中國東方文化集團有限公司

China Oriental Culture Group Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2371)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2012

The board (the "Board") of directors (the "Directors") of China Oriental Culture Group Limited (the "Company") hereby announces the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2012, together with the comparative audited figures for the year ended 31 December 2011 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

		2012	2011
	Notes	***RMB'000***	*RMB'000*
Continuing operations			
Turnover	*3*	**22,748**	58,169
Revenue	*3*	**22,748**	38,220
Cost of sales and services		**(667,237)**	(81,875)
Gross loss		**(644,489)**	(43,655)
Other income	*4*	**4,031**	63
Selling and marketing expenses		**(805)**	(751)
Administrative expenses		**(42,425)**	(67,411)
Loss on disposal of held-for-trading investments		**–**	(1,211)
Provision for a claim		**(7,500)**	–
Impairment loss recognised on amount due from an associate		**–**	(15,483)
Increase (decrease) in fair value of derivative financial instruments		**1,384**	(3,666)
Share of results of an associate		**–**	(1,532)
Finance costs	*5*	**(8,810)**	(16,526)
Loss before tax		**(698,614)**	(150,172)
Income tax expense	*6*	**(3,622)**	–
Loss for the year from continuing operations		**(702,236)**	(150,172)

	Notes	**2012** *RMB'000*	2011 *RMB'000*
Discontinued operations			
Profit for the year from discontinued operations		**–**	3,331
Loss for the year	*7*	**(702,236)**	(146,841)
Other comprehensive income			
Exchange differences arising on translation and other comprehensive income for the year		**(702)**	756
Total comprehensive expense for the year		**(702,938)**	(146,085)
(Loss) profit for the year attributable to owners of the Company			
– from continuing operations		**(701,309)**	(149,171)
– from discontinued operations		**–**	3,331
Loss for the year attributable to owners of the Company		**(701,309)**	(145,840)
Loss for the year attributable to non-controlling interests			
– from continuing operations		**(927)**	(1,001)
– from discontinued operations		**–**	–
Loss for the year attributable to non-controlling interests		**(927)**	(1,001)
		(702,236)	(146,841)
Total comprehensive expense attributable to:			
Owners of the Company		**(702,011)**	(145,084)
Non-controlling interests		**(927)**	(1,001)
		(702,938)	(146,085)
(Loss) earnings per share	*9*		
From continuing operations			
Basic and diluted (RMB cents)		**(35.34)**	(8.49)
From discontinued operations			
Basic and diluted (RMB cents)		**–**	0.19
From continuing and discontinued operations			
Basic and diluted (RMB cents)		**(35.34)**	(8.30)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
Non-current assets			
Plant and equipment		**6,909**	11,271
Intangible assets	10	**3,395**	653,024
Goodwill	11	**18,262**	18,463
Interest in an associate		**–**	–
Deposit paid for acquisition of an intangible asset		**–**	–
Prepayment for a mobile media project		**–**	–
Available-for-sale investments		**2,006**	2,029
		30,572	684,787
Current assets			
Trade and other receivables	12	**35,336**	37,601
Amount due from an associate		**7,095**	10,843
Amount due from non-controlling interest holder		**203**	203
Income tax recoverable		**–**	9
Bank balances and cash		**19,965**	18,194
		62,599	66,850
Current liabilities			
Trade and other payables	13	**16,208**	10,392
Amount due to a director		**240**	12
Provision for a claim		**7,500**	–
Income tax payable		**3,559**	–
Other borrowings		**18,000**	18,325
Convertible loan notes	14	**6,413**	–
Derivative financial liabilities		**7,254**	11,587
		59,174	40,316
Net current assets		**3,425**	26,534
Total assets less current liabilities		**33,997**	711,321
Capital and reserves			
Share capital		**178,517**	171,828
Reserves		**(187,907)**	500,995
Equity attributable to owners of the Company		**(9,390)**	672,823
Non-controlling interests		**(132)**	795
Total equity		**(9,522)**	673,618
Non-current liability			
Convertible loan notes	14	**43,519**	37,703
		33,997	711,321

NOTES:

1. BASIS OF PREPARATION

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

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The consolidated financial statements have been prepared on a going concern basis notwithstanding that the Group had capital deficiency of approximately RMB9,522,000 as at 31 December 2012 and incurred loss of approximately RMB702,236,000 for the year ended 31 December 2012. In the opinion of the directors of the Company, the Group should be able to maintain itself as a going concern within the next twelve months from the end of the reporting period by taking into consideration the proposed arrangements which include, but are not limited to, the following:

(a) the directors of the Company anticipate that the Group will continually generate positive cash flows from its businesses;

(b) subsequent to the end of the reporting period, an aggregate balance of approximately RMB2,432,000 of liability component of convertible loan notes has been released upon the conversion of convertible loan notes issued on 23 June 2011 with an aggregate principal amount of RMB2,500,000 into approximately 10,663,000 ordinary shares of HK$0.1 each at the conversion price of HK$0.29 per share;

(c) subsequent to the end of the reporting period, an aggregate balance of approximately RMB12,285,000 of liability component of convertible loan notes has been released upon the conversion of convertible loan notes issued on 10 December 2012 with an aggregate principal amount of HK$15,000,000 (equivalent to approximately RMB12,038,000) into approximately 53,381,000 ordinary shares of HK$0.1 each at the conversion price of HK$0.281 per share; and

(d) personal guarantee provided by a substantial shareholder to support the Group financially and operationally as a going concern and agree to provide additional funds of not less than RMB40,000,000 to the Group to meet in full its financial obligation as they fall due within the twelve months from the end of the reporting period. The directors of the Company consider the substantial shareholder has financial ability to provide such financial support to the Group.

The directors of the Company consider that the Group will have sufficient working capital to meet its financial obligations as and when they fall due within the next twelve months from the end of the reporting period. Accordingly, the directors of the Company are satisfied that it is appropriate to prepare these consolidated financial statements on a going concern basis. The consolidated financial statements do not include any adjustments relating to the carrying amount and reclassification of assets and liabilities that might be necessary should the Group be unable to continue as a going concern.

2. APPLICATION OF NEW AND REVISED HKFRSs

In the current year, the Group has applied the following new and revised HKFRSs issued by the HKICPA.

Amendments to HKFRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
Amendments to HKFRS 7	Financial Instruments: Disclosures – Transfers of Financial Assets
Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Asset

The directors of the Company anticipate that the application of the above amendments to HKFRSs has had no material impact on the Group's financial performance and position for the current and prior years and / or on the disclosures set out in these consolidated financial statements.

New and revised HKFRSs issued but not yet effective

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

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009 – 2011 Cycle[2]
Amendments to HKFRS 1	First-time Adoption of HKFRSs – Government Loans[2]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[4]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[2]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[3]
HKFRS 9	Financial Instruments[4]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
HKAS 19 (as revised in 2011)	Employee Benefits[2]
HKAS 27 (as revised in 2011)	Separate Financial Statements[2]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[2]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[1]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[3]
HK(IFRIC)* – Interpretation ("Int") 20	Stripping Costs in the Production Phase of a Surface Mine[2]

* HK(IFRIC) represents the Hong Kong (International Financial Reporting Interpretation Committee)

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

Annual Improvements to HKFRSs 2009 – 2011 Cycle issued in June 2012

The Annual Improvements to HKFRSs 2009 – 2011 Cycle include a number of amendments to various HKFRSs. The amendments are effective for annual periods beginning on or after 1 January 2013. Amendments to HKFRSs include the amendments to HKAS 1 Presentation to Financial Statements, the amendments to HKAS 16 Property, Plant and Equipment and the amendments to HKAS 32 Financial Instruments: Presentation.

The amendments to HKAS 1 clarify that an entity is required to present a third statement of financial position only when the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position and that related notes are not required to accompany the third statement of financial position.

The amendments to HKAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in HKAS 16 and as inventory otherwise. The directors of the Company do not anticipate that the application of the amendments will have a material effect on the Group's consolidated financial statements.

The amendments to HKAS 32 clarify that income tax on distributions to holders of an equity instrument and transaction costs of an equity transaction should be accounted for in accordance with HKAS 12 Income Taxes. The directors of the Company anticipate that the amendments to HKAS 32 will have no effect on the Group's consolidated financial statements as the Group has already adopted this treatment.

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities and amendments to HKFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities

The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments to HKFRS 7 are effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should also be provided retrospectively for all comparative periods. However, the amendments to HKAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

The directors of the Company anticipate that the application of these amendments to HKAS 32 and HKFRS 7 may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

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

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

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

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

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

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

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements. HK (SIC) – Int 12 Consolidation – Special Purpose Entities will be withdrawn upon the effective date of HKFRS 10. Under HKFRS 10, there is only one basis for consolidation, that is, control. In addition, HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios. Overall, the application of HKFRS 10 requires a lot of judgement. The application of HKFRS 10 is not expected to change any of the control conclusions reached by the Group in respect of its investment with other entities as at 1 January 2013.

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

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

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

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

The directors of the Company do not anticipate that the application of these five standards will have a significant impact on amounts reported in the consolidated financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 Investment Entities

The amendments to HKFRS 10 introduce an exception to consolidating subsidiaries for an investment entity, except where the subsidiaries provide services that relate to the investment entity's investment activities. Under the amendments to HKFRS 10, an investment entity is required to measure its interests in subsidiaries at fair value through profit or loss.

To qualify as an investment entity, certain criteria have to be met. Specifically, an entity is required to:

- obtain funds from one or more investors for the purpose of providing them with professional investment management services;
- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments to HKFRS 12 and HKAS 27 have been made to introduce new disclosure requirements for investment entities.

The amendments to HKFRS 10, HKFRS 12 and HKAS 27 are effective for annual periods beginning on or after 1 January 2014, with early application permitted. The directors of the Company anticipate that the application of the amendments will have no effect on the Group as the Company is not an investment entity.

HKFRS 13 Fair Value Measurement

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

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. The directors of the Company anticipate that the application of the new standard may affect certain amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

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

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

3. TURNOVER AND SEGMENT INFORMATION

An analysis of the Group's turnover for the year from continuing operations is as follows:

	2012	2011
	RMB'000	*RMB'000*
Advertising media income	**10,240**	38,078
Consultancy service income and TV programmes distribution services income	**12,508**	142
Sales of third party software and hardware	**–**	–
Gross proceeds from trading of securities	**–**	19,949
	22,748	58,169

Information reported to the board of directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

1. Advertising media – provision of advertising services in respect of placing advertisements on the outdoor billboards and light-emitting diode ("LED") screens of the Group to advertisers and advertising agencies;

2. Other media – provision of consultancy and media business operation services and TV programmes distribution services;

3. Sales of third party software and hardware – provision of third party operational supporting system (OSS) software and hardware; and

4. Securities trading – trading of financial assets at fair value through profit or loss.

During the year ended 31 December 2011, there was a new reportable and operating segment regarding other media business upon the acquisition of a subsidiary.

Operating segments regarding the sales of self-developed software and maintenance, training and other services were discontinued during the year ended 31 December 2011. The segment information reported on the next pages does not include any amounts for these discontinued operations.

Segment revenue and results

The following is an analysis of the Group's revenue and results from continuing operations by reportable and operation segment.

For the year ended 31 December 2012

Continuing operations

	Advertising media *RMB'000*	Other media *RMB'000*	Sales of third party software and hardware *RMB'000*	Securities trading *RMB'000*	Total *RMB'000*
REVENUE					
External sales	**10,240**	**12,508**	**–**	**–**	**22,748**
Segment loss	**(638,773)**	**(27,592)**	**–**	**–**	**(666,365)**
Increase in fair value of derivative financial instruments					**1,384**
Unallocated other income					**31**
Unallocated corporate expenses					**(24,854)**
Finance costs					**(8,810)**
Loss before tax (continuing operations)					**(698,614)**

For the year ended 31 December 2011

Continuing operations

	Advertising media *RMB'000*	Other media *RMB'000*	Sales of third party software and hardware *RMB'000*	Securities trading *RMB'000*	Total *RMB'000*
REVENUE					
External sales	38,078	142	–	–	38,220
Segment loss	(58,060)	(3,180)	–	(1,211)	(62,451)
Share of results of an associate					(1,532)
Impairment loss recognised on amount due from an associate					(15,483)
Decrease in fair value of derivative financial instruments					(3,666)
Unallocated other income					63
Unallocated corporate expenses					(50,577)
Finance costs					(16,526)
Loss before tax (continuing operations)					(150,172)

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment loss represents the loss from each segment without allocation of central administration costs, directors' emoluments, interest income, share of results of an associate, impairment loss recognised on amount due from an associate, increase / decrease in fair value of derivative financial instruments, finance costs, gain on bargain purchase of a subsidiary, write off of certain plant and equipment and depreciation of certain plant and equipment. This is the measure reported to the board of directors of the Company, being the chief operating decision maker, for the purposes of resources allocation and performance assessment.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segment:

	2012	2011
	RMB'000	*RMB'000*
Segment assets		
Continuing operations		
Advertising media	**6,305**	632,714
Other media	**26,726**	59,207
Sales of third party software and hardware	**–**	–
Securities trading	**–**	–
Total segment assets	**33,031**	691,921
Assets relating to discontinued operations	**–**	–
Unallocated corporate assets	**60,140**	59,716
Consolidated assets	**93,171**	751,637
Segment liabilities		
Continuing operations		
Advertising media	**11,276**	4,923
Other media	**100**	–
Sales of third party software and hardware	**–**	–
Securities trading	**–**	–
Total segment liabilities	**11,376**	4,923
Liabilities relating to discontinued operations	**–**	–
Unallocated corporate liabilities	**91,317**	73,096
Consolidated liabilities	**102,693**	78,019

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than certain plant and equipment, interest in an associate, available-for-sale investments, amount due from an associate, amount due from non-controlling interest holder, certain other receivables, income tax recoverable and bank balances and cash; and

- all liabilities are allocated to operating segments other than certain other payables, amount due to a director, income tax payable, other borrowings, derivative financial liabilities and convertible loan notes.

Other segment information

For the year ended 31 December 2012

Continuing operations

	Advertising media	Other media	Sales of third party software and hardware	Securities trading	Unallocated	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Amounts included in the measure of segment loss or segment assets:						
Additions to non-current assets *(Note)*	**2**	**32**	**–**	**–**	**276**	**310**
Depreciation and amortisation	**35,971**	**4,362**	**–**	**–**	**1,622**	**41,955**
Impairment loss recognised on intangible assets	**574,877**	**35,937**	**–**	**–**	**–**	**610,814**
Impairment loss recognised on trade and other receivables	**7,810**	**2,157**	**–**	**–**	**–**	**9,967**
Write off of other receivable	**–**	**–**	**–**	**–**	**381**	**381**
Write off of plant and equipment	**–**	**–**	**–**	**–**	**9**	**9**
Impairment loss recognised on plant and equipment	**1,017**	**–**	**–**	**–**	**–**	**1,017**
Provision for a claim	**7,500**	**–**	**–**	**–**	**–**	**7,500**
Write off of other payable	**–**	**(3,000)**	**–**	**–**	**–**	**(3,000)**
Reversal of impairment loss in respect of other receivable	**(1,000)**	**–**	**–**	**–**	**–**	**(1,000)**
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment loss or segment assets:						
Interest in an associate	**–**	**–**	**–**	**–**	**–**	**–**
Interest income	**–**	**–**	**–**	**–**	**(16)**	**(16)**
Interest expenses	**–**	**–**	**–**	**–**	**8,810**	**8,810**
Share-based payment expenses	**–**	**–**	**–**	**–**	**127**	**127**
Increase in fair value of derivative financial liabilities	**–**	**–**	**–**	**–**	**(1,384)**	**(1,384)**

For the year ended 31 December 2011

Continuing operations

	Advertising media *RMB'000*	Other media *RMB'000*	Sales of third party software and hardware *RMB'000*	Securities trading *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
Amounts included in the measure of segment loss or segment assets:						
Additions to non-current assets *(Note)*	3,915	64,713	–	–	2,463	71,091
Depreciation and amortisation	35,724	3,326	–	–	1,347	40,397
Impairment loss recognised on an intangible asset	1,195	–	–	–	–	1,195
Impairment loss recognised on deposit paid for acquisition of an intangible asset	8,545	–	–	–	–	8,545
Impairment loss recognised on prepayment for a mobile media project	5,000	–	–	–	–	5,000
Impairment loss recognised on other receivables	1,000	–	–	–	436	1,436
Loss on disposal of held-for-trading investments	–	–	–	1,211	–	1,211
Write off of plant and equipment	490	–	–	–	37	527
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment loss or segment assets:						
Interest in an associate	–	–	–	–	–	–
Share of result of an associate	–	–	–	–	1,532	1,532
Interest income	–	–	–	–	(31)	(31)
Interest expenses	–	–	–	–	16,526	16,526
Share-based payment expenses	–	–	–	–	16,588	16,588
Impairment loss recognised on amount due from an associate	–	–	–	–	15,483	15,483
Decrease in fair value of derivative financial liabilities	–	–	–	–	3,666	3,666

Note: Non-current assets excluded available-for-sale investments.

Revenue from major products and services

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

	2012	2011
	RMB'000	*RMB'000*
Advertising media income	**10,240**	38,078
Consultancy service income and TV programmes distribution services income	**12,508**	142
	22,748	38,220

Geographical information

The Group's operations are located in the PRC and Hong Kong.

Information about the Group's revenue from continuing operations from external customers is presented based on the location of the operations. Information about the Group's non-current assets is presented based on the geographical location of the assets.

	Revenue from external customers		**Non-current assets**	
	2012	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
PRC	**22,748**	38,220	**24,598**	677,376
Hong Kong	**–**	–	**3,968**	5,382
	22,748	38,220	**28,566**	682,758

Note: Non-current assets excluded available-for-sale investments.

Information about major customers

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

	2012 *RMB'000*	2011 *RMB'000*
Customer A[1]	**4,142**	4,008
Customer B[1]	**N/A**[2]	11,587
Customer C[1]	**N/A**[2]	8,116

[1] Revenue from advertising media.
[2] The corresponding revenue did not contribute over 10% of the total revenue of the Group.

4. OTHER INCOME

	2012 *RMB'000*	2011 *RMB'000*
Continuing operations		
Write off of other payables	**3,000**	27
Reversal of impairment loss in respect of other receivable	**1,000**	–
Interest income	**16**	31
Gain on bargin purchase of a subsidiary	**12**	–
Others	**3**	5
	4,031	63

5. FINANCE COSTS

	2012 *RMB'000*	2011 *RMB'000*
Continuing operations		
Interest on other borrowings wholly repayable within five years	**381**	415
Effective interest expenses on convertible loan notes *(Note 14)*	**8,429**	16,111
	8,810	16,526

6. INCOME TAX EXPENSE

	2012 *RMB'000*	2011 *RMB'000*
PRC Enterprise Income Tax		
– current year	**3,622**	–

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of all PRC subsidiaries is 25% for both years.

Provision for PRC Enterprise Income Tax is made for the year ended 31 December 2012 based on the estimated assessable profit derived from the PRC while no provision for PRC Enterprise Income Tax was made for the year ended 31 December 2011 as there was no estimated assessable profit derived from the PRC.

Hong Kong Profits Tax was calculated at 16.5% of the estimated assessable profit for both years. No provision for Hong Kong Profits Tax has been made for the two years ended 31 December 2012 as the Group did not have any assessable profit subject to Hong Kong Profits Tax for both years.

Pursuant to the laws and regulations of the Cayman Islands and the British Virgin Islands (the "BVI"), the Group is not subject to any income tax in the Cayman Islands and the BVI.

7. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging:

	2012	2011
	RMB'000	*RMB'000*
Continuing operations		
Directors' emoluments	**2,275**	7,723
Other staff costs (excluding directors' emoluments)	**6,105**	6,346
Share-based payment expenses (excluding directors' emoluments)	**–**	4,263
Retirement benefits scheme contributions (excluding directors' emoluments)	**304**	340
Total staff costs	**8,684**	18,672
Auditor's remuneration	**561**	498
Share-based payment expenses granted to consultants *(Note)*	**–**	7,676
Depreciation for plant and equipment	**3,586**	3,059
Amortisation of intangible assets (included in cost of sales and services)	**38,369**	37,338
Impairment loss recognised on trade and other receivables	**9,967**	1,436
Write off of other receivable	**381**	–
Net foreign exchange losses	**17**	234
Impairment loss recognised on intangible assets (included in cost of sales and services)	**610,814**	1,195
Impairment loss recognised on deposit paid for acquisition of an intangible asset (included in administrative expenses)	**–**	8,545
Impairment loss recognised on prepayment for a mobile media project (included in administrative expenses)	**–**	5,000
Impairment loss recognised on plant and equipment	**1,017**	–
Write off of plant and equipment	**9**	527
Operating lease rentals in respect of rented premises	**8,817**	6,636

Note: It represents share options granted to external consultants in exchange for services rendered to the Group.

8. DIVIDEND

No dividend was paid or proposed during the year ended 31 December 2012, nor has any dividend been proposed since the end of the reporting period (2011: Nil).

9. (LOSS) EARNINGS PER SHARE

For continuing and discontinued operations

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

	2012	2011
Loss	***RMB'000***	*RMB'000*
Loss for the year attributable to owners of the Company	**(701,309)**	(145,840)

	2012	2011
Number of shares	***'000***	*'000*
Weighted average number of ordinary shares for the purpose of basis loss per share	**1,984,410**	1,757,641

From continuing operations

The calculation of the basic and diluted loss per share from continuing operations attributable to the owners of the Company is based on the following data:

Loss figures are calculated as follows:

	2012	2011
	RMB'000	*RMB'000*
Loss for the year attributable to the owners of the Company	**(701,309)**	(145,840)
Less: Profit for the year from discontinued operations	**–**	3,331
Loss for the purpose of basic and diluted loss per share from continuing operations	**(701,309)**	(149,171)

The computation of diluted loss per share does not assume the exercise of the Company's share options / non-listed warrants because the exercise price of those share options / non-listed warrants were higher than the average market price for shares; and does not assume the conversion of the Company's outstanding convertible loan notes since their exercise would result in a decrease in loss per share from the continuing operations for 2012 and 2011.

Diluted loss per share was the same as the basis loss per share as there were no potential dilutive ordinary shares outstanding on share options / non-listed warrants and convertible loan notes for the years ended 31 December 2012 and 2011.

From discontinued operations

For the year ended 31 December 2011, earnings per share for the discontinued operations is RMB0.19 cents per share (2012: Nil), based on the profit for the year from the discontinued operations of approximately RMB3,331,000 (2012: Nil) and the denominators detailed above for both basic and diluted earnings per share.

10. INTANGIBLE ASSETS

	LED displays advertising right	**Consultancy service contracts**	**Other advertising right**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Note i)	*(Note ii)*	*(Note iii)*	
COST				
At 1 January 2011	680,320	–	–	680,320
Acquired on acquisition of a subsidiary	–	45,589	–	45,589
Transfer from deposit paid for acquisition of an intangible asset	–	–	1,229	1,229
Exchange realignment	–	(1,550)	(41)	(1,591)
At 31 December 2011	680,320	44,039	1,188	725,547
Exchange realignment	–	(479)	(13)	(492)
At 31 December 2012	680,320	43,560	1,175	725,055
AMORTISATION AND IMPAIRMENT				
At 1 January 2011	34,016	–	–	34,016
Provided for the year	34,016	3,322	–	37,338
Impairment loss recognised	–	–	1,195	1,195
Exchange realignment	–	(19)	(7)	(26)
At 31 December 2011	68,032	3,303	1,188	72,523
Provided for the year	34,016	4,353	–	38,369
Impairment loss recognised	574,877	35,937	–	610,814
Exchange realignment	–	(33)	(13)	(46)
At 31 December 2012	676,925	43,560	1,175	721,660
CARRYING VALUES				
At 31 December 2012	3,395	–	–	3,395
At 31 December 2011	612,288	40,736	–	653,024

Notes:

(i) LED displays advertising right represents the operating right to operate outdoor advertising LED displays business in the PRC. The operating right was acquired through acquisition of the entire issued share capital of Precious Luck Enterprises Limited ("Precious Luck") during the year ended 31 December 2010.

The intangible asset is amortised on a straight-line basis over its estimated useful lives of 20 years.

During the year ended 31 December 2012, the directors of the Company considered the LED outdoor advertising business had slowed down and decided to change the business operation during the year. Due to the change in the operating environment in the PRC and the difficulty in the procurement of good location LED boards in major cities in the PRC. The change in business plan led to a worse financial performance from the LED advertising business than expected. As a result, the Group recognised an impairment loss of approximately RMB574,877,000 (2011: Nil) in relation to LED display advertising right.

(ii) Consultancy service contracts represent exclusive consultancy service agreements for media business obtained through the acquisition of the entire issued share capital of Bold Champion International Limited ("Bold Champion") on 25 March 2011.

The intangible asset is amortised on a straight-line basis over its estimated useful lives of 10 years according to the terms of the consultancy service contracts.

During the year ended 31 December 2012, the Group recognised an impairment loss of approximately RMB35,937,000 (2011: Nil) in relation to consultancy service contracts as the directors of the Group expected that there is a significant decline in income derived from providing consultancy services upon the change in business plan of its customers during the year ended 31 December 2012 of which no profit would be expected to be generated in foreseeable future.

(iii) Other advertising right represents fees paid to obtaining the exclusive operating right for advertising billboards located on highways in Hebei Province, the PRC. Other advertising right is measured initially at purchase cost and amortised on a straight-line basis over their estimated useful lives of 10 years, less any impairment losses.

11. GOODWILL

	RMB'000
COST	
Arising on acquisition of a subsidiary	19,113
Exchange realignment	(650)
At 31 December 2011	18,463
Exchange realignment	(201)
At 31 December 2012	18,262
CARRYING VALUE	
At 31 December 2012	18,262
At 31 December 2011	18,463

Goodwill was arising on the acquisition of Bold Champion during the year ended 31 December 2011.

12. TRADE AND OTHER RECEIVABLES

	2012	2011
	RMB'000	*RMB'000*
Trade receivables	**15,400**	5,045
Less: impairment loss recognised	**(6,967)**	–
	8,433	5,045
Other receivables	**4,923**	1,838
Less: impairment loss recognised	**(429)**	(1,436)
	4,494	402
Deposits	**25,232**	25,467
Less: impairment loss recognised	**(3,000)**	–
	22,232	25,467
Prepayments	**177**	6,687
	35,336	37,601

The Group does not hold any collateral over these receivables.

Trade receivable are due according to the terms on the relevant contacts as at 31 December 2012. The Group allows an average credit period of 30 to 60 days to certain trade customers as at 31 December 2011. The following is an aged analysis of trade receivables net of impairment losses presented based on the invoice date at the end of reporting period.

	2012	2011
	RMB'000	*RMB'000*
Within 30 days	**4,832**	5,045
31 to 60 days	**3,375**	–
Over 365 days	**226**	–
	8,433	5,045

13. TRADE AND OTHER PAYABLES

	2012	2011
	RMB'000	*RMB'000*
Trade payables	**3,715**	3,316
Other payables	**3,663**	2,989
Receipts in advance	**161**	1,607
Accruals	**8,669**	2,480
	16,208	10,392

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

	2012	2011
	RMB'000	*RMB'000*
Within 30 days	**100**	–
31 to 60 days	**205**	3,316
181 to 365 days	**3,410**	–
	3,715	3,316

The trade payables were due according to the terms on the relevant contracts. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

14. CONVERTIBLE LOAN NOTES

(i) On 2 January 2010, the Company issued zero-coupon convertible loan notes with an aggregate principal amount of HK$756,000,000 (equivalent to approximately RMB659,262,000) (the "2010 Convertible Loan Notes") as partial settlement for the acquisition consideration of Precious Luck. The 2010 Convertible Loan Notes are denominated in HK$ and entitle the holders to convert them into ordinary shares of the Company at any time between the date of issue of the 2010 Convertible Loan Notes and their settlement date on 1 January 2015 at an initial conversion price of HK$0.519, subject to adjustments, per convertible loan note. If the 2010 Convertible Loan Notes have not been converted, it will be redeemed on 1 January 2015 at par.

The 2010 Convertible Loan Notes contain two components, liability and equity components. The equity component is presented in equity heading ("convertible loan notes equity reserve"). The effective interest rate of the liability component is 25% per annum.

The movement of the liability and equity components of the 2010 Convertible Loan Notes is set out below:

	Liability component	Equity component	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2011	73,129	104,877	178,006
Effective interest expenses *(Note 5)*	13,601	–	13,601
Conversion during the year	(62,765)	(75,977)	(138,742)
Exchange realignment	(5,995)	–	(5,995)
At 31 December 2011	17,970	28,900	46,870
Effective interest expenses *(Note 5)*	3,143	–	3,143
Conversion during the year	(6,966)	(8,695)	(15,661)
Exchange realignment	(199)	–	(199)
At 31 December 2012	13,948	20,205	34,153

(ii) On 23 June 2011, the Company issued 8% convertible loan notes with an aggregate principal amount of RMB25,000,000 (the "2011 Convertible Loan Notes"). The 2011 Convertible Loan Notes are denominated in RMB and entitle the holders to convert them into ordinary shares of the Company at any time between the date of issue of the 2011 Convertible Loan Notes and their settlement date on 22 June 2013 at an initial conversion price of HK$0.49, subject to adjustments, per convertible loan note. If the 2011 Convertible Loan Notes have not been converted, it will be redeemed on 22 June 2013 at par. The 2011 Convertible Loan Notes shall carry an interest of 8% per annum payable quarterly.

On 3 January 2012, the conversion price in force of the 2011 Convertible Loan Notes has been reset to HK$0.29 per conversion share due to the closing prices per share of the Company as quoted on the Stock Exchange for any five consecutive trading days at any time after the first six months from the date of issue of 2011 Convertible Loan Notes are less than the conversion price in force (i.e. HK$0.49 per conversion share), then the conversion price of the 2011 Convertible Loan Notes shall be reset at 80.1% of the average of the closing prices (or the par value of ordinary share of the Company if it is higher). The conversion price of the 2011 Convertible Loan Notes shall only be reset once. Details of which are set out in the announcement of the Company dated 3 January 2012.

The 2011 Convertible Loan Notes contain two components, liability component and conversion option derivative. The conversion option is classified as conversion option derivative as the 2011 Convertible Loan Notes will be settled other than by the exchange of a fixed amount of cash or another financial asset (i.e. principal amount denominated in RMB) for a fixed number of the Company's own equity instruments (i.e. ordinary share denominated in HK$). The effective interest rate of the liability component is 25.26% per annum. The conversion option derivative is measured at fair value with changes in fair value recognised in profit or loss.

The movement of the liability component and conversion option derivative of the 2011 Convertible Loan Notes is set out below:

	Liability component *RMB'000*	**Conversion option derivative** *RMB'000*	**Total** *RMB'000*
Issue of convertible loan notes during the year	18,625	6,375	25,000
Effective interest expenses *(Note 5)*	2,510	–	2,510
Interest paid during the year	(1,000)	–	(1,000)
Loss arising on changes of fair value	–	1,018	1,018
Exchange realignment	(402)	(146)	(548)
At 31 December 2011	19,733	7,247	26,980
Effective interest expenses *(Note 5)*	5,163	–	5,163
Interest paid during the year	(1,790)	–	(1,790)
Gain arising on changes of fair value	–	(947)	(947)
Conversion during the year	(6,792)	(3,044)	(9,836)
Exchange realignment	(282)	(69)	(351)
At 31 December 2012	16,032	3,187	19,219

(iii) On 10 December 2012, the Company issued 10% convertible loan notes with an aggregate principal amount of HK$25,000,000 (equivalent to approximately RMB20,000,000) (the "2012 Convertible Loan Notes"). The 2012 Convertible Loan Notes are denominated in HK$ and entitle the holders to convert them into ordinary shares of the Company at any time between the date of issue of the 2012 Convertible Loan Notes and their settlement date on 9 December 2014 at an initial conversion price of HK$0.281, subject to adjustments, per convertible loan note. If the 2012 Convertible Loan Notes have not been converted, it will be redeemed on 9 December 2014 at par. The 2012 Convertible Loan Notes shall carry on an interest of 10% per annum, payable quarterly.

The 2012 Convertible Loan Notes contain two components, liability component and conversion option derivative. The conversion option is classified as conversion option derivative as the 2012 Convertible Loan Notes will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments. The conversion price will be adjusted based on prescribed formulas upon certain events happened. The effective interest rate of the liability component is 10.68% per annum. The conversion option derivative is measured at fair value with changes in fair value recognised in profit or loss.

The movement of the liability component and conversion option derivative of the 2012 Convertible Loan Notes is set out below:

	Liability component	**Conversion option derivative**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Issue of convertible loan notes during the year	19,765	235	20,000
Effective interest expenses *(Note 5)*	123	–	123
Loss arising on changes of fair value	–	43	43
Exchange realignment	64	1	65
At 31 December 2012	19,952	279	20,231

The following in an analysis of convertible loan notes for financial reporting purposes:

	2010 Convertible Loan Notes	**2011 Convertible Loan Notes**	**2012 Convertible Loan Notes**	**2012**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-current liabilities	13,948	9,619	19,952	43,519	37,703
Current liabilities	–	6,413	–	6,413	–
	13,948	16,032	19,952	49,932	37,703

During the year ended 31 December 2012, two of the 2011 Convertible Loan Notes holders have agreed to either convert the 2011 Convertible Loan Notes into fully paid ordinary shares of the Company on or before the 22 June 2013 or roll over the 2011 Convertible Loan Notes to another one year period ending 22 June 2014. Accordingly, the liability component of 2011 Convertible Loan Notes of approximately RMB9,619,000 is classified as non-current liabilities while the remaining portion of the liability component of approximately RMB6,413,000 is classified as current liabilities as no extension confirmation is obtained.

EXTRACTS FROM INDEPENDENT AUDITOR'S REPORT

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

Emphasis of matter – material uncertainty regarding the going concern assumption

Without qualifying our opinion, we draw your attention to Note 2 to the consolidated financial statements concerning the adoption of the going concern basis on which the consolidated financial statements have been prepared. As at 31 December 2012, the Group had capital deficiency of approximately RMB9,522,000 and incurred loss of approximately RMB702,236,000 for the year ended 31 December 2012. These conditions indicated the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the year ended 31 December 2012, the Group recorded a turnover of approximately RMB22,748,000 (2011: approximately RMB58,169,000), representing a decrease of 60.9% as compared to that of last year. Of these, turnover derived from advertising media income and consultancy service income and TV programmes distribution services income were approximately RMB10,240,000 and RMB12,508,000 respectively (2011: approximately RMB38,078,000 and RMB142,000 respectively).

Administrative expenses for the year ended 31 December 2012 was approximately RMB42,425,000 (2011: approximately RMB67,411,000), representing a decrease of 37.1% as compared to that of last year. The decrease in expenses was mainly due to the saving in the staff cost and the share-based payment expenses granted.

The loss for the year attributable to owners of the Company aggregated at approximately RMB701,309,000 (2011: approximately RMB145,840,000). The basic loss per share for the year ended 31 December 2012 was RMB35.34 cents (2011: RMB8.30 cents).

Business Review

The Group is principally engaged in the provision of advertising and consultancy services in respect of placing advertisements on the outdoor billboards and LED screens of the Group to advertisers and advertising agencies.

The Chinese economy showed signs of a slowdown due to the uncertainties about the European sovereign debt crisis and the sluggish economic recovery in the United States throughout the year 2012. The unfavourable domestic climate created a challenging operating environment for the advertising industry and our core advertising media business as well, for instance, the provision of advertising and consultancy services in respect of placing advertisements on the outdoor billboards, LED screens and direct mail magazine of the Group. As a result, the contributions from the advertising media business decreased significantly in 2012. In August 2012, the Group ceased the publication of the weekly direct mail magazine《新乘坐》which is distributed free of charge in the subway in Beijing, the People's Republic of China (the "PRC"). After arm's length negotiations with 北京軌道傳媒廣告有限公司 ("Railway Media"), the Group entered into a termination agreement on 26 September 2012 to terminate the exclusive operating right of the advertising media with effect from 10 August 2012. Details of the termination agreement with Railway Media have been set out in the Company's announcement dated on 26 September 2012.

On the other hand, the Group's TV programmes distribution business generated stable revenue in 2012. In 2012, the Group distributed a new 30 episodes of TV programme called "捍衛者" and it is expected that the distribution of this TV programme will generate revenue in 2013.

Business Outlook

Following the completion of the acquisition of 98% shareholding in 北京柯瑞環宇傳媒文化有限公司 (Beijing Kery Media Culture Limited*) ("Kery Media") in March 2011, the Group is optimistic about expanding other media resources and will take any active approach to seek opportunities to expand the Group's cross-media platform.

On 7 September 2012, a wholly-owned subsidiary of the Group entered into the acquisition of the entire issued share capital of Housden Holdings Limited (the "Acquisition of Housden"). The Acquisition of Housden will provide the Company with an unique opportunity to expand in another important media, internet, and engage in internet advertising industry and the related on-line education business activities in the PRC with lucrative potential. There are a lot of successful business internet platforms in the PRC partly due to the enormous population in the PRC. The Acquisition of Housden will also provide a great opportunity to the Group to participate in this platform and have a chance to extend its advertising business under this platform.

The Board will continue to seek other investment opportunities in media platform and to explore the feasibility of expansion into other advertising business with an aim to enhance the Group's profitability and the shareholders' value in the long run.

* *for identification purpose only*

Advance to an Entity

On 10 July 2009, Smart Century Investment Limited, a wholly-owned subsidiary of the Company, provided financial assistance in the sum of HK$20,000,000 to Apex One Enterprises Limited ("Apex One"), a 49%-owned and affiliated company of the Company. The principal activity of Apex One is securities trading. For more details, please refer to the Company's announcements dated 10 July 2009 and 13 July 2009.

At 31 December 2012, the amount due from Apex One was approximately RMB7,095,000.

Liquidity and Financial Resources

The Group generally finances its operations with internally generated cash flows and the bank balances.

As at 31 December 2012, the Group had bank balances and cash of approximately RMB19,965,000 as compared to the bank balances and cash of approximately RMB18,194,000 as at 31 December 2011.

The Group's net current assets totalled approximately RMB3,425,000 as at 31 December 2012, against approximately RMB26,534,000 as at 31 December 2011. The Group's current ratio was approximately 1.06 as at 31 December 2012 as compared with 1.66 as at 31 December 2011.

Gearing Ratio

The gearing ratio of the Group (measured as total liabilities to total assets) was approximately 110.2% as at 31 December 2012 (2011: 10.4%).

Capital Structure

As at 31 December 2012, the Company's issued share capital was approximately HK$202,194,000 (2011: approximately HK$193,944,000) and the number of its issued ordinary shares was 2,021,937,239 shares of HK$0.10 each.

During the year, the Company has issued 20,000,000 ordinary shares at an issue price of HK$0.18 per placing share and 62,501,471 ordinary shares by means of conversion of convertible loan notes respectively.

Material Transactions

Major Transaction in relation to the Acquisition of the Entire Issued Share Capital of Sino Mind Holdings Limited

On 24 November 2011, Top Succeed Holdings Limited ("Top Succeed"), being a wholly-owned subsidiary of the Company, the vendors and the guarantors entered into an acquisition agreement (the "Acquisition Agreement of Sino Mind"), pursuant to which Top Succeed conditionally agreed to acquire and the vendors conditionally agreed to dispose of the entire issued share capital of Sino Mind Holdings Limited ("Sino Mind") to Top Succeed, at an aggregate total consideration of HK$218 million which shall be satisfied as to an aggregate amount of HK$30 million by cash within six months after completion of the acquisition of Sino Mind and as to an aggregate amount of HK$188 million by the issue of the first tranche consideration shares (being 400,000,000 consideration shares) at the issue price of HK$0.47 per consideration share upon completion of the acquisition of Sino Mind. The total consideration is subject to upward adjustments by a maximum amount of HK$658 million upon fulfillment of the consideration adjustments which shall be satisfied by the further issue of (i) the second tranche consideration shares in an aggregate amount of HK$47 million (being 100,000,000 consideration shares) at the issue price of HK$0.47 per consideration share; and (ii) the convertible bonds in an aggregate principal amount of HK$611 million (convertible into 1,300,000,000 conversion shares) at the conversion price of HK$0.47 per conversion share. Accordingly, upon fulfilling the relevant consideration adjustments, the maximum aggregate amount of the total consideration shall be adjusted upwards to an aggregate amount of HK$876 million.

Upon completion of the acquisition of Sino Mind, Sino Mind will become an indirect wholly-owned subsidiary of the Company. The two main operating entities of the Sino Mind group comprise mainly the effective interests of 49% in Hunan Mobile TV and 95% in Beijing Jiahua, hence, Hunan Mobile TV and Beijing Jiahua will become an indirect associated company and a non-wholly-owned subsidiary of the Company respectively upon completion of the acquisition of Sino Mind.

The acquisition of Sino Mind constitutes a major transaction for the Company under Rule 14.06 of the Listing Rules and is subject to the reporting, announcement and shareholders' approval requirements.

On 29 March 2012, Top Succeed, the vendors and the guarantors entered into a supplemental agreement pursuant to which, among others, the parties agreed to extend the long stop date to a date falling on or before 31 December 2012 or such later date as the vendors and Top Succeed may agree in writing and the consideration of the acquisition of Sino Mind of HK$30 million shall be paid in cash within nine months after completion of the acquisition of Sino Mind.

On 28 September 2012, in view of the current market conditions, including, among others, the prevailing global economic condition and the uncertainty of its impact on business environment as a whole and for commercial reasons, after arm's length negotiations between Top Succeed and the vendors, the parties to the Acquisition Agreement of Sino Mind entered into a termination agreement (the "Termination Agreement of Sino Mind") to terminate the Acquisition Agreement of Sino Mind and the acquisition with immediate effect. Pursuant to the Termination Agreement of Sino Mind, no party to the Acquisition Agreement of Sino Mind shall have any obligations towards each other and no party to the Acquisition Agreement of Sino Mind shall have any claim against the other party in respect of the Acquisition Agreement of Sino Mind save for any antecedent breach.

Details of the acquisition of Sino Mind and the Termination Agreement of Sino Mind have been set out in the announcements dated 24 November 2011, 30 December 2011, 30 March 2012, 29 June 2012 and 28 September 2012 published by the Company.

Discloseable and Connected Transaction in relation to the Acquisition of the Entire Issued Share Capital of 上海美視文化傳播有限公司

On 16 May 2012, Kery Media, an indirect non-wholly-owned subsidiary of the Company, entered into an equity transfer agreement (the "Equity Transfer Agreement") with Ms. Wang Hongyun, Mr. Zhou Kui, Mr. Wang Xiaoping and Mr. Yan Dake ("Mr. Yan") who is an executive Director of the Company (collectively, the "Vendors"), pursuant to which the Vendors have agreed to sell and Kery Media has agreed to acquire the entire equity interest of 上海美視文化傳播有限公司 (the "Target Company") for a total cash consideration of RMB3,000,000 (equivalent to approximately HK$3,659,000).

Mr. Yan, being a Director and a director of Kery Media, is a connected person of the Company as defined under Rule 14A.11 of the Listing Rules. As such, the transaction contemplated under the Equity Transfer Agreement constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

The transaction contemplated under the Equity Transfer Agreement is subject to the reporting and announcement requirements but is exempted from the shareholders' approval requirement under Chapter 14A of the Listing Rules. The acquisition of the Target Company also constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

On 16 May 2012, the Equity Transfer Agreement was completed. Kery Media owned 100% equity interest of the Target Company and the Target Company became an indirect non-wholly-owned subsidiary of the Company.

Details of the acquisition of the Target Company have been set out in the announcement dated 12 July 2012 published by the Company.

Major Acquisition in relation to the Acquisition of the Entire Issued Share Capital of Housden Holdings Limited

On 7 September 2012, Talent Group Development Limited ("Talent Group"), a wholly-owned subsidiary of the Company, Headwind Holdings Limited ("Headwind") and Mr. Lu Xing ("Mr. Lu"), the beneficial owner of the entire issued share capital of Housden Holdings Limited ("Housden") and Headwind, entered into the acquisition agreement (the "Acquisition Agreement of Housden"), pursuant to which Talent Group has conditionally agreed to acquire and Headwind has conditionally agreed to dispose of the entire issued share capital of Housden at the initial consideration of HK$199.5 million which will be satisfied by the Company issuing 950,000,000 initial preferred shares at the issue price of HK$0.21 per preferred share upon completion of the Acquisition of Housden, and is subject to (i) the relevant valuation adjustment; and (ii) an upward adjustment by HK$199.5 million, to be satisfied by the Company issuing a total of 950,000,000 additional preferred shares to Headwind if Housden, CL Education Limited, 北京創聯中人技術服務有限公司 (Beijing Chuanglian Zhongren Technical Service Company Limited*), 北京創聯教育投資有限公司 (Beijing Chuanglian Education Investment Company Limited*) and 北京中人光華教育科技有限公司 (Beijing Zhongren Guanghua Education Technology Company Limited*) fulfilled the relevant profit warranty under the Acquisition Agreement of Housden. In aggregate, a maximum of 1,900,000,000 preferred shares shall be issued by the Company to Headwind if the relevant profit warranty is fulfilled.

Upon completion of the Acquisition of Housden, Housden will become a direct wholly-owned subsidiary of the Talent Group.

The Acquisition of Housden constitutes a major acquisition for the Company under Rule 14.06 of the Listing Rules and is subject to the reporting, announcement and shareholders' approval to be sought at the extraordinary general meeting of the Company.

Details of the Acquisition of Housden have been set out in the announcements dated 9 September 2012, 7 December 2012, 31 December 2012, 15 January 2013 and 28 February 2013 published by the Company.

Fund Raising Activities

On 31 August 2012, the Company entered into a placing agreement with a placing agent in relation to a placement of 20,000,000 new ordinary shares of HK$0.1 each in the share capital of the Company at a price of HK$0.18 per placing share to independent investors. The placing was completed on 11 September 2012.

On 3 December 2012, the Company and each of the subscribers, who are independent investors, entered into the subscription agreements in respect of the issue of the convertible notes at the conversion price of HK$0.281 per share in the aggregate principal amount of HK$25 million. The subscription of convertible notes was completed on 10 December 2012.

* *For identification purpose only*

Reset of Conversion Price of Convertible Bonds

In relation to an aggregate principal amount of RMB25,000,000 convertible bonds issued on 23 June 2011, on 3 January 2012, the Board announces the conversion price of the convertible bonds has been reset to HK$0.29 per share.

Foreign Exchange Exposure

Substantially all of the business transactions of the Group are denominated in Renminbi and Hong Kong dollars. The Group adopts a conservative financial policy. As at 31 December 2012, the Group did not have any bank liabilities, interest or currency swaps or other financial derivatives for hedging purpose. Therefore, the Group is not exposed to any material interest and exchange risks.

Charges on Group Assets

As at 31 December 2012, the Group did not have any charges on its assets (2011: Nil).

Contingent Liabilities

On 12 June 2010, an indirectly-owned subsidiary of the Company has been brought to the first court hearing at 河北省廊坊經濟技術開發區人民法院 by 日本赤見電機株式會社 ("Japan Chijian"). Japan Chijian has brought a claim for alleged breach of contractual undertakings in relation to the construction of a LED display panel located in the PRC for an amount of approximately RMB12,378,000.

A hearing was held on 4 July 2012 at 河北省石家莊中級人民法院 (the "Court"). No decision had been concluded during the hearing, however, based on principal of equitable liability, the Court has revealed an arbitration of claim of RMB7,500,000 to be paid by the Group for the ownership of the LED display panel. On 12 December 2012, another hearing was brought but no decision had been recognised and concluded.

With reference to a legal opinion obtained from the PRC legal advisor, likelihood of an unfavorable outcome is probable and the amount of the loss of RMB7,500,000 can be reasonably estimated. As a result, a provision of RMB7,500,000 in respect of such claim was made as at 31 December 2012.

As at the date of approval of the consolidated financial statements, no final decision had been made in the court proceedings.

As at 31 December 2011, the Group did not have any material contingent liabilities.

Capital Commitment

As at 31 December 2012, the Group had outstanding capital commitment in respect of the acquisition of 100% of the issued and paid-up capital of Housden Holdings Limited of HK$399.0 million (equivalent to approximately RMB320.2 million).

As at 31 December 2011, the Group had outstanding capital commitment in respect of the acquisition of 100% of the issued and paid-up capital of Sino Mind Holdings Limited of HK$218.0 million (equivalent to approximately RMB176.9 million).

Events after the Reporting Period

Subsequent to the end of the reporting period, an aggregate balance of approximately RMB2,432,000 of liability component of convertible loan notes has been released upon the conversion of 2011 Convertible Loan Notes with an aggregate principal amount of RMB2,500,000 into approximately 10,663,000 ordinary shares of HK$0.1 each at the conversion price of HK$0.29 per share.

In addition, subsequent to the end of the reporting period, an aggregate balance of approximately RMB12,285,000 of liability component of convertible loan notes has been released upon the conversion of 2012 Convertible Loan Notes with an aggregate principal amount of HK$15,000,000 (equivalent to approximately RMB12,038,000) into approximately 53,381,000 ordinary shares of HK$0.1 each at the conversion price of HK$0.281 per share.

Employee Information and Remuneration Policy

As at 31 December 2012, the Group has 60 employees (2011: 60 employees) in Hong Kong and the PRC. The total staff cost is approximately RMB8,684,000 for the year ended 31 December 2012 (2011: approximately RMB18,672,000).

We offer competitive remuneration package, including medical and retirement benefits, to eligible employees. Apart from basic salary, employees are eligible to receive a discretionary bonus taking into accounts factors such as market conditions as well as corporate and individual's performance during the year.

In order to attract, retain and motivate eligible employees, including the directors of the Company, the Company has adopted a share option scheme. The scheme enables eligible persons to obtain an ownership interest in the Company and thus motivates them to optimise their continuing contributions to the Group. As at 31 December 2012, there are 142,460,000 share options remained outstanding.

We are confident that our employees will continue to provide a firm foundation for the success of the Group and will maintain high standard of service to our clients.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 16 May 2013 to Wednesday, 22 May 2013, both days inclusive, during which period no transfers of shares shall be registered. In order to qualify for attending and voting at the forthcoming annual general meeting of the Company, all transfers of shares, accompanied by the relevant share certificates and transfer forms, must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Union Registrars Limited, 18th Floor, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong for registration not later than 4:00 p.m. on Wednesday, 15 May 2013.

PURCHASE, REDEMPTION OR SALE OF THE COMPANY'S LISTED SECURITIES

During the year, the Company has issued 20,000,000 ordinary shares at an issue price of HK$0.18 per placing share and 62,501,471 ordinary shares by means of conversion of convertible loan notes respectively.

Save as disclosed herein, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of any listed securities of the Company during the year.

CORPORATE GOVERNANCE CODE

Throughout the year ended 31 December 2012, the Company has applied and complied with the code provisions in the Corporate Governance Code (the "CG Code") set out in Appendix 14 of the Listing Rules except the following deviation.

According to the code provision A.2.1 of the CG Code, the roles of the chairman and the chief executive should be separated and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

During the year ended 31 December 2012, the Company did not have a chairman or a chief executive. The Board will keep reviewing the current structure of the Board from time to time and should candidates with suitable knowledge, skill and experience be identified, the Company will make appointments to fill the posts as appropriate.

COMPLIANCE WITH MODEL CODE

The Company has adopted a code of conduct regarding securities transactions by its Directors on terms no less exactly than the required standard in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code"). Following a specific enquiry, all Directors confirmed that they have complied with the required standards in the Model Code throughout the year ended 31 December 2012.

DISCLOSURE OF INFORMATION ON DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes of information on Directors are as follows:

(1) Mr. Leung Siu Kee, an independent non-executive Director, has renewed the service agreement for a three-year term of service commencing from 22 December 2012 to 21 December 2015, which can be terminated by either party giving not less than three months' notice in writing.

(2) Mr. Li Qing, an executive Director, was appointed as authorised representative of the Company under Rule 3.05 of the Listing Rules with effect from 1 March 2013.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") currently consists of all three independent non-executive Directors, namely, Mr. Leung Siu Kee, Mr. Han Bing and Ms. Wang Shuping. The Audit Committee has reviewed the accounting principles and practices adopted by the Group, and discussed auditing, internal control and financial reporting matters.

The Audit Committee has reviewed the Group's audited consolidated financial statements and annual results for the year ended 31 December 2012 and has provided advice and comments thereon.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held on Wednesday, 22 May 2013 and the notice of annual general meeting will be published and despatched to shareholders of the Company in due course.

PUBLICATION OF FINAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This final results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and on the Company's website at www.chinaoc.com.hk. The Annual Report 2012 of the Company will also be published on the aforesaid websites in due course.

On behalf of the Board
China Oriental Culture Group Limited
Li Qing
Executive Director

Hong Kong, 28 March 2013

As at the date of this announcement, the Board comprises Mr. Li Qing and Mr. Yan Dake as executive Directors; Ms. Ng Siu Lai as non-executive Director; and Mr. Leung Siu Kee, Mr. Han Bing and Ms. Wang Shuping as independent non-executive Directors.