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(Stock Code: 1060)

PROFIT ALERT

This announcement is made by ChinaVision Media Group Limited (the “Company” together with its subsidiaries, the “Group”) pursuant to the Inside Information Provisions (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”)) under Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) and Rule 13.09 of the Listing Rules.

The board of directors of the Company (the “Board”) wishes to inform the shareholders of the Company (the “Shareholders”) and potential investors that, based on the information currently available and the preliminary review of the unaudited consolidated financial statements of the Group for the six months ended 30 June 2013 (“1H 2013”), the Company expects to record for 1H 2013 the results summarized below. The financial information has not been reviewed by the Company’s auditors or the Company’s audit committee.

In comparing the results for 1H 2013 with those of the six months ended 30 June 2012 (“1H 2012”), Shareholders should note that, pursuant to the application of new Hong Kong Financial Reporting Standard 11 (“HKFRS 11”), the Group will no longer apply the proportionate consolidation accounting method for its jointly controlled entities, which mainly include its newspaper advertising and distribution business and the mobile TV business. Therefore, the consolidated financial statements for 1H 2012 have been restated below to take into account changes in HKFRS 11. As a result of this restatement, revenue for 1H 2012 was reduced from HK\$523 million to approximately HK\$421 million and gross profit for 1H 2012 was reduced from HK\$203 million to approximately HK\$140 million. The reduced revenue and gross profit for 1H 2012 resulted in a lower basis for the period-to-period comparison with 1H 2013 revenue and gross profit. After-tax net profit attributable to the Shareholders of the Company for 1H 2012 was not affected by the restatement. In addition, financial results from newspaper advertising and distribution business and the mobile TV business were reflected in the share of results from jointly controlled entities in the Company’s consolidated financial statements for 1H 2013.

Additionally, as announced on 20 June 2013, the Company has disposed 70% of its interest in an indirectly controlled entity which holds a 50% stake in JingHua Culture Broadcast Company Limited (or “JingHua Culture”), a limited liability company incorporated under the laws of the People’s Republic of China (the “PRC”) which mainly engages in operating and distributing the Beijing Times in the PRC. This interest contributed HK\$209 million in revenue, and HK\$41 million in net profit after tax for the year ended 31 December 2012 and recorded a decline in revenue, and incurred losses from operations, for 1H 2013. As the Group indirectly holds the remaining 15% interest in JingHua Culture, the financial results will be reflected in share of the results from associates in the Company’s consolidated financial statements going forward. These contributions are included in the restated financials for 1H 2012 and in the preliminary unaudited results for 1H 2013.

** For identification purpose only*

The Company expects to record the following for 1H 2013:

- An increase in revenue of between 10% and 15%, or approximately HK\$463 million to HK\$484 million, compared to approximately HK\$421 million for 1H 2012 (as restated)
- An increase in gross profit of between 45% and 55%, or approximately HK\$203 million to HK\$217 million compared to approximately HK\$140 million for 1H 2012 (as restated)
- An increase in earnings before interest and tax of between 55% and 65%, or approximately HK\$163 million to HK\$173 million compared to approximately HK\$105 million for 1H 2012 (as restated)
- An increase in after-tax net profit attributable to the Shareholders of the Company of between 25% and 35%, or approximately HK\$128 million to HK\$138 million compared to approximately HK\$102 million for 1H 2012 (as restated)

The Board is of the view that the main reasons for the increase in revenues and profits for 1H 2013 included the following:

- (i) the Group's production and distribution of film rights business delivered steady growth in revenue and improvement in margins. The Group's co-invested and co-produced movie, "Journey to the West: Conquering the Demons" produced box office revenue of over RMB1.2 billion in China alone in the first quarter of this year and also broke numerous box office records. This reflects that China's film market has experienced rapid revenue growth, thus bringing benefits and rewards to the Group. In addition, the Group produced and sold two new successful TV drama series;
- (ii) after two years of operation, the satellite television advertising business has matured and its revenue growth has been stable;
- (iii) the Group recorded gross margin expansion for its production and distribution of film rights business and achieved a significant increase in gross profit for its satellite television advertising business, due to stringent and effective cost control;
- (iv) the Group recorded a loss from the share of the results from jointly controlled entities, mainly including the negative financial results from newspaper advertising and distribution business, partially offset by the profits made from the mobile TV business;
- (v) the Group recorded a pretax gain from its sale of artworks of approximately HK\$68 million. Such gain from the sale of artworks is non-recurring in nature. These sales helped strengthen the Group's cash flow for development of the Group's core businesses; and
- (vi) the Group adopted an effective expenses control policy.

Due to the above-mentioned reasons and partially offset by higher financial costs and income tax charge, the Group recorded an increase in after-tax net profit attributable to the Shareholders of the Company of between approximately 25% and 35%.

The Group's business development is dependent on the China Central Government's policy on the development of cultural industries and Mainland China's economic development. The Group plans to focus on its core businesses, namely the production and distribution of films and television drama businesses and satellite television advertising business. Investors should note that the business, results of operations and financial condition of the Group may be materially adversely affected by factors such as the Group's ability to accurately gauge changes in viewers' taste; competition from foreign films; the television advertising business's sensitivity to popularity amongst viewers; the regulatory environment; economic conditions and seasonality of advertising budgets; the Group's dependency, to a certain extent, on theatre circuits; the Group's ability to effectively select products for use in in-film advertisements which do not harm the Group's reputation; and compliance with relevant laws and regulations. Nevertheless, the Board remains conservatively optimistic about the Group's prospects in the long run.

As announced on 20 June 2013, in order to further strengthen its financial health, the Company disposed of a portion of its interest in an indirectly controlled entity, JingHua Culture. As consideration for the stake, the Company is expected to receive HK\$50 million cash proceeds and the cancellation of HK\$350 million convertible note held by the purchaser. The disposal is expected to result in a non-cash loss of over HK\$20 million, which will be recorded when the transaction closes, but has already been accounted for as impairment loss in the estimated results for 1H 2013 described in this announcement. The Board expects the disposal to generate cash flow to the Group which will assist the Group in the development of its existing core businesses. The Board believes that the disposal will not have a material adverse impact on the Group's overall financial condition. Further details of this disposal can be found in the Company's announcement dated 20 June 2013.

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

The information contained in this profit alert announcement has not been reviewed by the Company's auditors or the Company's audit committee and is only based on information currently available to the Company and the Company's preliminary review of the consolidated financial statements of the Group for 1H 2013. Shareholders and potential investors are advised to read carefully the interim results announcement of the Company for 1H 2013, which will be published in late August 2013.

Shareholders and potential investors of the Company are advised to exercise caution in dealing in the shares of the Company.

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

Hong Kong, 8 July 2013

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