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

(Incorporated in Bermuda with limited liability)

(Stock Code: 1060)

ANNOUNCEMENT OF AUDITED RESULTS FOR THE YEAR ENDED 31ST DECEMBER, 2011, PROPOSED AMENDMENTS TO BYE-LAWS AND ADOPTION OF NEW BYE-LAWS AND PROPOSED ADOPTION OF THE 2012 SHARE OPTION SCHEME

The board of directors (the "Board") of ChinaVision Media Group Limited (the "Company") announces that the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31st December, 2011 were as follows:

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER, 2011

	Notes	**2011** *HK$'000*	2010 *HK$'000*
Revenue	*3*	**285,265**	405,986
Cost of sales		**(180,244)**	(185,424)
Gross profit		**105,021**	220,562
Other income	*4*	**8,171**	9,182
Other gains and losses, net	*5*	**(32,581)**	(607)
Gain on disposal of subsidiaries		**–**	26,406
Distribution and selling expenses		**(81,613)**	(45,308)
Administrative expenses			
– share options expense		**(13,118)**	(28,266)
– other administrative expenses		**(123,372)**	(104,817)
		(136,490)	(133,083)
Other expenses		**(36,285)**	(4,903)
Finance costs			
– effective interest expense on convertible notes		**(28,152)**	(19,877)
– other finance costs		**(3,541)**	(4,011)
	6	**(31,693)**	(23,888)
Share of results of an associate	*10*	**(10,796)**	–
(Loss) profit before taxation		**(216,266)**	48,361
Taxation charge	*7*	**(9,467)**	(24,633)
(Loss) profit for the year	*8*	**(225,733)**	23,728

* *For identification purpose only*

	Note	2011 HK$'000	2010 HK$'000
(Loss) profit for the year attributable to:			
Owners of the Company		**(212,673)**	13,662
Non-controlling interests		**(13,060)**	10,066
		(225,733)	23,728
		HK cents	*HK cents*
(Loss) earnings per share	9		
Basic		**(10.51)**	0.78
Diluted		**(10.51)**	0.78

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31ST DECEMBER, 2011

	2011	2010
	HK$'000	*HK$'000*
(Loss) profit for the year	**(225,733)**	23,728
Other comprehensive income for the year:		
Exchange difference arising on translation to presentation currency	**36,601**	32,135
Total comprehensive (expense) income for the year	**(189,132)**	55,863
Total comprehensive (expense) income for the year attributable to:		
Owners of the Company	**(177,526)**	44,026
Non-controlling interests	**(11,606)**	11,837
	(189,132)	55,863

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31ST DECEMBER, 2011

	Notes	2011 HK$'000	2010 HK$'000
Non-current assets			
Property, plant and equipment		**28,081**	29,764
Goodwill	*11*	**222,575**	213,378
Intangible assets		**467,878**	493,848
Interest in an associate	*10*	**105,930**	–
Club debenture		**2,808**	2,692
Art work		**60,164**	51,565
Deposits and prepayments	*12*	**11,747**	3,165
Deferred tax assets		**3,380**	1,818
		902,563	796,230
Current assets			
Inventories		**2,669**	1,015
Film rights		**24,310**	16,309
Investments held for trading		**13,317**	49,959
Loan receivable		**22,167**	–
Trade and other receivables, deposits and prepayments	*12*	**239,424**	398,948
Amounts due from non-controlling interests		**805**	786
Bank balances and cash		**96,268**	141,342
		398,960	608,359
Current liabilities			
Trade and other payables and deposits received	*13*	**164,162**	159,170
Amount due to a non-controlling interest		**739**	741
Amount due to a joint venture partner		**2,661**	2,082
Tax liabilities		**29,197**	31,756
Borrowings		**23,063**	32,618
		219,822	226,367
Net current assets		**179,138**	381,992
Total assets less current liabilities		**1,081,701**	1,178,222

	Note	**2011**	2010
		HK$'000	*HK$'000*
Capital and reserves			
Share capital		**520,648**	484,398
Reserves		**104,496**	242,971
Equity attributable to owners of the Company		**625,144**	727,369
Non-controlling interests		**27,540**	38,182
Total equity		**652,684**	765,551
Non-current liabilities			
Convertible notes issuable		**–**	30,000
Convertible notes	*14*	**326,002**	280,362
Deferred tax liabilities		**103,015**	102,309
		429,017	412,671
		1,081,701	1,178,222

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 on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

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 HKFRSs	Improvements to HKFRSs issued in 2010
HKAS 24 (as revised in 2009)	Related party disclosures
Amendments to HKAS 32	Classification of rights issues
Amendments to HK(IFRIC) – INT 14	Prepayments of a minimum funding requirement
HK(IFRIC) – INT 19	Extinguishing financial liabilities with equity instruments

The application of the new and revised HKFRSs in the current year has had no material effect on the Group's financial performance and positions for the current and prior years and/or disclosures set out in these consolidated financial statements.

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

Amendments to HKFRS 7	Disclosures – Transfers of financial assets[1]
	Disclosures – Offsetting financial assets and financial liabilities[2]
	Mandatory effective date of HKFRS 9 and transition disclosures[3]
HKFRS 9	Financial instruments[3]
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]
Amendments to HKAS 1	Presentation of items of other comprehensive income[5]
Amendments to HKAS 12	Deferred tax – Recovery of underlying assets[4]
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 32	Offsetting financial assets and financial liabilities[6]
HK(IFRIC) – INT 20	Stripping costs in the production phase of a surface mine[2]

[1] *Effective for annual periods beginning on or after 1st July, 2011.*
[2] *Effective for annual periods beginning on or after 1st January, 2013.*
[3] *Effective for annual periods beginning on or after 1st January, 2015.*
[4] *Effective for annual periods beginning on or after 1st January, 2012.*
[5] *Effective for annual periods beginning on or after 1st July, 2012.*
[6] *Effective for annual periods beginning on or after 1st January, 2014.*

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:

- HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 "Financial instruments: Recognition and measurement" to be 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.

- The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, 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 the consolidated income statement. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to the consolidated income statement. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

The directors 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. 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 and HK (SIC) – INT 12 "Consolidation – Special purpose entities". 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.

HKFRS 11 replaces HKAS 31 "Interests in joint ventures" and HK (SIC) – INT 13 "Jointly controlled entities – Non-monetary contributions by venturers". HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. 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 accounting.

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.

These five standards are effective for annual periods beginning on or after 1st January, 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

The directors anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1st January, 2013. The application of these five standards may have significant impact on amounts reported in the consolidated financial statements. The application of HKFRS 10 may result in the Group no longer consolidating some of its investees, and consolidating investees that were not previously consolidated (e.g. the Group's investment in associates may become the Group's subsidiaries based on the new definition of control and the related guidance in HKFRS 10). In addition, the application of HKFRS 11 may result in changes in the accounting of the Group's jointly controlled entities that are currently accounted for using proportionate consolidation. Under HKFRS 11, those jointly controlled entities will be classified as a joint operations or joint venture, depending on the rights and obligations of the parties to the joint arrangement. However, the directors have not yet performed a detailed analysis of the impact of the application of these standards and hence have not yet quantified the extent of the impact.

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 1st January, 2013, with earlier application permitted.

The directors anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1st January, 2013 and that the application of the new standard may affect the amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

Revenue represents the fair value of amounts received and receivable for goods sold or services rendered by the Group to outside customers, less discount and related taxes for the year, and is analysed as follows:

	2011	2010
	HK$'000	*HK$'000*
Production and distribution of film rights	**5,934**	186,173
Mobile game subscription income	**2,195**	1,687
Income from mobile value-added services	**3,066**	10,416
Mobile TV subscription income	**5,172**	4,487
Newspaper distribution	**28,347**	28,332
Advertising agency for newspaper	**209,344**	143,152
Magazine distribution	**1,532**	–
Advertising agency for magazine	**15,439**	–
Other agency services income	**394**	19,424
Others *(Note)*	**13,842**	12,315
	285,265	405,986

Note: Amount included revenue from distribution of newspapers and magazines other than Beijing Times and FIGARO of HK$2,168,000 (2010: HK$2,135,000), sales of bottled water of HK$2,384,000 (2010: HK$1,039,000), TV programmes packaging services income of HK$5,788,000 (2010: HK$5,422,000) and other business divisions of HK$3,502,000 (2010: HK$3,719,000).

The Group's operating segments, which are reportable segments, determined based on information reported to the board of directors, the chief operating decision maker ("CODM"), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided, are as follows:

(i)	Production and distribution of film rights	–	production and distribution of film rights over films and television programmes
(ii)	Mobile game subscription	–	development and distribution of mobile games in the People's Republic of China (the "PRC")
(iii)	Mobile value-added services	–	provision of personalised information and entertainment services to mobile handset users in the PRC
(iv)	Mobile TV subscription	–	development and distribution of mobile television in the PRC
(v)	Advertising agency and newspaper distribution	–	circulation and subscription of newspapers Beijing Times and newspaper advertising agency in the PRC
(vi)	Advertising agency and magazine distribution	–	circulation and subscription of fashion magazine FIGARO and magazine advertising agency in the PRC
(vii)	Other agency services	–	acting as advertising intermediary and organising cultural and artistic exchange activities
(viii)	Securities trading and investments	–	trading of securities in Hong Kong investments

The segment under (vi) above is the new operating segment upon establishment of certain subsidiaries during the year ended 31st December, 2011. The segments under (iv) and (v) above are operated through jointly controlled entities.

In addition to the reportable segments described above, the Group has other operating segments which include distribution of newspapers and magazines other than Beijing Times and FIGARO, sales of bottled water, TV programmes packaging services income and others in the PRC. None of these segments meet any of the quantitative thresholds for determining reportable segments. During the year ended 31st December, 2011, the management of the Group considered sales of cement in the PRC is no longer significant to the Group. Accordingly, the results and financial information relating to sales of cement in the PRC are not separately reported as it is no longer considered a reportable segment of the Group. Accordingly, all of the above operating segments are grouped as "all other segments". Segment revenue and segment information for the year ended 31st December, 2010 is restated.

(1) Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segments.

	Production and distribution of film rights	Mobile game subscription	Mobile value-added services	Mobile TV subscription	Advertising agency and newspaper distribution	Advertising agency and magazine distribution	Other agency services	Securities trading and investments	Reportable Segments' total	All other segments	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
For the year ended 31st, December, 2011											
Segment revenue	5,934	2,195	3,066	5,172	237,691	16,971	394	-	271,423	13,842	285,265
Segment results	(25,891)	(3,833)	(17,182)	(20,948)	32,485	(19,400)	(3,283)	(40,129)	(98,181)	6,470	(91,711)
Unallocated interest income and other gains and losses, net											21,130
Corporate administrative expenses and share options expense											(106,681)
Finance costs											(28,208)
Share of results of an associate											(10,796)
Loss before taxation											(216,266)

	Production and distribution of film rights	Mobile game subscription	Mobile value-added services	Mobile TV subscription	Advertising agency and newspaper distribution	Other agency services	Securities trading and investments	Reportable segments' total	All other segments	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
For the year ended 31st, December, 2010 (restated)										
Segment revenue	186,173	1,687	10,416	4,487	171,484	19,424	–	393,671	12,315	405,986
Segment results	72,056	(5,541)	2,002	(4,240)	30,579	15,518	(10,273)	100,101	4,917	105,018
Unallocated interest income and net exchange gains										7,370
Corporate administrative expenses and share options expense										(62,768)
Change in fair value of convertible notes issuable										(4,582)
Gain on disposal of subsidiaries										26,406
Finance costs										(23,083)
Profit before taxation										48,361

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

Segment results represent the (loss) profit incurred or generated by each segment without allocation of interest income from banks, net exchange gains, corporate administrative expenses, share options expense, finance costs on borrowings other than margin loan, change in fair value of convertible notes issuable, gain on disposal of art work, gain on disposal of subsidiaries and share of results of an associate. This is the measure reported to the board of directors for the purpose of resource allocation and performance assessments.

(2) Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segments.

	Production and distribution of film rights	Mobile game subscription	Mobile value-added services	Mobile TV subscription	Advertising agency and newspaper distribution	Advertising agency and magazine distribution	Other agency services	Securities trading and investments	Reportable segments' total	All other segments	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31st December, 2011											
Segment assets	221,663	8,370	26,315	34,469	683,020	15,143	17,690	13,317	1,019,987	8,130	1,028,117
Property, plant and equipment – corporate											3,365
Interest in an associate											105,930
Art work											60,164
Other receivables and deposits											2,954
Amounts due from non-controlling interests											805
Bank balances and cash											96,268
Prepayments											540
Deferred tax assets											3,380
Consolidated assets											1,301,523
Segment liabilities	20,897	135	2,039	2,485	65,212	18,108	1,740	23,063	133,679	2,245	135,924
Other payables and deposits received											51,301
Amount due to a non-controlling interest											739
Amount due to a joint venture partner											2,661
Tax liabilities											29,197
Convertible notes											326,002
Deferred tax liabilities											103,015
Consolidated liabilities											648,839

	Production and distribution of film rights	Mobile game subscription	Mobile value-added services	Mobile TV subscription	Advertising agency and newspaper distribution	Other agency services	Securities trading and investments	Reportable segments' total	All other segments	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31st December, 2010 (restated)										
Segment assets	347,815	10,691	35,271	67,767	668,229	16,892	49,959	1,196,624	4,516	1,201,140
Property, plant and equipment – corporate										4,311
Art work										51,565
Other receivables and deposits										3,964
Bank balances and cash										141,342
Prepayments										449
Deferred tax assets										1,818
Consolidated assets										1,404,589
Segment liabilities	35,872	259	3,948	22,739	73,160	5,213	32,618	173,809	3,832	177,641
Other payables and deposits received										14,147
Amount due to a non-controlling interest										741
Amount due to a joint venture partner										2,082
Tax liabilities										31,756
Convertible notes issuable										30,000
Convertible notes										280,362
Deferred tax liabilities										102,309
Consolidated liabilities										639,038

For the purpose of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating segments other than property, plant and equipment for corporate use, interest in an associate, art work, amounts due from non-controlling interests, certain other receivables and deposits, certain prepayments, bank balances and cash and deferred tax assets, for which the Group's management monitored and managed all these assets on a group basis; and

- all liabilities are allocated to operating segments other than certain other payables and deposits received, amount due to a non-controlling interest, amount due to a joint venture partner, amounts due to related companies, tax liabilities, convertible notes issuable, convertible notes and deferred tax liabilities, which for the Group's management monitored and managed all these liabilities on a group basis.

4. OTHER INCOME

	2011	2010
	HK$'000	*HK$'000*
Interest income	**4,452**	2,751
Government subsidies *(Note a)*	**3,049**	7
Refund of business tax *(Note b)*	**184**	6,050
Sundry income	**486**	374
	8,171	9,182

Notes:

(a) During the year ended 31st December, 2011, the Group received subsidies of HK$3,049,000 (2010: HK$7,000) from the relevant PRC Governments for promoting the cultural industry development. There were no conditions attached to the subsidies granted to the Group.

(b) The PRC government authorities have granted a tax incentive to a subsidiary in the PRC by way of business tax refund for film rights sold by the Group in the PRC.

5. OTHER GAINS AND LOSSES, NET

	2011	2010
	HK$'000	*HK$'000*
Gain (loss) on disposal of property, plant and equipment	**19**	(36)
Gain on disposal of art work	**17,031**	–
Net foreign exchange gains	**3,262**	4,619
Allowance for bad and doubtful debts	**(9,995)**	(90)
Gain on disposal of other financial asset	**–**	9,007
Impairment loss on intangible assets *(Note 1)*	**(6,256)**	–
Change in fair value of convertible notes issuable	**–**	(4,582)
Change in fair value of investments held for trading *(Note 2)*	**(36,642)**	(9,525)
	(32,581)	(607)

Notes:

(1) During the year ended 31st December, 2011, impairment loss of HK$1,452,000 (2010: nil) was recognised for the intangible asset of mobile game platform in which the management expects that no future profit would be generated as a result of change in technology for mobile game. Impairment loss of HK$4,804,000 (2010: nil) was recognised for the licenses granted by China Mobile Limited to a subsidiary in mobile value-added segment since the licenses were terminated during the year and new licenses were granted in late 2011 to enable the subsidiary to continue acting as a service provider in the form of mobile value-added services. Since the recoverable amounts turned to zero, full impairment losses were recognised.

(2) The amount includes net realised gain of approximately nil (2010: HK$369,000) on disposal of investments held for trading and unrealised loss of approximately HK$36,642,000 (2010: HK$9,894,000) on change in fair value of investments held for trading.

6. FINANCE COSTS

	2011	2010
	HK$'000	*HK$'000*
Interests on:		
Borrowings wholly repayable within five years	**3,541**	4,011
Effective interest expense on convertible notes	**28,152**	19,877
	31,693	23,888

7. TAXATION CHARGE

	2011	2010
	HK$'000	*HK$'000*
Current tax		
– PRC Enterprise Income Tax	**(14,956)**	(29,116)
– Overprovision in prior year	**376**	–
	(14,580)	(29,116)
Deferred tax		
– current year	**5,113**	4,483
Taxation charge	**(9,467)**	(24,633)

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

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and the Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries and jointly controlled entities is 25% from 1st January, 2008 onwards.

8. (LOSS) PROFIT FOR THE YEAR

	2011	2010
	HK$'000	*HK$'000*
(Loss) profit for the year has been arrived at after charging:		
Auditor's remuneration	**1,898**	1,916
Film rights recognised as an expense included in cost of sales *(Note)*	**17,795**	82,060
Cost of inventories recognised as an expense	**43,145**	38,218
Amortisation of intangible assets (included in cost of sales)	**25,436**	10,113
Depreciation of property, plant and equipment	**11,043**	7,710
Total amortisation and depreciation	**36,479**	17,823
Legal and professional fees in relation to merger and acquisition projects (included in other expenses)	**34,615**	4,903
Rental payments for premises under operating leases	**14,240**	12,369
Staff costs inclusive of directors' emoluments (included share options expense)	**108,511**	100,897

Note: Amount included impairment loss on film rights of HK$14,399,000 (2010: nil). Impairment loss was expected whereby the carrying amount of film rights was less than its recoverable amount as the directors of the Company expected those films rights could not generate significant revenue in the near future.

9. (LOSS) EARNINGS PER SHARE

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

	2011	2010
	HK$'000	*HK$'000*
(Loss) earnings		
(Loss) profit for the year attributable to owners of the Company for the purposes of basic and diluted (loss) earnings per share	**(212,673)**	13,662

	2011	2010
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	**2,023,003,814**	1,750,656,324
Effect of dilutive potential ordinary shares:		
Share options issued by the Company	**–**	7,883,027
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	**2,023,003,814**	1,758,539,351

For the two years ended 31st December, 2011 and 2010, no adjustment is made in relation to the Company's outstanding convertible notes as their assumed conversion would (decrease) increase the (loss) earnings per share after taking into account of the effect of effective interest. In addition, the computation of diluted (loss) earnings per share does not assume the exercise of the share options granted because the exercise price of those share options outstanding was higher than the average market price for shares for both 2011 and 2010.

10. INTEREST IN AN ASSOCIATE

Pursuant to a subscription agreement dated 27th January, 2011, the Group subscribe for, and was allotted and issued by, Super Sports Media Inc. ("Super Sports") preferred shares entitling the Group to convert into ordinary shares of Super Sports representing 30% of the equity interests in Super Sports on an as-converted and fully diluted basis for a consideration of US$15,000,000 (equivalent to approximately HK$116,726,000). The acquisition was completed on 30th March, 2011.

	2011	2010
	HK$'000	*HK$'000*
Cost of investment in an associate		
Unlisted	**116,726**	–
Share of post-acquisition loss	**(10,796)**	–
	105,930	–

As at 31st December, 2011, the Group had interest in the following associate:

Name of entity	**Place of incorporation**	**Principal place of operation**	**Class of shares held**	**Proportion of nominal value of issued capital held by the Group**	**Proportion of voting power held**	**Principal activity**
Super Sports	Cayman Islands	PRC	Preferred shares *(Note 1)*	30.0% *(Note 2)*	30.0% *(Note 2)*	Distribution of regional broadcasting right in the PRC and Macau regions and related advertising

Notes:

(1) The preferred shares entitle the Group to have the voting right, in the same manner as the holders of ordinary shares in general meeting. Holders of preferred shares are also entitled to receive payment of dividend in priority to the holders of the ordinary share dividends declared under the same measurement basis. The holders of preferred shares cannot request redemption of preferred shares except upon liquidation of Super Sports. The Group has appointed one director in the board of Super Sports. There are a total of five directors in the board of which three of them are representatives of holders of preferred shares. According to the memorandum and articles of association of Super Sports, all the resolutions require approval by simple majority of the board members. All the preferred shares have to be converted into ordinary shares upon listing of shares of Super Sports to the public.

(2) As at 31st December, 2011, none of the preferred shares held by the Group were converted into ordinary shares. The proportion of nominal value of class of issued capital held by the Group and the proportion of voting power held represent the equity interests in Super Sports on an as-converted and fully diluted basis.

11. GOODWILL AND IMPAIRMENT TEST ON GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIFE

	HK$'000
COST	
At 1st January, 2010	39,781
Exchange adjustments	8,001
Arising on acquisition of subsidiaries	166,568
Eliminated on disposal of subsidiaries	(972)
At 31st December, 2010	213,378
Exchange adjustments	**9,197**
At 31st December, 2011	**222,575**
CARRYING VALUES	
At 31st December, 2011	**222,575**
At 31st December, 2010	213,378

For the purpose of impairment testing, goodwill and intangible assets with indefinite useful life have been allocated to individual cash-generating units ("CGUs"), including one subsidiary in production and distribution of film rights segment ("Entertainment"), one subsidiary in mobile game subscription segment ("Game"), one subsidiary in mobile value-added services segment ("Mobile value-added") and one jointly controlled entity in advertising agency and newspaper distribution – Beijing Times segment ("Advertising and newspaper"). The carrying amounts of goodwill and intangible assets with indefinite useful life as at 31st December, 2011 and 2010 allocated to these units are as follows:

	2011		2010	
	Goodwill	**Intangible assets with indefinite useful life**	Goodwill	Intangible assets with indefinite useful life
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Entertainment	**37,850**	**–**	36,286	–
Game	**4,208**	**–**	4,034	–
Mobile value-added	**19,906**	**–**	19,084	–
Advertising and newspaper	**160,611**	**440,034**	153,974	421,851
	222,575	**440,034**	213,378	421,851

During the year ended 31st December, 2011, the directors of the Company determined that there was no impairment of any of its CGUs.

12. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2011	2010
	HK$'000	*HK$'000*
Trade receivables	**123,270**	204,746
Less: Allowance for bad and doubtful debts for trade receivables	**(13,373)**	(3,026)
	109,897	201,720
Receivable for disposal of a subsidiary	**–**	17,420
Amount receivable from a former subsidiary *(Note)*	**49,153**	45,538
Receivable for disposal of other financial asset *(Note)*	**8,145**	40,142
Other tax recoverable	**27,459**	22,305
Other receivables and deposits	**18,600**	15,627
Less: Allowance for bad and doubtful debts for other receivables and deposits	**(2,489)**	(2,405)
	100,868	138,627
Prepayment for purchase of inventories	**4,643**	24,468
Other prepayments	**17,021**	7,842
Amount due from a joint venture partner	**18,742**	29,456
Total trade and other receivables, deposits and prepayments	**251,171**	402,113
Analysed as		
Current	**239,424**	398,948
Non-current	**11,747**	3,165
	251,171	402,113

Note: At 31st December, 2011, the amount receivable from a former subsidiary and receivable for disposal of other financial asset were secured by the future revenue to be generated under a profit sharing right of a TV drama held by the purchaser of the former subsidiary and the other financial asset.

Trade receivables

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

	2011	2010
	HK$'000	*HK$'000*
Production and distribution of film rights	**41,574**	144,821
Other business segments	**68,323**	56,899
	109,897	201,720

For the production and distribution of film rights segment, according to certain sales contracts signed with customers who usually pay upfront deposits (around 30% – 50% of total contract value) after obtaining the master copies of films or TV drama, they are required to settle the remaining balance when the relevant films or TV drama are broadcasted, which is normally within two years. In the opinion of the directors, these trade receivables are not considered as past due. However, the directors will assess whether allowance on these receivables is necessary on a regular basis after considering (i) the reputation and historic trading history of these customers; (ii) the market situations that lead to delay of broadcasting; and (iii) subsequent settlement.

The following is an aged analysis of trade receivables net of allowance for doubtful debts for production and distribution of film rights segment presented based on the delivery date at the end of the reporting period:

	2011	2010
	HK$'000	*HK$'000*
0 – 90 days	**614**	60,155
91 – 180 days	**–**	429
181 – 365 days	**–**	53,536
Over 365 days	**40,960**	30,701
	41,574	144,821

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

	2011	2010
	HK$'000	*HK$'000*
0 – 90 days	**45,731**	34,259
91 – 180 days	**13,414**	19,751
181 – 365 days	**5,007**	2,889
Over 365 days	**4,171**	–
	68,323	56,899

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

Included in the Group's trade receivables are debtors with aggregate carrying amount of HK$50,138,000 (2010: HK$87,126,000) which are past due as at the end of the reporting period for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. The average age of these receivables is 550 days (2010: 335 days).

13. TRADE AND OTHER PAYABLES AND DEPOSITS RECEIVED

Trade and other payables comprise amounts outstanding for trade purchases and ongoing costs. The following is an aged analysis of trade and other payables presented based on the invoice date at the end of the reporting period:

	2011	2010
	HK$'000	*HK$'000*
0 – 90 days	**34,223**	41,064
91 – 180 days	**2,256**	3,164
181 – 365 days	**2,144**	3,060
Over 1 year	**2,814**	1,162
	41,437	48,450
Advance payments from customers	**25,151**	30,039
Other tax payable	**16,673**	17,792
Accrued staff cost	**16,745**	9,442
Payable for purchase of broadcasting right *(Note 1)*	**–**	16,000
Deposits received	**–**	10,172
Other payables and accrued charges *(Note 2)*	**54,791**	23,903
Amounts due to related companies	**9,365**	3,372
	164,162	159,170

The average credit period on purchase of goods is normally ranging from 120 days to 210 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit time frame.

Notes:

(1) The payable has been offset with the cost of broadcasting right.

(2) Included in other payables and accrued charges of HK$32,980,000 (2010: HK$317,000) are payables and accruals on legal and professional fees in relation to merger and acquisition projects. The remaining balances are payables and accruals for daily operation expenses.

14. CONVERTIBLE NOTES

Pursuant to the equity transfer agreements for the acquisition of the entire issued share capital of Prefect Strategy International Limited and Main City Limited, the Company issued two zero coupon convertible notes which have an aggregate principal amount of HK$470,000,000 on 3rd June, 2010. The first convertible note ("CB1") amounting to HK$350,000,000 will be matured in 3 years after the date of issue. The second convertible note ("CB2") amounting to HK$120,000,000 will be matured in 5 years after the date of issue. On 6th August, 2010, CB2 was fully converted into shares of the Company.

In addition, based on the relevant agreements, the Group is required to issue an additional amount of convertible note of the Company amounting to a principal amount of HK$30,000,000 (the "Additional CB") to the vendor if profit after taxation of 北京北大文化發展有限公司 (in English, Beijing Beida Culture Development Company Limited) in the year 2010 exceeds HK$50,000,000 (the "Condition") has been satisfied. Since the Condition was fulfilled as at 31st December, 2010, the obligation of the issuance of the Additional CB was established. The Additional CB, a zero coupon convertible note with principal amount of HK$30,000,000 was issued on 30th March, 2011 and will be matured in 5 years after the date of issue.

The convertible notes are denominated in HK$. The convertible notes entitle the note holders to convert them into shares of the Company at any time within 3 years (for CB1) or 5 years (for CB2 and Additional CB) from the date of issue of the convertible notes, at the conversion price per share of HK$1.2 for CB1 or HK$1 for CB2 and Additional CB respectively, subject to anti-dilutive clauses. In addition, the note holders shall exercise its conversion rights in relation to all outstanding amount of the convertible notes if (i) the market closing price of the shares on the Stock Exchange shall for 10 consecutive trading days be more than HK$1.5 per share; and (ii) the Company shall have given to the note holders within 7 business days written notice of compulsory conversion requiring the note holders to exercise its conversion rights in relation to all outstanding amount of the convertible notes regardless of the 15% issued share capital restriction set out in the convertible notes under any circumstance.

15. EVENTS AFTER THE REPORTING PERIOD

Acquisition of the entire issued share capital of China Entertainment Media Group Limited

On 21st October, 2011, the Company and Sequoia Capital 2010 CGF Holdco, Ltd., Brilliant Mark Limited and World Charm Holdings Limited (collectively referred to as the "Target Shareholders") entered into a sale and purchase agreement, pursuant to which the Company conditionally agreed to acquire the entire issued share capital of China Entertainment Media Group Limited for a total consideration of approximately HK$2,016,300,000. The consideration for the acquisition will be satisfied by the issue of 5,040,750,000 new ordinary shares of the Company to be allotted and issued to the Target Shareholders at a price of HK$0.40.

The transaction has been completed on 31st January, 2012. Financial information about the acquisition is not presented because the Group is still in the process of obtaining the information to determine the fair value.

Disposal of subsidiaries

On 29th March, 2012, a wholly-owned subsidiary of the Group has entered into a conditional sale and purchase agreement with an independent third party pursuant to which the Group will dispose 100% equity interests in two subsidiaries which mainly hold 30% equity interest in Super Sports and the broadcasting right in connection with the mobile audio-visual broadcasting for a total consideration of US$20,000,000 which is equivalent to approximately HK$155,360,000 (the "Disposal") . The Disposal has not yet been completed as at the date the consolidated financial statements for the year ended 31st December, 2011 were authorised for issuance.

CHAIRMAN'S STATEMENT

In recent years, the People's Republic of China (the "PRC") economy has continued to expand while the Central Government has highlighted the importance of "enriching material and spiritual life simultaneously". According to the planning in the Sixth Plenary Session of the Seventeenth Central Committee of the Communist Party of China, the "Outline of Cultural Reform and Development under the Twelfth Five-year Plan" has further suggested that the cultural industry should "gradually develop into a pillar of the PRC economy" by 2015. It is expected that favorable policies to facilitate such development are to be launched soon. With this background, the PRC cultural, film and television industry faces bright prospects.

During the year, the Group implemented certain major changes with the aim to improve and enhance its core operations, and on the other hand, expand its scale of business through acquisitions and strengthen the competitiveness of its sales network. With the synergies created within the Group's various divisions, consolidation of resources and the closer cooperation between the teams of each business division, we are setting a solid foundation on which to boost the rapid growth and become the leader of the cultural industry within the PRC.

Acquisition of CEMG and Strategic Partnership with Tencent

On 21st October, 2011, the Group announced that it has acquired the entire issued share capital of China Entertainment Media Group Limited ("CEMG"). CEMG is a fast-growing media entertainment company principally engaged in three major business segments namely movies, television drama series and television advertising. For its movie business, CEMG works with a team of well-recognised directors, screenwriters, actors and actresses to originate four to six movies per year which include the strategic cooperation with China Film Group Corporation ("CFGC") to co-produce and co-invest in certain Chinese history-themed mega productions. For its television drama series business, CEMG aims to invest in or produce four to six medium- to large-scale television drama series per year. CEMG also has a management team that is experienced in satellite television content and production. It has entered into a long-term cooperation agreement with the Gansu Provincial Film and TV Broadcast Group to exclusively operate the television advertising and content programming segments of the Gansu Satellite Television Network and Gansu Local Television Network. A significant milestone for the Group, the acquisition was approved unanimously by independent shareholders at the Special General Meeting held on 26th January, 2012 and was completed on 31st January, 2012.

We believe that the acquisition of CEMG helps reinforce and enhance the Group's core competitive strengths. It also helps the Group to further enrich its portfolio of television, movies and media content, as well as content delivery platform, enabling the Group to seize numerous business opportunities in the PRC driven by favorable policies, and to further improve operational efficiency through the potential synergies created among two groups. CEMG has extensive experience in the production and distribution of film and television drama series, while the Group has competitive advantages in print media and mobile new media. More importantly, the Group is now able to tap CEMG's television network platform. Following the Acquisition, both the Group and CEMG will thus be able to utilise each other's content delivery platforms for synergistic benefits such as opportunities for cross-channel sales among different delivery platforms. In addition, the operating efficiency of the enlarged group can be further improved through sharing of resources and expenses (such as the marketing and promotion expenses, etc.). As cinema networks continue to expand and new theatres are built, we expect the PRC's box office revenues will continue to grow rapidly and demand for quality movies will increase.

At the same time, the Group also entered into a subscription agreement and a framework strategic cooperation agreement with a wholly-owned subsidiary of Tencent Holdings Limited ("Tencent"; SEHK: 0700). This initiative not only strengthens the strategic collaboration between the two parties, but has also enhanced the Group's capital foundation. Tencent is a leading provider of integrated Internet services with the largest base of Internet users in the PRC. We believe that such strategic partnership with Tencent will enable the Group to access various new media platforms, promote the Group's films, television drama series and artists, as well as expand the Group's new media business. We hope to promote and market our movies, television drama series, artists, new media content and mobile entertainment content on Tencent's plentiful online platform, including Instant Messaging QQ, web portal QQ.com and Qzone etc. We will also distribute and broadcast our films and television drama series via Tencent's online video platform and by co-production of premium video contents.

Print Media Business – Newspaper

Beijing Times celebrated the 10th anniversary of its founding in 2011. In the highly competitive media environment within Beijing, Beijing Times is one of the most popular newspapers in the city. It has also grown from a single newspaper business to a diversified media group covering Jinghua Books (京華圖書), Jinghua Artistic Services (京華演藝), Jinghua TV (京華視頻), Jinghua Advertising (京華廣告), Jinghua Logistics (京華物流), the Jinghua website, e-business services (億家網), and various electronic terminal products under the brand of Jinghua. For the year ended 31st December, 2011, the market shares of Beijing Times reached 73%[1], far higher than other daily newspapers in Beijing. Leveraging its extensive readership and strong brand, the newspaper should continue to bring stable income for the Group.

With the rising living standards of the urban population in recent years, branding becomes more important in first-tier cities like Beijing, which makes print media a key platform for promotion and marketing for brand and image advertising. As such, Beijing Times set up a stylish business division in early 2011 in order to capture market opportunities for expanding its share in the advertising market for high-end products. However, pressurized by the automobile purchase restriction policy, revenues from automotive and classified advertising were affected. The rising paper cost also posed pressure on the Group's operating cost. Nevertheless, a strong rebound in commercial and classified advertising was resulted from the Group's timely adjusted business strategies according to the actual market situation. Coupled with the increasing placement of brand and image advertisements, Beijing Times remained its leading position in certain sectors of the advertising market. The Group's print newspaper business recorded outstanding performance during the year, due to strong growth of advertisements placement especially by financial sector and high-end consumer brands. This growth momentum is expected to continue in 2012 and the management expects that the newspaper segment will grow steadily in 2012.

Capitalising on the platform of news presentation and the branding effect of Beijing Times, JinHua Website has built a trendy new interface, and launched a couple of new features including JinHua Weibo, an e-newspaper and a mobile reading solution device. JinHua Weibo's introduction in March 2011 made Beijing Times the first print media to own a Weibo platform marking a major step in its development.

Looking ahead in 2012, Beijing Times is striving to boost its brand advertising business, making this business as one of the major contributors to the Group's overall advertising income. In addition, it will also consolidate its media resources and set up a brand strategic centre in order to create additional synergistic values through better utilisation of resources. On the other hand, we are also committed to creating new profit growth driver through dedicated development of the Group's publication and logistics related businesses.

[1] Data from CTR and HC analysis

Print Media Business – Magazine

The Group and Groupe Le Figaro (費加羅雜誌集團) of France have strategically collaborated to jointly operate a semimonthly high-end women's magazine 費加羅 FIGARO, which was launched in mid-August 2011. Madame FIGARO is currently the women's magazine with the largest circulation in France. The magazine has nine international editions and the Chinese version is called 費加羅 FIGARO. Serving as an important part of the Group's strategy while opening a new era in the PRC with trendy and wide-ranging media, 費加羅 FIGARO has incorporated an all-round media resource platform. The Group is developing the FIGARO iPad digital edition, as well as an official website and Weibo. 費加羅 FIGARO also maintains a close strategic cooperation with the Group's mobile TV and newspaper businesses, and other media including satellite TVs. This initiative has gained wide market acceptance from advertisers representing major international brands. In addition, the magazine has already participated in two international films production.

As the Group invested substantial resources in the sales and marketing of 費加羅 FIGARO in the beginning stage, the magazine recorded a loss at its inception. However, for the year 2011, 費加羅 FIGARO has already covered Beijing, Shanghai, Guangzhou, Shenzhen and 42 second– to third-tier cities. In only four-month time, our magazine has been widely recognized by the readers and the industry. The magazine even ranked the top in various fashion periodical sales rating and received positive comments from some special channels such as in Beijing and Shanghai international airports. With the continued strong development of the Chinese economy, as well as surging consumption power, the prospect of the commercial advertising business of the fashionable biweeklies 費加羅 FIGARO is promising thanks to its high-end positioning and fascinating content.

Mobile New Media Business

With the extensive roll-out of the 3G network in the PRC, it is predicted within the industry that the number of 3G users will experience accelerated growth in the coming two years. The Group is thus very bullish on the prospects of the emerging mobile internet segment. It has been exploring development opportunities and has revised its development plan for mobile new media business during the year under review. For the year ended 31st December, 2011, the revenue derived from mobile new media business increased by 44%, and the number of users surged to 23 million.

The key columns of the Group's mobile new media business cover news stories, live or recorded broadcasting of English Premier League ("EPL") matches, social and legal system, entertainment, film and television, as well as a wide variety of self-branded columns. In 2011, the Group recorded gross sales revenue of over HK$37 million from the mobile television launched through the three largest telecom operators. At the same time, the Group was granted rights for launching two movies online, namely "Feng Ju Ye Feng Kwang" (飯局也瘋狂) and "War of Desire" (凰圖騰) respectively. In end of 2011, the Group was allocated with more marketing resources after having obtained the right from China Mobile Ltd for operating its vertical column of "Legal System" (法制). Starting from April 2011, two of the Group's vertical columns, namely "television dramas" and "lifestyle", were officially launched at China United Communications Group Company Limited ("China Unicom").

In the second half of 2011, revenue generated from the Group's mobile television business on the platform of China Unicom had already grown substantially.

On the other hand, various mobile businesses of the Group such as mobile digital reading, mobile music and mobile animation experienced prospective development. The Group has formatted its mobile reading, mobile games, mobile animation and mobile music businesses into its digital base. While the Group launched its mobile reading business online in 2011, it successfully introduced "Feng Ju Ye Feng Kwang" (飯局也瘋狂) and "Love ah Ah I am Willing" (愛啊哎呀我願意) e-books during the year under review. The Group's revenue generated from SMS service related business declined as compared with the Group's revenue in 2010 because SMS service charge was suspended since March 2011 due to the policy adjustment by the telecommunication operators, such SMS service charge resumed in December 2011 though. The Group is optimistic about the business prospects of mobile SMS, mobile reading, mobile music and mobile animation in 2012.

In addition, mobile games are also an important segment of the Group's mobile new media business. Following the launch of "玄境OL," a multiplayer online role-playing game, the Group has launched "星彈堂" and "鐵騎" in July and August 2011 and the games were well received by users. Meanwhile, the Group is developing value added features of a new mobile game "Twin Castle 2." Currently, the Group is working hard to enrich the content and improve the quality of its mobile games.

We strongly believe that content influence and channel value are the fundamentals to support all forms of media despite the changes and development of the media. Looking ahead, the Group is continuing its efforts to strengthen the partnership with telecommunications operators to jointly develop the mobile TV, mobile game, mobile reading and mobile value-added services, aiming to maintain rapid growth in these businesses in 2012.

Television and Film Business

The Group has been bolstering the quality of its television and film business during the year and continued to build a strong brand leveraging CEMG's solid foundation. In 2012, the Group plans to launch "槍神傳奇", a major television drama about the weapons industry in the PRC which is currently under post-production. While negotiating with a number of satellite TVs, "槍神傳奇" is expected to obtain high ratings and brings the Group with significant sales revenue. On the other hand, after the merger between the Group and CEMG, the enlarged group will broadcast two major dramas, namely "正者無敵" of "Heroic Trilogy" (英雄無敵系列) and "Liang Jian – Tie Xue Jun Hun" (亮劍-鐵血軍魂) in 2012. "正者無敵" of "Heroic Trilogy" (英雄無敵系列) has already completed shooting and achieved satisfactory sales and distribution results with higher profit margin expected comparing to the previous series. "Liang Jian – Tie Xue Jun Hun" (亮劍-鐵血軍魂) started broadcast on Zhejiang TV satellite channels since end of 2011 and recorded the highest program viewing rate since then. It is also broadcasted on a couple of online platforms with numbers of click-rate exceeded 200 million within one week. The management is confident that this television series will contribute a significant amount of revenue to the Group in 2012.

As for our film business, leverage our successful track record and with an aim to developing high-quality movies, the Group will partner with CFGC and other investors to co-invest and co-produce a couple of high quality films in 2012, these movies are expected to be launched by end of 2012 the earliest. Looking ahead, the Group will continue to explore potentially yield-accretive investment opportunities of television drama or film production. As the television and film business always enjoys very handsome returns on investment, the Group is guided by the motto of "Building a Strong Brand; Producing Outstanding Dramas" in the coming year to generate more satisfactory income and profit.

Other video operation business

Follow by the completion of the Group's subscription of the subscribed preferred shares allotted and issued by Super Sports Media Inc. ("Super Sports"), which represented 30% of the equity interest of Super Sports on an as-converted and fully diluted basis, at a total consideration of US$15 million (approximately HK$116,726,000) at the end of March 2011, Super Sports became the Group's associated company. Super Sports is a leading sports television programs company which has signed a series of license agreements with The Football Association Premier League Limited for the audio-visual exploitation of the live and recorded broadcasting, as well as other relevant exploration techniques in respect of each EPL match for the seasons between 2010 and 2013 in the territory of Mainland China and Macau.

In order to streamline the Group's operations and enhance its cash-flow position, the Group decided to sell its 30% shares in Super Sports as well as the rights of mobile live, delayed and recorded broadcasting of EPL matches to an independent third party at a consideration of US$20 million on 29th March, 2012 so as to allocate more resources to other new media business as well as film and television business. Upon the completion of the disposal of interest, the Group is still keeping the operating right of mobile broadcasting of EPL match, though not exclusively. However, by integrating the resources with the Group's other new media business and minimising the resources invested in the operation and maintenance of broadcasting EPL matches, the Group can achieve better cost-control and higher cost-efficiency in order to create greater synergies among different business segments. The Group is striving to build a resources integrated and highly efficient platform. We expect the Group's income stream and advertising revenues can be further expanded through the enhanced promotion and marketing of its new media business.

Prospects

The Group has optimally utilised and reasonably invested its resources in developing its strategic businesses during the year under review. With the careful planning and excellent execution capabilities of the management, as well as the unfailing efforts of the staff, the Group's business scale has continued to grow, forming a solid foundation for us to realise the goal of becoming one of the leading diversified and integrated culture and media companies within the PRC. Looking ahead to 2012, we believe the merger with CFGC will help boosting the Group's core competitive advantages, creating greater synergies and thus achieving significant growth in terms of both revenues and profitability. At the same time, the Group will consolidate the three major businesses of traditional print media, television and film and mobile new media through organic growth and exploring cooperation and investment opportunities. It will also accelerate the development of those business segments with high growth potential and high return on investment through integration of internal resources and realising greater economies of scale.

FINANCIAL RESULTS

For the year ended 31st December, 2011, the Group recorded a turnover of HK$285,265,000 and a net loss attributable to the owners of the Company of HK$212,673,000, as compared to a turnover and a net profit of HK$405,986,000 and HK$13,662,000 respectively in 2010. Excluding the non-cash expenses, including amortisation and impairment of intangible assets and film rights, the effective interest expense on convertible notes, an unrealised loss on change in fair value of investments held for trading and share options expense of HK$127,399,000 (2010: HK$149,841,000), the net loss attributable to the owners of the Company is HK$85,274,000 (2010: profit of HK$163,503,000).

The loss of HK$212,673,000 in the current year was primarily attributable to (i) increase in certain non-cash expenses, including amortisation and impairment of intangible assets and film rights, the effective interest expense on convertible notes and an unrealised loss on change in fair value of investments held for trading, which arise as a result of accounting treatment under the provisions of the applicable accounting standards; (ii) significant increase in the incidental expenses incurred for the acquisition of media related businesses of approximately HK$34,615,000; and (iii) decrease in the turnover and the gross profit of the Group due to the protracted production and delay in distribution of certain television drama series.

Loss per share (both basic and diluted) of the Group for the year ended 31st December, 2011 is 10.51 HK cents (2010: earnings per share was 0.78 HK cents) and the net assets value attributable to owners of the Company per share is HK$0.30 (2010: HK$0.38).

DIVIDEND

The Directors do not recommend the payment of a dividend for the year ended 31st December, 2011 (2010: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS

During the year ended 31st December, 2011, the Group was primarily engaged in two businesses, namely (i) media related businesses; and (ii) securities trading and investments. 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").

Media Related Businesses

For the year ended 31st December, 2011, the film, television programme and television drama series production, distribution and licensing business brought the Group revenue of HK$5,934,000 (2010: HK$186,173,000) with segment loss of HK$25,891,000 (2010: profit of HK$72,056,000). The decrease in revenue was mainly due to the protracted production and delay in distribution of certain television drama series and impairment of HK$14,399,000 (2010: Nil) of certain film rights that were not expected to generate significant revenue in the near future.

During the year ended 31st December, 2011, the mobile games business brought the Group revenue of HK$2,195,000 (2010: HK$1,687,000) with segment loss of HK$3,833,000 (2010: HK$5,541,000), which was mainly due to the amortisation of the mobile game intangibles acquired upon acquisition of HK$2,772,000 (2010: HK$4,211,000) and the impairment loss of an intangible asset of mobile game platform of HK$1,452,000 (2010: Nil) in which no future profit was expected as a result of change in technology for mobile game.

The mobile value-added business mainly refers to the provision of personalised information and entertainment services to mobile handset users in the PRC via the internet and other modern telecom technologies in the form of SMS, MMS, WAP, interactive voice response and the like. For the year ended 31st December, 2011, this line of business brought the Group net revenues of HK$3,066,000 (2010: HK$10,416,000) with segment loss of HK$17,182,000 (2010: profit of HK$2,002,000), after netting off amortisation of licenses upon acquisition of HK$3,603,000 (2010: HK$2,266,000) and the impairment loss of the licenses of HK$4,804,000 (2010: Nil) since the licenses granted by China Mobile Limited were terminated during the year and new licenses were granted in late 2011. The decrease in revenue and loss was a result of the policy adjustment by the telecommunication operators which led to suspension in the SMS value-added business since March 2011. After a re-assessment by the telecommunication operators in August 2011, the SMS value-added business had been resumed in December 2011.For the year ended 31st December, 2011, the newspaper advertising agency and distribution businesses contributed to the Group's revenue and segment profit of HK$237,691,000

(2010: HK$171,484,000) (after the 50% share of results) and HK$32,485,000 (2010: HK$30,579,000) respectively. The increase in revenue was primarily owing to the fact that only eight months' results of this business were recognised in 2010, whereas, the drop of profit margin was caused by the rising cost of sales, in particular, paper cost.

During the second half of the year, the Group and Groupe Le Figaro (費加羅雜誌集團) of France strategically collaborated to jointly operate a high-end women's magazine 費加羅 FIGARO. The first issue of 費加羅 FIGARO was published in mid-August. The revenue recognised since August 2011 amounted to HK$16,971,000 and this segment recorded a loss of HK$19,400,000 which was mainly resulted from the large startup expenses and spendings over marketing and promotion.

During the year, the Group also carried out other advertising agency services. These businesses contributed to the Group's revenue and segment loss of HK$394,000 (2010: HK$19,424,000) and HK$3,283,000 (2010: profit of HK$15,518,000) respectively for the year ended 31st December, 2011. The decline in segment revenue was mainly due to the fact that no advertising intermediary activities were carried out during the year.

Securities Trading and Investment

For the year ended 31st December, 2011, the Group's trading and investment recorded a segment loss of HK$40,129,000 (2010: HK$10,273,000) which was mainly due to loss from change in fair value of held for trading investments.

Other Business

For the year ended 31st December, 2011, revenues and segment profit from other segments including distribution of newspapers and magazines other than Beijing Times and 費加羅 FIGARO, sales of bottled water, TV programme packaging services and others in the PRC amounted to HK$13,842,000 (2010: HK$12,315,000) and HK$6,470,000 (2010: HK$4,917,000) respectively.

On 27th January, 2011, the Group subscribed for the preferred shares at a consideration of US$15,000,000 (equivalent to approximately HK$116,726,000) in Super Sports Media Inc. ("Super Sports") representing 30% of the equity interests in Super Sports on an enlarged and fully diluted basis. Upon completion of the acquisition on 30th March, 2011, Super Sports became an associate of the Group. The Group shared a loss of HK$10,796,000 in Super Sports for the period since the completion of the acquisition. As the Group is determined to streamline its business operations and direct its efforts on business over which it has majority control or interests, on 29th March, 2012, the Group entered into a conditional sale and purchase agreement with an independent third party to dispose of its 30% interests in Super Sports and the English Premier League match mobile audio-visual broadcasting rights, for a total consideration of US$20,000,000. This transaction has not yet been completed as at the date of this announcement.

On 21st October, 2011, the Group entered into a conditional sale and purchase agreement with Sequoia Capital 2010 CGF Holdco, Ltd., Brilliant Mark Limited which is wholly-owned by the chairman and executive director of the Company, Mr. Dong Ping, World Charm Holdings Limited which is owned by an executive director of the Company, Mr. Zhao Chao, and certain target management of China Entertainment Media Group Limited ("CEMG"), for the acquisition of the entire issued share capital of CEMG at a consideration of approximately HK$2,016,300,000. The consideration was satisfied by the issue of 5,040,750,000 ordinary shares of the Company at a price of HK$0.4 each. CEMG is principally engaged in the production and licensing of film, television and satellite television programmes and television advertising in the PRC. It is also engaged in the merchandising and licensing of products related to its programmes. Its business is divided into three main businesses – movies, television drama series and television advertising. The transaction was completed on 31st January, 2012. For details, please refer to the "Chairman's Statement".

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 31st December, 2011, the Group maintained cash reserves of HK$96,268,000 (2010: HK$141,342,000). As at 31st December, 2011, the equity attributable to owners of the Company amounted to HK$625,144,000 (2010: HK$727,369,000) with total borrowings of HK$23,063,000 (2010: HK$32,618,000). As at 31st December, 2011, the Group's gearing ratio (net borrowings including convertible notes over total equity) was 40.4% (2010: 23.6%).

On 30th March, 2011, the Company issued 20,000,000 shares of the Company to the vendor, an independent third party to settle the remaining consideration for the acquisition of the entire issued share capital of Year Wealth Limited, which indirectly owns 51% equity interests in 西安金鼎影視文化有限公司 (in English, Xian Jinding Film, Television and Culture Company Limited).

On the same day, the Company issued to the vendor, an independent third party, convertible note in a principal amount of HK$30,000,000 with a conversion price of HK$1 per share of the Company to settle the remaining consideration for the acquisition of the entire issued share capital of Main City Limited, which indirectly owns 30% equity interests of Beijing Beida Culture Development Company Limited which in turn, owns 50% equity interest in JingHua Culture Media Company Limited, a jointly controlled entity of the Company. None of this convertible note has been converted as the date of this announcement.

The Group conducted a placing during the year under review in order to further strengthen its capital base and to expand the Group's media related business and investment. On 9th June, 2011, the Group announced to place 125,000,000 placing shares to an independent investor at a price of HK$0.4 per placing share. The net proceeds of HK$50,000,000 from the placing were used for general working capital of the Group. The placing was completed on 24th June, 2011.

On 21st October, 2011, the Company entered into the subscription agreement with an independent investor to allot and issue 619,400,000 ordinary shares of the Company at a price of HK$0.40 each. The gross proceeds of HK$247,760,000 from the subscription were used to improve the financial strength and flexibility and the subsequent development and general working capital of the Group. The subscription was completed on 31st January, 2012.

Foreign Exchange Fluctuation

The Group's operations are mainly located in 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 of 31st December, 2011, investments held for trading with respective carrying value of HK$13,317,000 (2010: HK$49,959,000) was pledged to financial institution as collateral mainly to secure short-term credit facilities granted to the Group. Such pledge was released when the Group repaid the entire short-term borrowings in February 2012.

Contingent Liabilities

As at 31st December, 2011, the Group had no material contingent liabilities (2010: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 31st December, 2011, the Group, including its subsidiaries and jointly controlled entities but excluding its associate, employed 1,721 (2010: 1,695) 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 year, 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.

CODE ON CORPORATE GOVERNANCE PRACTICES

During the year ended 31st December, 2011, 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 (the "Listing Rules") on The Stock Exchange of Hong Kong Limited, except for certain deviations which are summarised below:

Code Provision A.2.1

Code provision A.2.1 stipulates that the roles of the chairman and chief executive officer ("CEO") should be segregated and should not be performed by the same individual. However, the Company does not have the separate roles of chairman and CEO following the resignation of Mr. Cui Bin as CEO of the Company with effect from 9th January, 2012 and since then, Mr. Dong Ping, the Chairman of the Company, has been the acting CEO to take up the day-to-day management of the Group's business until an appropriate person is appointed to fill in the vacancy.

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 "Corporate Governance Report" contained in the Company's annual report for the financial year ended 31st December, 2011. Further information on the Company's corporate governance practices and details of the Company's deviations from certain code provisions of the CG Code during the year under review will be set out in the corporate governance report to be contained in the Company's 2011 annual report which will be sent to the shareholders of the Company in April 2012.

AUDIT COMMITTEE REVIEW

The Audit Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group and the financial statements for the year ended 31st December, 2011.

SCOPE OF WORK OF DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31st December, 2011 as set out in the preliminary announcement have been agreed by the Group's auditor, Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Deloitte Touche Tohmatsu on the preliminary announcement.

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 year ended 31st December, 2011.

PROPOSED AMENDMENTS TO BYE-LAWS AND ADOPTION OF NEW BYE-LAWS OF THE COMPANY

In order to bring the bye-laws of the Company (the "Bye-laws") in line with the current revised requirements of the Listing Rules, in particular but not limited to the CG Code and certain changes to the Companies Act 1981 of Bermuda and other house-keeping improvements to the Bye-laws, certain amendments to the Bye-laws are proposed by the Board for approval by the shareholders of the Company at the forthcoming annual general meeting of the Company (the "AGM"). Details of the proposed amendments will be set out in the circular of the Company (the "Circular") to be despatched to the shareholders of the Company in respect of the AGM.

The Board also proposes to adopt a new set of Bye-laws consolidating all the proposed amendments to the Bye-laws and all previous amendments made pursuant to the resolutions passed by the shareholders of the Company at general meetings.

PROPOSED ADOPTION OF THE 2012 SHARE OPTION SCHEME

Approval will be sought from the shareholders of the Company at the AGM for the adoption of a new share option scheme to take effect from the conclusion of the AGM. Details of the proposal and a summary of the new share option scheme will be set out in the Circular to be despatched to the shareholders of the Company as soon as practicable.

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

Hong Kong, 29th March, 2012

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.