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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)

ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2012

The board (the “Board”) of directors (the “Directors”) of China Oriental Culture Group Limited (the “Company”) hereby announces the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2012 (the “Reporting Period”), together with the comparative figures for the corresponding period in 2011 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012

		Six months ended 30 June	
		2012	2011
	<i>Notes</i>	RMB’000	RMB’000
		(Unaudited)	(Unaudited)
			(Restated)
Continuing operations			
Turnover	3	<u>13,433</u>	<u>49,288</u>
Revenue	3	13,433	28,985
Cost of sales and services		<u>(38,029)</u>	<u>(33,711)</u>
Gross loss		(24,596)	(4,726)

		Six months ended 30 June	
		2012	2011
		RMB'000	RMB'000
	<i>Notes</i>	(Unaudited)	(Unaudited)
			(Restated)
Other income	4	14	10
Selling and marketing expenses		(596)	(591)
Administrative expenses		(23,710)	(31,767)
Gain on bargain purchase of a subsidiary		12	–
Loss on disposal of held-for-trading investments		–	(1,232)
Increase in fair value of derivative financial instruments		2,293	572
Share of results of an associate		–	(1,559)
Finance costs	5	<u>(4,418)</u>	<u>(6,247)</u>
Loss before tax		(51,001)	(45,540)
Income tax expense	6	<u>(55)</u>	<u>–</u>
Loss for the period from continuing operations		(51,056)	(45,540)
Discontinued operations			
Profit for the period from discontinued operations		<u>–</u>	<u>3,331</u>
Loss for the period	7	<u>(51,056)</u>	<u>(42,209)</u>
Other comprehensive income			
Exchange differences arising on translation and other comprehensive income (expense) for the period		<u>3,435</u>	<u>(858)</u>
Total comprehensive expense for the period		<u><u>(47,621)</u></u>	<u><u>(43,067)</u></u>

		Six months ended 30 June	
		2012	2011
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
			(Restated)
(Loss) profit for the period attributable to owners of the Company			
– from continuing operations		(50,433)	(45,438)
– from discontinued operations		<u>–</u>	<u>3,331</u>
		<u>(50,433)</u>	<u>(42,107)</u>
Loss for the period attributable to non-controlling interests			
– from continuing operations		(623)	(102)
– from discontinued operations		<u>–</u>	<u>–</u>
		<u>(623)</u>	<u>(102)</u>
		<u>(51,056)</u>	<u>(42,209)</u>
Total comprehensive expense attributable to:			
Owners of the Company		(46,998)	(42,965)
Non-controlling interests		<u>(623)</u>	<u>(102)</u>
		<u>(47,621)</u>	<u>(43,067)</u>
(Loss) earnings per share	9		
From continuing operations			
Basic and diluted (RMB cents)		(2.56)	(2.72)
From discontinued operations			
Basic and diluted (RMB cents)		<u>–</u>	<u>0.20</u>
From continuing and discontinued operations			
Basic and diluted (RMB cents)		<u>(2.56)</u>	<u>(2.52)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2012

		30 June 2012 <i>RMB'000</i> (Unaudited)	31 December 2011 <i>RMB'000</i> (Audited)
	<i>Notes</i>		
Non-current assets			
Plant and equipment	10	9,679	11,271
Intangible assets		634,142	653,024
Goodwill		18,620	18,463
Interest in an associate		–	–
Deposit paid for acquisition of an intangible asset		–	–
Prepayment for a mobile media project		–	–
Available-for-sale investments		2,046	2,029
		<u>664,487</u>	<u>684,787</u>
Current assets			
Trade and other receivables	11	36,992	37,601
Amount due from an associate		8,993	10,843
Amount due from non-controlling interest holder		203	203
Income tax recoverable		–	9
Bank balances and cash		6,394	18,194
		<u>52,582</u>	<u>66,850</u>
Current liabilities			
Trade and other payables	12	24,132	10,392
Amount due to non-controlling interest holder		500	–
Amount due to a director		92	12
Income tax payable		46	–
Other borrowings		18,327	18,325
Bank overdraft		46	–
Derivative financial liabilities	13	9,374	11,587
		<u>52,517</u>	<u>40,316</u>
Net current assets		<u>65</u>	<u>26,534</u>
Total assets less current liabilities		<u><u>664,552</u></u>	<u><u>711,321</u></u>

		30 June 2012	31 December 2011
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Audited)
Capital and reserves			
Share capital	14	174,665	171,828
Reserves		456,398	500,995
Equity attributable to owners of the Company		631,063	672,823
Non-controlling interests		172	795
Total equity		631,235	673,618
Non-current liability			
Convertible loan notes		33,317	37,703
		664,552	711,321

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL AND BASIS OF PREPARATION

China Oriental Culture Group Limited (the “Company”) was incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The directors of the Company do not consider any company to be the ultimate holding company of the Company. The address of its registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and its principal place of business in Hong Kong is located at Suites 1205-1207, 12th Floor, Dah Sing Financial Centre, 108 Gloucester Road, Wanchai, Hong Kong.

The Company is principally engaged in investment holding and security trading. The functional currency and presentation currency of the Company is Hong Kong Dollars (“HK\$”). The functional currencies for its certain subsidiaries are Renminbi (“RMB”). As the Company and its subsidiaries (hereinafter collectively referred to as the “Group”) mainly operates in the People’s Republic of China (the “PRC”), the directors of the Company consider that it is appropriate to present the condensed consolidated financial statements in RMB.

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

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2012 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2011.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA.

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

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and / or on the disclosures set out in these condensed consolidated financial statements.

3. SEGMENT INFORMATION

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.

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 operation 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 six months ended 30 June 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 six months ended 30 June 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 by reportable and operating segments.

Six months ended 30 June 2012

Continuing operations

	Advertising media <i>RMB'000</i> (Unaudited)	Other media <i>RMB'000</i> (Unaudited)	Sales of third party software and hardware <i>RMB'000</i> (Unaudited)	Securities trading <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
REVENUE					
External sales	<u>11,139</u>	<u>2,294</u>	<u>–</u>	<u>–</u>	<u>13,433</u>
Segment loss	<u>(36,646)</u>	<u>(66)</u>	<u>(7)</u>	<u>–</u>	(36,719)
Increase in fair value of derivative financial instruments					2,293
Gain on bargain purchase of a subsidiary					12
Unallocated other income					14
Unallocated corporate expenses					(12,183)
Finance costs					<u>(4,418)</u>
Loss before tax (continuing operations)					<u>(51,001)</u>

Six months ended 30 June 2011

Continuing operations

	Advertising media <i>RMB'000</i> (Unaudited) (Restated)	Other media <i>RMB'000</i> (Unaudited) (Restated)	Sales of third party software and hardware <i>RMB'000</i> (Unaudited)	Securities trading <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited) (Restated)
REVENUE					
External sales	<u>22,985</u>	<u>6,000</u>	<u>—</u>	<u>—</u>	<u>28,985</u>
Segment (loss) profit	<u>(25,609)</u>	<u>4,820</u>	<u>(599)</u>	<u>(1,305)</u>	(22,693)
Share of results of an associate					(1,559)
Increase in fair value of derivative financial instruments					572
Unallocated other income					10
Unallocated corporate expenses					(15,623)
Finance costs					<u>(6,247)</u>
Loss before tax (continuing operations)					<u>(45,540)</u>

Segment assets

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

	30 June 2012 <i>RMB'000</i> (Unaudited)	31 December 2011 <i>RMB'000</i> (Audited)
Continuing operations		
Advertising media	608,630	632,714
Other media	57,520	59,207
Sales of third party software and hardware	—	—
Securities trading	<u>—</u>	<u>—</u>
Total segment assets	666,150	691,921
Assets relating to discontinued operations	—	—
Unallocated corporate assets	<u>50,919</u>	<u>59,716</u>
Consolidated assets	<u>717,069</u>	<u>751,637</u>

4. OTHER INCOME

	Six months ended 30 June	
	2012	2011
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Continuing operations		
Bank interest income	11	3
Others	3	7
	<u>14</u>	<u>10</u>

5. FINANCE COSTS

	Six months ended 30 June	
	2012	2011
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Continuing operations		
Interest on other borrowings wholly repayable within five years	200	—
Effective interest expenses on convertible loan notes	4,218	6,247
	<u>4,418</u>	<u>6,247</u>

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2012	2011
	<i>RMB</i>	<i>RMB</i>
	(Unaudited)	(Unaudited)
Continuing operations		
Current tax:		
PRC Enterprise Income Tax	<u>55</u>	<u>—</u>

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 certain PRC subsidiaries is 25% for both periods.

During the six months ended 30 June 2012, pursuant to the relevant laws and regulations in the PRC, a subsidiary of the Company, 上海美視文化傳播有限公司, established in the PRC, is subject to a preferential Enterprise Income Tax rate of 10% granted by Shanghai Municipal Office and Shanghai Local Taxation Bureau of Shanghai Songjiang District as a media business enterprise located in Shanghai in accordance with State Administration of Taxation on the Measures for Verification Collection of Enterprise Income Tax (for Trial Implementation) issued on 3 June 2008.

No provision for PRC Enterprise Income Tax was made for in the condensed consolidated financial statements for the six months ended 30 June 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 periods. No provision for Hong Kong Profits Tax has been made for the six months ended 30 June 2012 and 2011 as the Group did not have any assessable profit subject to Hong Kong Profits Tax for both periods.

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 PERIOD

Loss for the period from continuing operations has been arrived at after charging the following items:

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Restated)
Continuing operations		
Depreciation of plant and equipment	1,777	753
Amortisation of intangible assets	19,234	18,197
Written off of plant and equipment	4	—
Impairment loss on deposit paid for acquisition of an intangible asset	—	8,869
Provision of litigation claims	7,500	—
Operating lease rentals in respect of rented premises	<u>4,453</u>	<u>1,486</u>

8. DIVIDENDS

No dividends were paid, declared or proposed during the interim period. The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2012 (six months ended 30 June 2011: Nil).

9. (LOSS) EARNINGS PER SHARE

From 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:

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Restated)
Loss		
Loss for the period attributable to owners of the Company	<u>(50,433)</u>	<u>(42,107)</u>
	'000	'000

Number of shares

Weighted average number of ordinary shares for the purpose of basic loss per share	<u>1,967,563</u>	<u>1,669,137</u>
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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:

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Restated)
Loss for the period attributable to the owners of the Company	(50,433)	(45,438)
Less: profit for the period from discontinued operations	<u>–</u>	<u>3,331</u>
Loss for the purposes of calculating basic and diluted loss per share from continuing operations	<u>(50,433)</u>	<u>(42,107)</u>

The computation of diluted loss per share does not assume the exercise of the Company's share options because the exercise price of those share options 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 operation for the six months ended 30 June 2012 and 2011.

From discontinued operations

For the six months ended 30 June 2011, earnings per share for the discontinued operations is RMB0.20 cents per share (six months ended 30 June 2012: Nil), based on the profit for the period from the discontinued operations of approximately RMB3,331,000 (six months ended 30 June 2012: Nil) and the denominators detailed above for both basic and diluted earnings per share.

10. MOVEMENTS IN PLANT AND EQUIPMENT

During the six months ended 30 June 2012, the Group had additions to plant and equipment in the amount of approximately RMB109,000 (six months ended 30 June 2011: approximately RMB2,198,000).

During the six months ended 30 June 2012, the Group had written off of certain plant and equipment with an aggregate carrying amount of approximately RMB4,000 (six months ended 30 June 2011: Nil).

11. TRADE AND OTHER RECEIVABLES

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Trade receivables	<u>7,312</u>	<u>5,045</u>
Other receivables	6,886	1,838
Less: impairment loss recognised	<u>(1,437)</u>	<u>(1,436)</u>
	<u>5,449</u>	<u>402</u>
Deposits and prepayments	<u>24,231</u>	<u>32,154</u>
	<u>36,992</u>	<u>37,601</u>

The Group allows an average credit period of 30 to 60 days to its trade customers.

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

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Within 30 days	2,428	5,045
31 to 60 days	500	—
61 to 90 days	—	—
91 to 180 days	4,384	—
	<u>7,312</u>	<u>5,045</u>

12. TRADE AND OTHER PAYABLES

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Trade payables	5,410	3,316
Other payables and accruals	18,722	7,076
	<u>24,132</u>	<u>10,392</u>

The average credit period on purchases of goods ranged from 30 to 60 days.

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

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Within 30 days	4,085	—
31 to 60 days	175	3,316
61 to 90 days	800	—
91 to 180 days	350	—
	<u>5,410</u>	<u>3,316</u>

13. DERIVATIVE FINANCIAL LIABILITIES

	Contingent consideration instrument RMB'000	Derivative component of convertible loan notes RMB'000	Total RMB'000
Additions from acquisition of a subsidiary	1,692	–	1,692
Issue of convertible loan notes	–	6,375	6,375
Decrease in fair value	2,648	1,018	3,666
Exchange realignment	–	(146)	(146)
At 31 December 2011 (Audited)	4,340	7,247	11,587
Decrease (increase) in fair value	1,169	(3,462)	(2,293)
Exchange realignment	10	70	80
At 30 June 2012 (Unaudited)	<u>5,519</u>	<u>3,855</u>	<u>9,374</u>

14. SHARE CAPITAL

	Number of shares		Share capital		Equivalent nominal value of ordinary shares	
	30 June 2012 '000 (Unaudited)	31 December 2011 '000 (Audited)	30 June 2012 HK\$'000 (Unaudited)	31 December 2011 HK\$'000 (Audited)	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Ordinary shares of HK\$0.1 each						
Authorised:						
At beginning of the period and end of the period / year	<u>10,000,000</u>	<u>10,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>879,100</u>	<u>879,100</u>
Issued and fully paid:						
At beginning of the period / year	1,939,436	1,575,436	193,944	157,544	171,828	142,126
Issue of shares upon conversion of convertible loan notes	34,913	264,000	3,491	26,400	2,837	21,303
Issue of shares upon settlement of consideration in respect of acquisition of subsidiaries	–	100,000	–	10,000	–	8,399
At end of the period / year	<u>1,974,349</u>	<u>1,939,436</u>	<u>197,435</u>	<u>193,944</u>	<u>174,665</u>	<u>171,828</u>

15. COMPARATIVE INFORMATION

In preparing the current interim period's condensed consolidated financial statements, the following comparative financial information has been restated:

With reference to the acquisition of Bold Champion International Limited on 25 March 2011, a goodwill of approximately RMB63,996,000 arising as a result of the acquisition was recorded. In addition, a convertible loan notes equity reserve of approximately RMB6,375,000 upon issue of 2011 Convertible Loan Notes in the condensed consolidated statement of financial position as at 30 June 2011.

In accordance with the audited financial statements for the year ended 31 December 2011, an intangible asset of approximately RMB45,589,000 and goodwill arising from the acquisition of approximately RMB19,113,000 were recognised. A conversion option derivative component of approximately RMB6,375,000 was recognised upon issue of 2011 Convertible Loan Notes.

As a result of the above adjustments, certain comparative figures in the condensed consolidated financial statements for the six months ended 30 June 2011 have been adjusted. In addition, certain comparative figures in respect of administrative expenses have been reclassified from cost of sales and services to conform with current period's presentation.

The effects of the corresponding previous period adjustments are summarised as follows:

Condensed consolidated statement of financial position

	At 30 June 2011		
	As previously Reported <i>RMB'000</i>	Adjustments <i>RMB'000</i>	As restated <i>RMB'000</i>
Increase in intangible assets	<u>638,900</u>	<u>35,545</u>	<u>674,445</u>
Decrease in goodwill	<u>63,996</u>	<u>(45,099)</u>	<u>18,897</u>
Increase in derivative financial liabilities	<u>1,673</u>	<u>5,803</u>	<u>7,476</u>
Decrease in convertible loan notes equity reserve	<u>94,517</u>	<u>(6,375)</u>	<u>88,142</u>
Increase in accumulated losses	<u>126,151</u>	<u>8,982</u>	<u>135,133</u>

Condensed consolidated statement of comprehensive income

	Six months ended 30 June 2011		
	As previously Reported <i>RMB'000</i>	Adjustments <i>RMB'000</i>	As restated <i>RMB'000</i>
Increase in cost of sales and services	<u>33,026</u>	<u>685</u>	<u>33,711</u>
Increase in fair value of derivative financial instruments	<u>–</u>	<u>572</u>	<u>572</u>
Increase in administrative expenses	<u>22,898</u>	<u>8,869</u>	<u>31,767</u>
Increase in loss for the period	<u>36,558</u>	<u>8,982</u>	<u>45,540</u>
Increase in total comprehensive expense for the period	<u>34,085</u>	<u>8,982</u>	<u>43,067</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the Reporting Period, the Group recorded a substantial drop in turnover to approximately RMB13,433,000 (six months ended 30 June 2011: approximately RMB49,288,000), representing a decrease of 72.7% as compared to that of last corresponding period. The loss for the Reporting Period from continuing operations attributable to owners of the Company aggregated at approximately RMB50,433,000 (six months ended 30 June 2011: approximately RMB45,438,000), representing an increase of approximately 11.0% as compared to the last corresponding period. The basic loss per share from continuing operations for the six months ended 30 June 2012 was RMB2.56 cents (six months ended 30 June 2011: basic loss per share RMB2.72 cents), representing a decrease of approximately 5.9% as compared to the last corresponding period.

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 light-emitting diode (“LED”) screens of the Group to advertisers and advertising agencies.

The operation of outdoor advertising media on the external walls and roofs of renowned commercial buildings, roads and highway in Beijing generated one substantial part of the revenue to the Company.

Besides, the operation of the outdoor mega LED displays located along the Olympic Axis at the main venues of the Olympic Games in Beijing and the LED displays situated at the South Square of the Shanghai North Railway Station in Shanghai has started bringing revenue to the Company.

Business Outlook

The Group is optimistic about expanding other media resources and will take an active approach to seek opportunities to expand the Group’s cross-media services. During the Reporting Period, the Group has entered into an acquisition agreement to acquire the entire issued share capital of Sino Mind Holdings Limited (“Sino Mind”), which leads to the control of interests of 49% in 湖南廣電移動電視有限責任公司 (Hunan Mobile Television Company Limited*) (“Hunan Mobile TV”) and 95% in 北京嘉華新廣文化傳媒有限公司 (Beijing Jia Hua Xin Guang Cultural Media Company Limited*) (“Beijing Jiahua”). The acquisition and the scope of business of Hunan Mobile TV would provide the Company with an unique opportunity to participate in terrestrial digital television industry (地面數字電視產業) and related business activities in the People’s Republic of China (the “PRC”) with lucrative potential. The Directors are of the view that the acquisition provides synergies to the Group’s existing capabilities in the outdoor advertising and TV drama production businesses in the PRC, and gives an excellent opportunity to the Group to expand its cross-media platform.

* *for identification purpose only*

On the other hand, the Group has been granted an exclusive operating right of the advertising media of the weekly direct mail magazine 《新乘坐》 by 北京軌道傳媒廣告有限公司 which is distributed free of charge in the subway in Beijing. This weekly direct mail magazine has begun generating revenue for the Company in the year 2011.

The Group intends to employ an active, steady and prudent manner in its development of cross-media platform. With the smooth progression of the Group's core businesses of advertising and media, all diversified cultural businesses under the Group's cross-media platform will benefit from unique synergy.

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 30 June 2012, the amount due from Apex One was approximately RMB8,993,000.

Liquidity and Financial Resources

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

As at 30 June 2012, the Group had bank balances and cash of approximately RMB6,394,000 (at 31 December 2011: approximately RMB18,194,000).

As at 30 June 2012, the Group's net current assets totaled approximately RMB65,000 (at 31 December 2011: approximately RMB26,534,000).

The Group's current ratio was approximately 1.00 time as at 30 June 2012 as compared with 1.66 times as at 31 December 2011.

Gearing Ratio

The gearing ratio of the Group (measured as total liabilities to total assets) was 12.0% as at 30 June 2012 (at 31 December 2011: 10.4%).

Capital Structure

As at 30 June 2012, the Company's issued share capital was approximately HK\$197,435,000 and the number of its issued ordinary shares was 1,974,349,311 shares of HK\$0.10 each.

Material Acquisition and Disposal

Major Transaction in Relation to the Acquisition of the Entire Issued Share Capital of Sino Mind

On 24 November 2011, Top Succeed Holdings Limited (the "Purchaser" and a wholly-owned subsidiary of the Company), the vendors and the guarantors entered into an acquisition agreement pursuant to which the Purchaser conditionally agreed to acquire and the vendors conditionally agreed to dispose 50,000 ordinary shares of Sino Mind to the purchaser 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 nine months after completion and as to an aggregate amount of HK\$188 million by the issue of first tranche consideration shares (being 400,000,000 consideration shares) at the issue price of HK\$0.47 per consideration share upon completion. 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 consideration adjustments, the maximum aggregate amount of the total consideration shall be adjusted upwards to an aggregate amount of HK\$876 million.

Upon completion, 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.

As the applicable percentage ratios exceed 25% but are less than 100%, the acquisition of Sino Mind constitutes a major transaction for the Company under Rule 14.06 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") and is subject to the reporting, announcement and shareholders' approval requirements.

It is expected that a circular in relation to the major transaction will be despatched to the shareholders of the Company on or before 30 September 2012.

Details are set out in the announcements of the Company dated 2 September 2011, 24 November 2011, 30 December 2011, 30 March 2012 and 29 June 2012.

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. During the Reporting Period, 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.

Charge on Group Assets

As at 30 June 2012 and 31 December 2011, the Group did not have any charges on its assets.

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.

Subsequent to the end of the Reporting Period, a hearing was held on 14 July 2012 at 河北省石家中級人民法院 (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.

With reference to 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, provision of RMB7,500,000 in respect of such claim was made and included in other payables in the condensed consolidated financial statements.

As at the date of this announcement, no decision had been made in the court proceedings.

Capital Commitment

As at 30 June 2012, the Group have material capital commitment approximately RMB178,389,000 (at 31 December 2011: approximately RMB176,885,000).

Employee Information and Remuneration Policy

As at 30 June 2012, the Group had 66 employees (31 December 2011: 60 employees) in Hong Kong and the PRC and the total staff costs (including all Directors’ remuneration and fees) are approximately RMB4,455,000 for the Reporting Period (six months ended 30 June 2011: RMB10,770,000).

We offer competitive remuneration package, including medical and retirement benefits, to eligible employees. In order to attract, retain and motivate eligible employees, including the Directors, the Company had adopted a share option scheme (the “Share Option Scheme”). As at 30 June 2012, there were 140,840,000 share options remained outstanding which can be exercised by the grantees of the Share Option Scheme.

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.

SHARE OPTION SCHEME

The Company operated the equity-settled Share Option Scheme on 31 October 2004 under which the Board might, at its discretion, offer any employees (whether full time or part time), executives or officers of the Company or any of its subsidiaries (including any executive director), consultants, agents or legal and financial advisers to the Company or its subsidiaries whom the Board considered, in its sole discretion, as having contributed to the Company or any of its subsidiaries.

During the Reporting Period, 160,000 share options lapsed and no share option was granted, exercised and cancelled under the Share Option Scheme. Movements of share options for the Reporting Period under the Share Option Scheme are summarised as follows:

List of Grantees	Balance as at 1 January 2012	Granted during the Reporting Period	Exercised during the Reporting Period	Lapsed during the Reporting Period	Cancelled during the Reporting Period	Balance as at 30 June 2012	Exercise Price HK\$	Date of Grant	Exercise Period
<i>Directors</i>									
Mr. Chen Fu Ju	17,300,000	–	–	–	–	17,300,000	0.58	02/06/2011	02/06/2011–01/06/2014
Mr. Li Qing	3,000,000	–	–	–	–	3,000,000	0.96	08/10/2010	08/10/2010–07/10/2013
	980,000	–	–	–	–	980,000	0.58	02/06/2011	02/06/2011–01/06/2014
	5,000,000	–	–	–	–	5,000,000	0.55	05/09/2011	05/09/2011–04/09/2014
Mr. Yan Dake	5,000,000	–	–	–	–	5,000,000	0.58	02/06/2011	02/06/2011–01/06/2014
Mr. Leung Siu Kee	500,000	–	–	–	–	500,000	0.96	08/10/2010	08/10/2010–07/10/2013
	460,000	–	–	–	–	460,000	0.58	02/06/2011	02/06/2011–01/06/2014
Mr. Zhao Yong	1,500,000	–	–	–	–	1,500,000	0.96	08/10/2010	08/10/2010–07/10/2013
Mr. Li Zhong (Resigned on 30 July 2012)	1,500,000	–	–	–	–	1,500,000	0.58	02/06/2011	02/06/2011–01/06/2014
Subtotal	35,240,000	–	–	–	–	35,240,000			
<i>Employees</i>									
In aggregate	24,200,000	–	–	–	–	24,200,000	0.96	08/10/2010	08/10/2010–07/10/2013
	4,600,000	–	–	(160,000)	–	4,440,000	0.85	06/01/2011	06/01/2011–05/01/2014
	6,960,000	–	–	–	–	6,960,000	0.58	02/06/2011	02/06/2011–01/06/2014
	3,000,000	–	–	–	–	3,000,000	0.53	06/07/2011	06/07/2011–05/07/2014
	2,000,000	–	–	–	–	2,000,000	0.56	29/07/2011	29/07/2011–28/07/2014
	5,000,000	–	–	–	–	5,000,000	0.55	05/09/2011	05/09/2011–04/09/2014
	8,000,000	–	–	–	–	8,000,000	0.37	03/11/2011	03/11/2011–02/11/2014
Subtotal	53,760,000	–	–	(160,000)	–	53,600,000			
<i>Consultants</i>									
In aggregate	5,000,000	–	–	–	–	5,000,000	0.53	06/07/2011	06/07/2011–05/07/2014
	45,000,000	–	–	–	–	45,000,000	0.56	29/07/2011	29/07/2011–28/07/2014
	2,000,000	–	–	–	–	2,000,000	0.37	03/11/2011	03/11/2011–02/11/2014
Subtotal	52,000,000	–	–	–	–	52,000,000			
Total	<u>141,000,000</u>	<u>–</u>	<u>–</u>	<u>(160,000)</u>	<u>–</u>	<u>140,840,000</u>			

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As at 30 June 2012, the following Directors or chief executives of the Company had held the following interests or short positions in the shares, underlying shares (as defined in the Securities and Futures Ordinance (the “SFO”)) and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules:

Long positions in the Company:

Name of Directors	Nature of interests	Number of issued ordinary shares held	Number of underlying shares held pursuant to share options	Aggregate no. of shares in the Company	Approximate percentage of the issued share capital
Chen Fu Ju	Beneficial owner	3,036,000	17,300,000	20,336,000	1.04%
Li Qing	Beneficial owner	2,432,000	8,980,000	11,412,000	0.58%
Yan Dake	Beneficial owner	–	5,000,000	5,000,000	0.25%
Leung Siu Kee	Beneficial owner	–	960,000	960,000	0.04%
Li Zhong (Resigned on 30 July 2012)	Beneficial owner	–	1,500,000	1,500,000	0.07%
Zhao Yong	Beneficial owner	–	1,500,000	1,500,000	0.07%

Save as disclosed above, none of the Directors or chief executives of the Company held any interests or short positions in the shares, underlying shares (as defined in the SFO) or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange, pursuant to the Model Code.

DIRECTOR'S RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the above sections headed “Directors’ and Chief Executives’ Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company or its Associated Corporations” and “Share Option Scheme”, at no time during the Reporting Period was the Company or any of its subsidiaries a party to any arrangements to enable any of the Directors or the Company’s members of its management to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate and none of the Directors, their spouse or their children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the Reporting Period.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As at 30 June 2012, the following persons (other than Directors or chief executives of the Company) had an interest or short positions in the shares, underlying shares and debentures of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Long positions in the Company:

Name of substantial shareholders of the Company	Nature of interests	No. of ordinary shares/ underlying shares in the Company	Aggregate no. of shares in the Company	Approximate aggregate percentage of the issued share in the Company
Ho Wai Kong	Held by controlled corporation (<i>Note 1</i>)	359,639,306	409,859,306	20.75%
	Held by spouse (<i>Note 2</i>)	50,220,000		
Guo Binni	Beneficial owner (<i>Note 2</i>)	50,220,000	409,859,306	20.75%
	Held by controlled corporation (<i>Note 1</i>)	359,639,306		
Rotaland Limited	Beneficial owner (<i>Note 1</i>)	358,139,306	358,139,306	18.13%
Glorywide Group Limited	Beneficial owner (<i>Note 3 & 4</i>)	266,760,000	266,760,000	13.51%
Zhang Jie	Held by controlled corporation (<i>Note 3 & 4</i>)	266,760,000	266,760,000	13.51%
Victor Bell Limited	Beneficial owner (<i>Note 3 & 5</i>)	266,580,000	266,580,000	13.50%
Cheng Chun Tak	Held by controlled corporation (<i>Note 3 & 5</i>)	266,580,000	266,580,000	13.50%

Name of substantial shareholders of the Company	Nature of interests	No. of ordinary shares/ underlying shares in the Company	Aggregate no. of shares in the Company	Approximate aggregate percentage of the issued share in the Company
Electoric-Rays Limited	Beneficial owner (<i>Note 3 & 5</i>)	266,580,000	266,580,000	13.50%
Cheung Yee Fong	Held by controlled corporation (<i>Note 3 & 5</i>)	266,580,000	266,580,000	13.50%
Western Gold International Ltd	Beneficial owner (<i>Note 3 & 5</i>)	266,580,000	266,580,000	13.50%
Wong Ka Chun	Held by controlled corporation (<i>Note 3 & 5</i>)	266,580,000	266,580,000	13.50%
Passion Win Limited	Beneficial owner (<i>Note 3 & 6</i>)	270,000,000	270,000,000	13.68%
Chan Che Kwan	Held by controlled corporation (<i>Note 3 & 6</i>)	270,000,000	270,000,000	13.68%
Luxury Play Group Limited	Beneficial owner (<i>Note 3 & 7</i>)	267,840,000	267,840,000	13.56%
Bing Zhaoshi	Held by controlled corporation (<i>Note 3 & 7</i>)	267,840,000	267,840,000	13.56%
Headway Capital Group Limited	Beneficial owner (<i>Note 3 & 8</i>)	195,660,000	195,660,000	9.91%
Tsui Dick Yee, Daisy	Held by controlled corporation (<i>Note 3 & 8</i>)	195,660,000	195,660,000	9.91%
Ascher Group Limited	Beneficial owner (<i>Note 9</i>)	131,728,323	131,728,323	6.67%
Lu Xing	Held by controlled corporation (<i>Note 9</i>)	131,728,323	131,728,323	6.67%
Lie Haiquan	Beneficial owner	112,879,861	169,751,861	8.59%
	Held by controlled corporation (<i>Note 10</i>)	56,872,000		

Notes:

1. Of these 359,639,306 shares, (i) 358,139,306 shares are held by Rotaland Limited which consist of convertible loan notes which can be converted into 28,939,306 shares of the Company; and (ii) 1,500,000 shares are held by Similan Limited. Rotaland Limited and Similan Limited are companies incorporated in the British Virgin Islands with limited liability and wholly owned by Mr. Ho Wai Kong.
2. These 50,000,000 shares are held by Ms. Guo Binni who is the spouse of Mr. Ho Wai Kong.
3. According to the acquisition agreement entered into on 24 November 2011, the Company will allot a maximum of 500,000,000 consideration shares and will issue convertible bonds in an aggregate principal amount of a maximum of HK\$611 million (convertible into 1,300,000,000 conversion shares) at the conversion price of HK\$0.47, subject to the terms and conditions as stipulated in the acquisition agreement, to vendors in the Acquisition Agreement, including Glorywide Group Limited (wholly owned by Mr. Zhang Jie), Victor Bell Limited (wholly owned by Mr. Cheng Chun Tak), Electronic-Rays Limited (wholly owned by Ms. Cheung Yee Fong), Western Gold International Ltd (wholly owned by Mr. Wong Ka Chun), Passion Win Limited (wholly owned by Mr. Chan Che Kwan) and Luxury Play Group Limited (wholly owned by Mr. Bing Zhaoshi), Headway Capital Group Limited (wholly owned by Ms. Tsui Dick Yee, Daisy). As at the date of this report, the transaction has not yet completed and the above consideration shares and convertible bonds have not been issued.
4. These 266,760,000 shares consist of convertible bonds convertible into 192,660,000 shares of the Company.
5. These 266,580,000 shares consist of convertible bonds convertible into 192,530,000 shares of the Company.
6. These 270,000,000 shares consist of convertible bonds convertible into 195,000,000 shares of the Company.
7. These 267,840,000 shares consist of convertible bonds convertible into 193,440,000 shares of the Company.
8. These 195,660,000 shares consist of convertible bonds convertible into 141,310,000 shares of the Company.
9. These 131,728,323 shares consist of convertible loan notes which can be converted into 1,728,323 shares of the Company and are held by Ascher Group Limited, a company incorporated in the British Virgin Islands with limited liability and wholly owned by Mr. Lu Xing.
10. These 56,872,000 shares are held and wholly owned by Mr. Lie Haiquan.

Save as disclosed above, as at 30 June 2012, the Company had not been notified of any interests or short position being held by any substantial shareholder in the shares or underlying shares in the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

CORPORATE GOVERNANCE CODE

Throughout the Reporting Period, 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 deviations:

According to the code provision A.2.1 of the CG Code, the roles of the chairman and the chief executive should be separate 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 Reporting Period, 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

During the Reporting Period, the Company has adopted the Model Code as its code of conduct regarding securities transactions by its Directors. The Company had made specific enquiries of all Directors, and the Company was not aware of any non-compliance with the required standard in the Model Code.

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

During the Reporting Period, the Company has issued 34,913,543 ordinary shares by means of conversion of convertible loan notes.

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 Reporting Period.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") currently consists of two independent non-executive Directors, namely, Mr. Leung Siu Kee and Mr. Zhao Yong. The unaudited financial interim results and the interim report of the Group for the Reporting Period have been reviewed by the Audit Committee.

By Order of the Board
China Oriental Culture Group Limited
Chen Fu Ju
Executive Director

Hong Kong, 23 August 2012

As at the date of this announcement, the Board comprises Mr. Chen Fu Ju, Mr. Li Qing and Mr. Yan Dake as executive Directors; Ms. Ng Siu Lai as non-executive Director; and Mr. Leung Siu Kee and Mr. Zhao Yong as independent non-executive Directors.