction be ceased and the conditional agreement be terminated. On the same day, the independent third party has repaid the Company RMB12 million (equivalent to approximately HK$14 million), being the refundable deposit previously paid by the Company for the proposed acquisition.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(continued)

FOR THE SIX MONTHS ENDED 30TH JUNE, 2010

25. ACQUISITION OF SUBSIDIARIES

(a) On 1st February, 2010, the Group acquired a 100% equity interest and voting power in Youline Technology. Youline Technology is principally engaged in the provision of personalised information and entertainment services to mobile handset users via the internet and other modern telecom technologies in the form of value-added services business and was acquired with the objective of developing the Group into a modern and innovative media enterprise.

Consideration transferred

	HK$'000
Cash consideration	23,863
Deferred cash consideration	2,299
	26,162

Acquisition-related costs amounting to HK$97,000 have been excluded from the cost of acquisition and have been recognised as an expense in the period, within the "other expenses" line item in the condensed consolidated income statement.

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

	HK$'000
Current assets	
Other receivables	2
Bank balances and cash	84
Non-current assets	
Intangible assets – licenses	10,195
Equipment	62
Non-current liability	
Deferred taxation	(2,549)
	7,794

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

FOR THE SIX MONTHS ENDED 30TH JUNE, 2010

25. ACQUISITION OF SUBSIDIARIES *(continued)*

(a) *(continued)*

Consideration transferred *(continued)*

The intangible assets represent the licenses granted by China Mobile Limited which enables Youline Technology to act as a service provider in the form of mobile value-added services. The fair value of the intangible asset is determined by the discounted cash flow method. The cash flows from intangible assets have been used to estimate the benefit stream attributable to the licenses.

Goodwill arising on acquisition

	HK$'000
Consideration transferred	26,162
Less: fair value of identifiable net assets acquired	(7,794)
Goodwill arising on acquisition	18,368

The goodwill arising on the acquisition of Youline Technology is attributed to the anticipated profitability of the mobile value-added services of this company.

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

The deferred cash consideration will be payable within 1 year after the end of the reporting period based on the terms of the agreement.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

FOR THE SIX MONTHS ENDED 30TH JUNE, 2010

25. ACQUISITION OF SUBSIDIARIES *(continued)*

(a) *(continued)*

Net cash outflow arising on acquisition

	HK$'000
Consideration paid in cash	23,863
Less: cash and cash equivalent balances acquired	(84)
	23,779

Impact of acquisition on the results of the Group

Included in the profit for the interim period is HK$1,045,000 attributable to Youline Technology. Revenue for the period includes HK$3,974,000 in respect of Youline Technology.

(b) On 1st May, 2010, the Group acquired the entire issued share capital of Prefect Strategy and Main City, which have indirect control and an effective interest of 100% in Beida Culture which in turn, holds 50% equity interest in JingHua, a jointly controlled entity for an aggregate consideration of HK$619,000,000 which was partly settled by cash of HK$119,000,000 and partly by the issuance of convertible bonds in the principal amount of HK$500,000,000 by the Company, including the convertible bonds of the Company with principal amount of HK$30,000,000 to be issued to the vendor if the guaranteed Beida Culture's profit after taxation for the year ending 31st December, 2010 of RMB45,000,000 can be met pursuant to the agreement.

Consideration transferred

	HK$'000
Cash	119,000
Convertible bonds issued (note 20)	403,467
Contingent consideration arrangement (Note)	25,418
	547,885

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

FOR THE SIX MONTHS ENDED 30TH JUNE, 2010

25. ACQUISITION OF SUBSIDIARIES *(continued)*

(b) *(continued)*

Consideration transferred *(continued)*

Note: Based on the relevant agreement, the Group is required to issue an additional amount of convertible bond of the Company with a principal amount of HK$30,000,000 to the vendor if Beida Culture's profit after taxation in the year 2010 exceeds RMB45,000,000. Up to the end of the interim reporting period, Beida Culture's profit after taxation is approximately RMB27,517,000. HK$25,418,000 represents the estimated fair value of this obligation with reference to the fair value of convertible bond issued for these acquisitions.

Acquisition-related costs amounting to HK$4,806,000 have been excluded from the cost of acquisition and have been recognised as an expense in the period, within the "other expenses" line item in the condensed consolidated income statement.

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

	HK$'000
Current assets	
Inventories	1,209
Trade and other receivables and deposits	67,435
Prepayments	17,408
Bank balances and cash	56,260
Non-current assets	
Plant and equipment	4,424
Intangible asset – advertising and distribution rights	395,033
Current liabilities	
Trade and other payables, bills payable and deposits received	(40,110)
Tax liabilities	(3,216)
Non-current liability	
Deferred taxation	(98,758)
	399,685

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

FOR THE SIX MONTHS ENDED 30TH JUNE, 2010

25. ACQUISITION OF SUBSIDIARIES *(continued)*

(b) *(continued)*

Consideration transferred *(continued)*

The intangible asset represents the advertising and distribution rights of Beijing Times held by JingHua. The fair value of the intangible asset is determined by the discounted cash flow method, based on cash flows projections covering 12 years and terminal value covering the following years indefinitely. A discount rate of 15.5% had been used to estimate the fair value of the intangible asset at date of acquisition. The cash flows from intangible asset has been used to estimate the benefit stream attributable to the advertising and distribution rights.

Goodwill arising on acquisition

	HK$'000
Consideration transferred	547,885
Less: Fair value of identifiable net assets acquired	(399,685)
Goodwill arising on acquisition	148,200

Beijing Times covers more than 70% share of the morning post retail market in Beijing. The goodwill arising on the acquisition of Prefect Strategy and Main City is attributed to the anticipated profitability of the advertising agency business and newspaper distribution business for Beijing Times of JingHua. The principal investment of Beida Culture is a jointly controlled entity, JingHua. The Group recognises its interests in this jointly controlled entity using proportionate consolidation.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(continued)

FOR THE SIX MONTHS ENDED 30TH JUNE, 2010

25. ACQUISITION OF SUBSIDIARIES *(continued)*

(b) *(continued)*

Net cash outflow arising on acquisition

	HK$'000
Consideration paid in cash	119,000
Less: cash and cash equivalent balances acquired	(56,260)
	62,740

Impact of acquisition on the results of the Group

Included in the profit for the interim period is HK$19,721,000 attributable to Prefect Strategy and Main City. Revenue for the period includes HK$59,222,000 in respect of Prefect Strategy and Main City.

If the acquisitions of subsidiaries in notes (a) and (b) had been completed on 1st January, 2010, the Group's revenue for the six months ended 30th June, 2010 would have been approximately HK$247,864,000 and profit for the period would have been approximately HK$27,587,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and profit of the Group that actually would have been achieved had the acquisition been completed on 1st January, 2010, nor is it intended to be a projection of future results.

In determining the "pro-forma" revenue and profit of the Group had the subsidiaries described in notes (a) and (b) been acquired at the beginning of the current reporting period, the directors have calculated depreciation of plant and equipment acquired on the basis of fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(continued)

FOR THE SIX MONTHS ENDED 30TH JUNE, 2010

26. RELATED PARTY TRANSACTIONS

During the period ended 30th June, 2009, a non-wholly owned subsidiary of the Company paid a leasing fee of approximately HK$3,255,000 to a related company which was 40% owned by the minority shareholder of that non-wholly owned subsidiary. There was no such related party transaction during the period ended 30th June, 2010.

In addition, the Group has entered into the following related party transactions:

	Six months ended 30th June,	
	2010	2009
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Key management compensation		
Short-term employee benefits	**1,455**	1,838
Post employment benefit	**26**	42
Share-based payments	**2,743**	–

27. EVENT AFTER THE END OF THE INTERIM PERIOD

On 23rd August, 2010, the Company and a third party placing agent entered into a conditional placing agreement pursuant to which the placing agent agreed to place, on a fully underwritten basis, the convertible bonds in an aggregate principal amount of HK$1,000 million. The convertible bonds carry the right to convert into conversion shares at the conversion price of HK$1 per conversion share (subject to adjustment). The interest is 9% per annum payable by the Company at each anniversary after the date of issue of the convertible bonds. The maturity date is the date immediately following 36 months after the issue date of the convertible bonds. For details, please refer to the announcement dated 23rd August, 2010.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30th June, 2010 (2009: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Operations

During the period ended 30th June, 2010, the Group was primarily engaged in three businesses, namely (i) media related businesses; (ii) securities trading and investments; and (iii) distribution of cement business. Media related businesses mainly include the planning, production, publication, investment, distribution and licensing of television drama and film and organizing cultural and artistic exchange activities, mobile value-added services, mobile game business, mobile TV business, sales and distribution of newspapers and magazines, advertising agency businesses and TV programmes packaging services. A majority of these businesses were conducted in the People's Republic of China (the "PRC").

For the six months ended 30th June, 2010, the Group recorded a turnover and a net profit attributable to the shareholders of the Company of HK$178,570,000 and HK$17,155,000 respectively, which were mainly contributed from the media related businesses, as compared to a turnover and a net loss of HK$247,019,000 and (HK$211,586,000) respectively from distribution and manufacturing of cement and clinker in the last corresponding period.

Excluding the non-cash expenses of effective interest expense on convertible bonds and share options expense of HK$21,308,000, the net gain attributable to the shareholders of the Company for the six months ended 30th June, 2010 is HK$38,463,000.

Earnings per share (both basic and diluted) for the period is 1.08 HK cents as compared to the loss per share of 20.41 HK cents in the last corresponding period. As a result of the improvement in the financial performance and the placement of 296,000,000 new shares at a price of HK$0.55 per placing share during the period, the net asset value per share has improved from HK$0.20 as at 30th June, 2009 and HK$0.24 as at 31st December, 2009 to HK$0.34 at the current period end, representing an upsurge of 70% and 42% respectively.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Segmental Review

Media Related Businesses

For the six months ended 30th June, 2010, the film, television programme and television drama series production, distribution and licensing business brought the Group revenue of HK$109,398,000 with segment profit of HK$39,269,000. The revenue was derived principally from distributing and licensing several television programme and drama series, and a film.

In late March 2010, the Group embarked on a restructuring program on the mobile value-added businesses it had taken over in February 2010. Mobile value-added businesses mainly refers to the provision of personalised information and entertainment services to mobile handset users in the PRC via the internet and other modern telecom technologies in the form of SMS, MMS, WAP, interactive voice response and the like. For the six months ended 30th June, 2010, this line of business brought the Group net revenues of HK$3,974,000 with segment profit of HK$1,045,000 (after netting off amortisation of licenses upon acquisition of HK$1,416,000).

The mobile TV business was another new business operated by the Group through establishment of a jointly controlled entity, namely 人民視訊文化有限公司(RenMinShiXun Culture Company Limited) ("RenMinShiXun"), with 人民網 (RenMinWang) in April 2010. Although the net revenue recognised since April 2010 amounted to HK$620,000 (after the 49% share of RenMinShiXun's results) and a loss of HK$1,033,000 was recorded, the Group believes that there would be a significant growth on this line of business in the second half due to the introduction of a number of exciting and extraordinary contents including the live broadcasting of the English Premier League.

During the six months ended 30th June, 2010, the mobile games business brought the Group revenue of HK$651,000 with segment loss of HK$4,138,000, which was mainly due to the amortisation of the mobile game intangibles acquired upon acquisition.

In May 2010, the Group completed the acquisition of a jointly controlled entity and started its newspaper advertising agency and distribution of Beijing Times. Beijing Times covers more than a 70% share of the morning post retail market in Beijing and has the largest circulation among all morning posts in Beijing. For the two months since the completion of the acquisition, the newspaper advertising agency and distribution businesses contributed to the Group revenue and segment profit of HK$38,747,000 and HK$8,754,000 respectively.

During the period, the Group also carried out advertising intermediary and other agency services embodying the organisation of cultural and artistic exchange activities. These businesses contributed to the Group revenue and segment profit of HK$19,158,000 and HK$17,155,000 respectively for the six months ended 30th June, 2010.

Securities Trading and Investment

For the first half of 2010, the Group's securities trading and investments recorded a segment loss of HK$1,808,000, which was mainly due to the loss from change in fair value of held for trading investments.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Segmental Review *(continued)*

Distribution of Cement Business

For the six months ended 30th June, 2010, the segment revenue and profit from distribution of cement were HK$1,043,000 and HK$7,000 respectively, as compared to HK$247,019,000 and HK$13,265,000 in the same period in 2009, which represent a decrease of 99.6% and 99.9% respectively.

The decline in segment revenue and profit was primarily resulted from the Group's disposal of the manufacturing business of cement and clinker during 2009. Moreover, the significant drop in selling price of cement during the period, mainly owing to decreased demand by virtue of climatic factors, had further squeezed the sales margin, which prevented the Group to actively pursue this business.

Other Businesses

Revenues and profit from other segments including the sales and distribution of magazines and newspapers other than Beijing Times, sales of bottled water, TV programme packaging services and others in the PRC amounted to HK$4,979,000 and HK$1,962,000 respectively during the period ended 30th June, 2010.

As all the media related businesses, securities trading and investment and the other businesses were commenced in either the second half of 2009 or the first half of 2010, there were no comparatives for each of these businesses for the six months ended 30th June, 2009.

Termination of a Discloseable Transaction

As announced on 28th April, 2009, the Company entered into a conditional agreement with an independent third party to acquire the entire issued share capital and a shareholder's loan relating to the 25% registered capital of a Guangxi hotel at an aggregate consideration of RMB26 million (or approximately HK$30 million).

As at 30th August, 2010, being the long stop date as previously extended, certain conditions precedent are still yet to be fulfilled. For the interest of the Group, the Group has reached an agreement with the independent third party that the transaction be ceased and the conditional agreement be terminated. On the same day, the independent third party has repaid the Company RMB12 million (approximately HK$14 million), being the refundable deposit previously paid by the Company for the proposed acquisition.

The Board considers that the termination of the transaction will not affect the businesses and cashflow position of the Group.

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, 2010, the Group maintained cash reserves of HK$105,290,000 (30th June, 2009: HK$69,524,000). As at 30th June, 2010, the equity attributable to equity holders of the Company amounted to HK$621,106,000 (30th June, 2009: HK$267,219,000) with total borrowings of HK$22,989,000 (30th June, 2009: HK$226,446,000).

During the period under review, the Group conducted a placing of 296,000,000 placing shares to independent investors at a price of HK$0.55 per placing share in order to further strengthen its capital base and to expand the Group's media related businesses and investments. The net proceeds of approximately HK$157,901,000 from the placing were used for settlement of the previous acquisitions in the media related businesses and investments and for general working capital of the Group. The placing was completed on 18th May, 2010.

Foreign Exchange Fluctuation

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

Charges on Assets

As at 30th June, 2010, other receivables of HK$23,000,000, while as at 30th June, 2009, buildings, land use rights and short-term bank deposits with respective carrying value of RMB69,300,000 (or HK$78,750,000), HK$16,729,000 and HK$11,364,000 were respectively pledged to an independent third party, and banks and financial institutions as collateral mainly to secure short-term credit facilities granted to the Group.

EMPLOYEES AND REMUNERATION POLICIES

As at 30th June, 2010, the Group, including its subsidiaries and jointly controlled entities but excluding its associates, employed approximately 1,620 (30th June, 2009: 566) employees. The remuneration policies of the Group are based on the prevailing market levels and the performance of the respective group companies and individual employees. These policies are reviewed on a regular basis.

RISK MANAGEMENT

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

PROSPECTS

In the first half of 2010, the Group completed the basic strategic positioning of the three main business units in television drama and film production, newspaper media operation and mobile new media businesses. In the second quarter of 2010, the Group completed its expansion in the mobile TV and mobile value-added businesses, which have started to grow swiftly with sustained growth momentum. Currently, the Group is expanding into other media related businesses, including the internet and broadcast sectors.

Government Policies Supporting Cultural Industry Development

The "Cultural Industry Promotion Plan"(文化產業振興規劃) of the State Council and "The Guidance re Financial Support of Cultural Industries and Revitalisation and Development and Prosperity"(關於金融支持文化產業振興和發展繁榮的指導意見) pronouncement issued together by nine ministries and commissions demonstrates the strategic importance placed on the cultural industry. In a session "Push Forward the Reform of the Cultural System"(深入推進文化體制改革) held this July, the Central Government advanced four major strategies: "Guidance to quicken innovation and reform of the cultural system, establish a public cultural service system, quicken the development of the cultural industry, and strengthen the creation and production of cultural products".

In addition to the favourable Government policies towards the cultural industry, the Group also gained support from the financial and film industries. In June this year, the Group secured a RMB1 billion credit facility from the Bank of Beijing for the development of its core cultural businesses covering the television drama and film production, newspaper media as well as operation of new media businesses. This is by far the largest credit facility granted to a privately held listed company in the cultural industry by a local bank. In the same month, China Film Group Corporation ("CFGC") and the Group established a strategic alliance, under which various audio and visual programming materials will be broadcasted via the Group's mobile TV business and new media platform. These materials include worldwide films for which CFGC owns the copyrights, as well as other audio and visual clips, images and pictures and related new media audio and visual programmes.

Television Drama and Film Production

During the first half of 2010, "The Invincible Mastermind"(智者無敵), the third series of "Heroic Trilogy"(英雄無敵三部曲) which the Group invested and produced, is now going through the final production stage. Contracts have been signed with seven mainstream satellite TV networks and the programme is scheduled to be launched in the fourth quarter this year. The second series "Brave Fighter"(勇者無敵) shown on more than 20 TV stations and on satellite TV in 2009 has been honoured as a "Golden Drama Award" by Beijing TV Station and has been nominated for the "Best Drama Award" under the Golden Eagle Awards. Another drama series "The Heart of Benevolence"(愛在蒼茫大地) is to debut in the second half of 2010. The filming of the new Hai Yan drama "Exclusive Disclosure"(獨家披露) directed by the renowned director Gao Xixi has also started.

In film production, "LAN" (我們天上見) has won a "KNN Movie Award (Audience Award)" at the 14th Pusan International Film Festival, the "Best Film Award" in the "Asian New Talent Award" category at the 13th Shanghai International Film Festival and "Best Actor" and "Best Director" awards at the First Macau International Movie Festival. Another major film "Let the Bullets Fly" is to roll out by the end of this year. This film is directed by Jiang Wen and is headlined by leading actors Chow Yun-Fat, Jiang Wen and Ge You plus a particular appearance by Feng Xiaogang. It is expected to generate strong box office receipts. The Group is also collaborating with CFGC to invest in the production of several new films.

Newspaper Media Operation

Beijing Times grew steadily in the first half of 2010, maintaining its distribution and advertising leadership in Beijing's newspaper industry. It already covered more than a 75% share of the morning post retail market in Beijing in May. According to the information provided by Huicong D&B Market Research, the advertising income of *Beijing Times* exceeded that of all other PRC newspapers in April and May this year and was ranked first in the country in terms of newspaper advertising revenue. In July, the advertising income of *Beijing Times* recorded a year-on-year growth of 36% which was the highest in the country.

The profit contribution from television drama and film production and the advertising and distribution revenue from *Beijing Times* continue to escalate and provide strong cash flows to the Group.

Mobile New Media Business including Mobile TV

The development of mobile TV business has been a key area of focus within the Group's new media segment. After mid-March this year, the Group collaborated with RenMinWang（人民網）formed teams covering professional management, technical, product, operation and business so as to newly revamp the mobile TV business. Since then, the Group has upgraded the content, promotion and activities of the mobile TV business and thus achieved rapid growth. Within three months, the number of monthly subscribers exceeded the original target of the Group. To deliver appealing programming content, the Group has launched popular programmes such as "Fa Zhi Jin Xing Shi Programme"（法制進行時）, "The Premier Time"（首播劇場）and "Princess Maker"（美女夢工廠）and has engaged in cooperation with more than 30 content partners. It has also worked closely with China Mobile TV Base, China Unicom and China Telecom TV Bases. The Group also plans to enrich its mobile TV content with CFGC's copyrighted portfolio and the content jointly produced by itself and CFGC.

In August 2010, the Group obtained the exclusive rights of live broadcast, delayed broadcast and rebroadcast of all English Premier League matches in the next three years' football seasons in Mainland China and Macau. As a result, the Group can broadcast matches through the mobile telecom network of the telecom operators and the mobile multimedia broadcast network of the TV operators, covering a range of broadcast media that utilise mobile communications technology. In September 2010, the Group will first launch the exclusive live mobile broadcast and recorded broadcast of all English Premier League matches throughout the entire football season. It will also broadcast edited TV programming such as English Premier League news, news updates, goals highlights and pre-event reports in order to spread the wildly popular live broadcast of football matches on mobile devices. The mobile TV broadcast of English Premier League matches is set to become the most extraordinary focus of attention due to its content as well as its business promotion in the mobile TV business. The Group will tap into the marketing campaigns of the English Premier League with the objective to boost the number of its mobile TV subscribers explosively.

In mobile value-added services, the Group focused on the development of mobile entertainment to provide high quality content. Through the reformatting of online games, drama, music and reading content, the Group is able to provide and promote digital content that caters for mobile subscribers. For example, the mobile game "刀劍風雲錄", one of the Group's mobile value-added services products, was ranked second among all mobile games nationwide by China Mobile. At present, the Group is actively investing in technical professionals for the development of a non-smart phone distribution platform for access to 浙江閱讀基地, which sets the path for the Group's entry in ebook sector.

The Group's results in mobile games have also improved. Multiplayer mobile network games such as "Twin Castle 2", have been upgraded, and another game "玄鏡" which is under development, is expected to be launched by the end of 2010. Meanwhile, the Group is working closely with the traditional broadcast media on the promotion of these games. Examples include the mobile game version of "球迷狂歡節" developed for CCTV during the FIFA World Cup in South Africa, and the latest mobile game version of "快樂領主光芒之羽" for Hunan Satellite TV.

Company Management and Vision

The Group was able to further bolster its human resources during the past six months. With an influx of professionals including elite talent from domestic mainstream film and television, press, mobile new media and management segments, the Group was able to grow from a workforce of less than 100 before 2010 to a large-scale comprehensive cultural enterprise boasting more than 1,600 employees (including employees in all the jointly controlled entities).

Looking forward to the second half of the year, mobile TV will be the main focus of the Group's business development. The Group will work to rationalize its strategic position in cultural media, internet and television sectors, and further improve the integration of resources, and reinforce the synergies among its business units. Riding on the trend of "Tri-network Integration" in the communications industry and the favourable environment fostered by the government policies on the development of cultural industries, the Group will strive to become a "Tri-network Integrated" enterprise which successfully leverages the convergence in telecommunication, internet and television industries.

"Leading the future through cultural creativity", ChinaVision Media Group will strive to promote the development and prosperity of the cultural and creativity industries under the favourable industry policies and development environment. Employees and management alike will strive our utmost to generate long-term returns for the shareholders as always, and transform the Group into an enterprise which has wide influence internationally.

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES

As at 30th June, 2010, the interests and short positions of the Directors and chief executives of the Company and their associates in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Hong Kong (the "SFO")) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:–

Long Positions in the shares and underlying shares of the Company

	Number of ordinary shares/underlying shares held			
Name of Director	Interests in shares	Interests in underlying shares[2]	Total interests	Approximate percentage of issued shares[1]
Dong Ping	15,530,000[3]	14,100,000	29,630,000	1.63%
Zhao Chao	331,288,020[4]	8,910,000	340,198,020	18.72%
Kong Muk Yin	500,000[3]	3,000,000	3,500,000	0.19%
Chen Ching	–	1,050,000	1,050,000	0.06%
Jin Hui Zhi	–	1,050,000	1,050,000	0.06%
Li Chak Hung	–	1,050,000	1,050,000	0.06%

Notes:

1. The percentage of shareholding has been complied based on the total number of issued ordinary shares of the Company of 1,817,592,564 as at 30th June, 2010.

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 "Share Option Scheme"). Upon exercise of the Share Options in accordance with the 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, 2010, Basic Charm Investment Limited ("Basic Charm"), 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 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, 2010, none of the Directors, the chief executives of the Company nor their 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

Details of the movements of the Share Options granted by the Company pursuant to the 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, 2010**	**Granted during the period**	**Exercised during the period**	**Outstanding as at 30th June, 2010**
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 exercised, cancelled or lapsed.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

As at 30th June, 2010, the following parties had interests or short positions in the shares and underlying shares of the Company as recorded in the register maintained 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]
Zhao Chao	Held by controlled corporation[2] and beneficial owner[3]	340,198,020	18.72%
Rainstone	Held by controlled corporation[2]	331,288,020	18.23%
Basic Charm	Beneficial owner[2]	331,288,020	18.23%
Chen Huiwen	Held by controlled corporation[4]	291,666,666	16.05%
Ideal Growth Investments Limited ("Ideal Growth")	Beneficial owner[4]	291,666,666	16.05%
Yuen Hoi Po	Held by controlled corporation[5]	120,000,000	6.60%
Time Zone Investments Limited ("Time Zone")	Beneficial owner[5]	120,000,000	6.60%

Notes:

1. The percentage of shareholding has been complied based on the total number of issued ordinary shares of the Company of 1,817,592,564 as at 30th June, 2010.

2. As at 30th June, 2010, Basic Charm, a wholly-owned subsidiary of 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.

3. The interest in 8,910,000 Share Options granted to Mr. Zhao Chao pursuant to the Share Option Scheme.

4. The interest in HK$350,000,000 convertible note of the Company held by Ideal Growth giving rise to an interest in 291,666,666 underlying shares of the Company. Ms. Chen Huiwen maintained 100% beneficial interest in Ideal Growth.

5. The interest in HK$120,000,000 convertible note of the Company held by Time Zone giving rise to an interest in 120,000,000 underlying shares of the Company. Mr. Yuen Hoi Po maintained 100% beneficial interest in Time Zone.

Save as disclosed above, as at 30th June, 2010, 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 maintained by the Company under section 336 of the SFO.

CORPORATE GOVERNANCE AND OTHER INFORMATION

CODE ON CORPORATE GOVERNANCE PRACTICES

During the six months ended 30th June, 2010, the Company has applied the principles of, and complied with, the applicable code provisions of the Code on Corporate Governance Practices (the "CG Code") as set out 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 Provisions B.1.3 and C.3.3

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

The terms of reference of the remuneration committee (the "Remuneration Committee") adopted by the Company are in compliance with the code provision B.1.3 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 terms of reference of the audit committee (the "Audit Committee") adopted by the Company are in compliance with the code provision C.3.3 except that the Audit Committee (i) should recommend (as opposed to implement under the code provision) the policy on the engagement of the external auditor to supply non-audit services; (ii) only possesses the effective ability to scrutinise (as opposed to ensure under the code provision) whether management has discharged its duty to have an effective internal control system; and (iii) can promote (as opposed to ensure under the code provision) the coordination between the internal and external auditors, and check (as opposed to ensure under the code provision) whether the internal audit function is adequately resourced.

The reasons for the above deviations are set out in the section headed "Corporate Governance Report" contained in the Company's annual report for the financial year ended 31st December, 2009. The Board considers that the Remuneration Committee and the Audit Committee should continue to operate according to the terms of reference adopted by the Company. The Board will review the terms at least annually and make appropriate changes if considered necessary.

COMPLIANCE WITH 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, 2010.

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, 2010.

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

Hong Kong, 30th August, 2010

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