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

(Incorporated in Bermuda with limited liability)

(Stock Code: 1060)

**ANNOUNCEMENT OF AUDITED RESULTS
 FOR THE YEAR ENDED 31ST DECEMBER, 2012**

HIGHLIGHT		
	2012	2011
	HK\$'000	HK\$'000
		(restated)
Revenue	1,016,486	288,353
Gross profit	423,291	27,285
Profit (loss) after tax, before finance cost and share option expense	208,052	(27,155)
Net profit (loss) attributable to owners of the Company	177,153	(75,341)
Basic earnings (loss) per share	2.36 HK Cents	(1.49 HK Cents)
Net asset value per share	HK\$0.17	HK\$0.03

For the year ended 31st December, 2012, the Group reported substantial improvements in revenue and executed a successful business turnaround. Turnover and gross profit of the Group soared to approximately HK\$1,016,486,000 and HK\$423,291,000 respectively (2011: turnover and gross profit were HK\$288,353,000 and HK\$27,285,000 respectively), which was mainly attributable to the substantial increase in turnover during the year, a result of the favorable performance of the media-related businesses, particularly after the merger with China Entertainment Media Group Limited ("CEMG").

During the year under review, profit attributable to the owners of the Company amounted to HK\$177,153,000 (2011: loss attributable to the owners of the Company was HK\$75,341,000). Excluding the non-cash effective interest expense on convertible notes and the share option expense of HK\$27,587,000 (2011: HK\$45,337,000), the net profit attributable to the owners of the Company would have been HK\$204,740,000 (2011: net loss attributable to the owners of the Company was to be HK\$30,004,000).

Earnings per share (both basic and diluted) for the year ended 31st December, 2012 was 2.36 HK cents (2011: loss per share was 1.49 HK cents). Net asset value attributable to owners of the Company per share was HK\$0.17 (2011: HK\$0.03).

* For identification purpose only

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 for the year ended 31st December, 2012 were as follows:

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER, 2012

	<i>NOTES</i>	2012 HK\$'000	2011 HK\$'000 (restated)
Revenue	3	1,016,486	288,353
Cost of sales and services		(593,195)	(261,068)
Gross profit		423,291	27,285
Other income	4	31,789	2,462
Other gains and losses, net	5	65,841	8,231
Distribution and selling expenses		(132,167)	(13,291)
Administrative expenses			
– share-based payment expenses		(1,604)	(45,337)
– other administrative expenses		(168,696)	(45,857)
		(170,300)	(91,194)
Other expenses		–	(3,983)
Finance costs			
– effective interest expense on convertible notes		(25,983)	–
– other finance costs		(385)	(4,119)
	6	(26,368)	(4,119)
Share of results of an associate		(1,069)	–
Profit (loss) before taxation		191,017	(74,609)
Taxation charge	7	(10,937)	(2,002)
Profit (loss) for the year	8	180,080	(76,611)
Profit (loss) for the year attributable to:			
Owners of the Company		177,153	(75,341)
Non-controlling interests		2,927	(1,270)
		180,080	(76,611)
		HK cents	HK cents
Earnings (loss) per share	9		
Basic		2.36	(1.49)
Diluted		2.36	(1.49)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST DECEMBER, 2012

	2012 HK\$'000	2011 HK\$'000 (restated)
Profit (loss) for the year	180,080	(76,611)
Other comprehensive income for the year:		
Exchange difference arising on translation to presentation currency	<u>14,071</u>	<u>638</u>
Total comprehensive income (expense) for the year	<u>194,151</u>	<u>(75,973)</u>
Total comprehensive income (expense) for the year attributable to:		
Owners of the Company	190,882	(74,868)
Non-controlling interests	<u>3,269</u>	<u>(1,105)</u>
	<u>194,151</u>	<u>(75,973)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31ST DECEMBER, 2012

	<i>NOTES</i>	31.12.2012 HK\$'000	31.12.2011 <i>HK\$'000</i> (restated)	1.1.2011 <i>HK\$'000</i> (restated)
Non-current assets				
Property, plant and equipment		24,196	1,711	32,708
Goodwill	<i>10</i>	333,369	–	–
Intangible assets		456,416	9,616	–
Club debenture		2,836	–	–
Art work		164,307	–	–
Deposits and prepayments	<i>11</i>	67,468	37,746	–
Deferred tax assets		1,588	–	–
		1,050,180	49,073	32,708
Current assets				
Inventories		2,816	–	–
Film rights		169,296	119,657	–
Investments held for trading		21,569	–	–
Trade and other receivables, deposits and prepayments	<i>11</i>	664,401	99,211	–
Amounts due from non-controlling interests		4,538	1,720	–
Amount due from a shareholder		–	24	–
Amounts due from related companies		–	3,122	–
Bank balances and cash		192,838	59,212	296
		1,055,458	282,946	296
Current liabilities				
Trade and other payables and accrued charges	<i>12</i>	171,216	87,562	–
Receipts in advance from customers		84,504	41,390	–
Amounts due to non-controlling interests		760	–	–
Amount due to a shareholder		–	31,803	–
Amounts due to related companies		1,105	–	–
Tax liabilities		38,153	4,541	–
Convertible notes	<i>14</i>	333,069	–	–
		628,807	165,296	–
Net current assets		426,651	117,650	296
Total assets less current liabilities		1,476,831	166,723	33,004

	<i>NOTES</i>	31.12.2012 <i>HK\$'000</i>	31.12.2011 <i>HK\$'000</i> (restated)	1.1.2011 <i>HK\$'000</i> (restated)
Capital and reserves				
Issued share capital	<i>13</i>	1,935,686	520,648	484,398
Reserves		(618,946)	(358,637)	(490,740)
Equity attributable to owners of the Company		1,316,740	162,011	(6,342)
Non-controlling interests		34,807	4,712	–
Total equity		1,351,547	166,723	(6,342)
Non-current liabilities				
Convertible notes	<i>14</i>	21,244	–	–
Deferred tax liabilities		104,040	–	–
Amount due to a shareholder		–	–	39,346
		125,284	–	39,346
		1,476,831	166,723	33,004

Notes:

1. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

On 21st October, 2011, the Company entered into a sale and purchase agreement with Sequoia Capital 2010 CGF Holdco, Ltd. (“Sequoia”), Brilliant Mark Limited (“Brilliant Mark”) and World Charm Holdings Limited (“World Charm”) (collectively referred to as the “Target’s Shareholders”) pursuant to which the Company conditionally agreed to acquire the entire issued share capital of CEMG for a total consideration of approximately HK\$2,016,300,000 (the “Acquisition”). The Acquisition has been completed on 31st January, 2012. The consideration for the Acquisition was satisfied by the issuance of 5,040,750,000 new ordinary shares of the Company of HK\$0.25 each (details are set out in note 13).

Upon the completion of the Acquisition, the Target’s Shareholders of CEMG (together with its subsidiaries collectively referred to as the “CEMG Group”) received 5,040,750,000 ordinary shares of the Company, representing 70.8% of the enlarged issued share capital of the Company. As a result, the Target’s Shareholders of CEMG received and owned the largest portion of the voting rights of the Company.

Under Hong Kong Financial Reporting Standard 3 (Revised) “Business Combinations” (“HKFRS 3”), the Acquisition is accounted for as a reverse acquisition. For accounting purposes, CEMG is the accounting acquirer and the Company (the accounting acquiree) is deemed to have been acquired by CEMG. In applying the purchase method of accounting to effect the “reverse acquisition”, the goodwill as of the acquisition date is measured as the excess of the deemed cost of the business combination (deemed consideration) over the fair value of the identifiable assets and liabilities of the Company and its subsidiaries (collectively referred to as the “ChinaVision Group”) immediately prior to the Acquisition.

The consolidated financial statements of the CEMG Group and the ChinaVision Group (collectively referred to as the “Group”) have been prepared as a continuation of the consolidated financial statements of the CEMG Group, with adjustments to the equity structure of the Company to reflect the fair value of the Company’s shares issued for the Acquisition. Comparative information presented in the consolidated financial statements have been restated to present those of the CEMG Group but adjusted to reflect the legal capital of the Company. Details of the deemed cost of the reverse acquisition and the fair values of assets and liabilities of the ChinaVision Group under the reverse acquisition are set out in note 15.

CEMG was incorporated and registered in the Cayman Islands with limited liability on 4th January, 2011. Prior to the group reorganisation completed on 4th January, 2011 (the “CEMG Group Reorganisation”), Mr. Dong Ping (“Mr. Dong”) directly owned the entire interest in Orient Ventures Limited. On 4th January, 2011, Mr. Dong transferred his interest in Orient Ventures Limited to CEMG, in return CEMG issued shares to the companies in which Mr. Dong owned the entire equity interest. The CEMG Group Reorganisation completed on 4th January, 2011 was to intersperse CEMG and certain existing companies controlled by Mr. Dong between Orient Ventures Limited and Mr. Dong. The consolidated financial statements of the CEMG Group for the comparative year ended 31st December, 2011 have been prepared as if the CEMG group structure

had been in existence since the respective dates of incorporation or establishment of the companies comprising the CEMG Group, except that Beijing Asian Union Culture and Media Investments, Ltd (“Asian Union”), Vision Ventures Media Limited (“Vision Ventures”), Beijing Zhong Lian Hua Yi Shan He Shui Film and Culture, Ltd (“Zhong Lian Hua Yi Shan He Shui”) and Beijing Peng An Sheng Shi Advertising, Ltd (“Peng An Sheng Shi”) have been consolidated since their respective acquisition dates.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants.

Amendments to HKAS 1	As part of the annual improvements to HKFRSs 2009 – 2011 cycle issued in 2012
Amendments to HKAS 12	Deferred tax: Recovery of underlying assets
Amendments to HKFRS 7	Financial instruments: Disclosures – Transfers of financial assets

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or disclosures set out in these consolidated financial statements.

Amendments to HKAS 1 Presentation of financial statements

(as part of the annual improvements to HKFRSs 2009-2011 cycle issued in June 2012)

Various amendments to HKFRSs were issued in June 2012, the title of which is annual improvements to HKFRSs (2009 – 2011 Cycle). The effective date of these amendments is annual periods beginning on or after 1st January, 2013.

In the current year, the Group has applied for the first time the amendments to HKAS 1 in advance of the effective date (annual periods beginning on or after 1st January, 2013).

HKAS 1 requires an entity that changes accounting policies retrospectively, or makes a retrospective restatement or reclassification to present a statement of financial position as at the beginning of the preceding period (third statement of financial position). The amendments to HKAS 1 clarify that an entity is required to present a third statement of financial position only when the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position and that related notes are not required to accompany the third statement of financial position. As mentioned in note 1, the consolidated financial statements of the Group have been prepared as a continuation of the consolidated financial statements of the CEMG Group. Accordingly, the third statement of financial position of the CEMG Group was presented for retrospective restatement while related notes are not required.

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

Amendments to HKFRSs	Annual improvements to HKFRSs 2009 – 2011 cycle, except for the amendments HKAS 1 ¹
Amendments to HKFRS 7	Disclosures – Offsetting financial assets and financial liabilities ¹
Amendments to HKFRS 9 and HKFRS 7	Mandatory effective date of HKFRS 9 and transition disclosures ³
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance ¹
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities ²
HKFRS 9	Financial instruments ³
HKFRS 10	Consolidated financial statements ¹
HKFRS 11	Joint arrangements ¹
HKFRS 12	Disclosure of interests in other entities ¹
HKFRS 13	Fair value measurement ¹
HKAS 19 (as revised in 2011)	Employee benefits ¹
HKAS 27 (as revised in 2011)	Separate financial statements ¹
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures ¹
Amendments to HKAS 1	Presentation of items of other comprehensive income ⁴
Amendments to HKAS 32	Offsetting financial assets and financial liabilities ²
HK(IFRIC) – INT 20	Stripping costs in the production phase of a surface mine ¹

¹ Effective for annual periods beginning on or after 1st January, 2013.

² Effective for annual periods beginning on or after 1st January, 2014.

³ Effective for annual periods beginning on or after 1st January, 2015.

⁴ Effective for annual periods beginning on or after 1st July, 2012.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2011 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 “Financial instruments: Recognition and measurement” 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.

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

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

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. HK(SIC) – INT 12 "Consolidation – Special purpose entities" will be withdrawn upon the effective dates of HKFRS 10. Under HKFRS 10, there is only one basis for consolidation, that is, control. In addition, HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

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

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

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

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

HKFRS 10 has more guidance to explain when an investor has control over an investee. After assessment of the adoption of HKFRS 10, the directors of the Company anticipate that no additional investees ought to be consolidated and no investees which were previously consolidated ought to be deconsolidated in accordance with the new definition of control under HKFRS 10. Accordingly, the application of HKFRS 10 will not have material impact on the consolidated financial statements.

The application of HKFRS 11 will change the classification and subsequent accounting of the Group's jointly controlled entities. For example, under HKAS 31, the Group's jointly controlled entities have been accounted for using proportionate consolidation method. Under HKFRS 11, the Group's jointly controlled entities will be classified as joint ventures and will be accounted for using the equity method, resulting in the aggregation of the Group's proportionate share of those jointly controlled entities' respective net assets and items of profit or loss and other comprehensive income into a single line item which will be presented in the consolidated statement of financial position and in the consolidated income statement as 'investment in joint ventures' and 'share of results of joint ventures' respectively.

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

Amendments to HKAS 1 Presentation of items of other comprehensive income

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

The amendments to HKAS 1 are effective for the Group for annual periods beginning on 1st January, 2013. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in future accounting periods.

The directors of the Company anticipate that the application of the other new and revised HKFRSs will have no material impact on 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:

	2012 HK\$'000	2011 HK\$'000 (restated)
Production and distribution of film rights	415,936	46,757
TV advertising income	287,134	241,596
Income from mobile value-added services	13,449	–
Mobile TV subscription income	14,442	–
Income from newspaper distribution	24,582	–
Income from newspaper advertising	179,559	–
Income from magazine distribution	3,368	–
Income from magazine advertising	35,056	–
Others (<i>Note</i>)	42,960	–
	<u>1,016,486</u>	<u>288,353</u>

Note: Amount included revenue from distribution of newspapers and magazines other than Beijing Times and FIGARO of HK\$1,573,000, TV programme packaging services of HK\$32,902,000, mobile game subscription of HK\$1,482,000, sales of bottled water of HK\$1,943,000, other agency services income of HK\$2,637,000 and revenue from other business divisions of HK\$2,423,000 for the year ended 31st December, 2012.

The CEMG Group is principally engaged in the production and distribution of film rights and TV advertising, while the ChinaVision Group is principally engaged in the operations set out in the segments (i), (iii) to (vii) below. Upon the completion of the Acquisition, the segments (iii) to (vii) below constitute new operating segments of the Group for the current year. Prior to 31st January, 2012, the chief operation decision maker (“CODM”) of the CEMG Group comprised of the board of directors of CEMG. Upon completion of the Acquisition, CODM changed to the board of directors of the Company, including executive directors, non-executive directors as well as independent non-executive directors of the Company. The Group’s operating segments, determined based on information reported to the CODM, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided, include the following:

- | | | | |
|-------|--|---|--|
| (i) | Production and distribution of film rights | – | production and distribution of film rights over films, television programmes and television drama series |
| (ii) | TV advertising | – | television advertising in the PRC |
| (iii) | Mobile value-added services | – | provision of personalised information and entertainment services to mobile handset users in the PRC |
| (iv) | Mobile TV subscription | – | development and distribution of mobile television in the PRC |
| (v) | Newspaper advertising and newspaper distribution | – | distribution of newspapers, Beijing Times, and newspaper advertising in the PRC |
| (vi) | Magazine advertising and magazine distribution | – | distribution of fashion magazine, FIGARO, and magazine advertising in the PRC |
| (vii) | Securities trading and investments | – | trading of securities in Hong Kong investments |

The segments under (iv) and (v) above are operated through jointly controlled entities.

In addition to the operating segments described above, each of which constitute separate reportable segments, the Group has other operating segments which include distribution of newspapers and magazines other than Beijing Times and FIGARO, TV programme packaging services, mobile game subscription, sales of bottled water, provision of other agency services and others in the PRC. None of these operating segments meet any of the quantitative thresholds for determining reportable segments. Accordingly, all of these operating segments are grouped as “all other segments”.

(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 HK\$'000	TV advertising HK\$'000	Mobile value-added services HK\$'000	Mobile TV subscription HK\$'000	Newspaper advertising and newspaper distribution HK\$'000	Magazine advertising and magazine distribution HK\$'000	Securities trading and investments HK\$'000	Reportable segments' total HK\$'000	All other segments HK\$'000	Consolidated HK\$'000
For the year ended 31st, December, 2012										
Segment revenue	<u>415,936</u>	<u>287,134</u>	<u>13,449</u>	<u>14,442</u>	<u>204,141</u>	<u>38,424</u>	<u>–</u>	<u>973,526</u>	<u>42,960</u>	<u>1,016,486</u>
Segment results	<u>162,277</u>	<u>25,930</u>	<u>7,144</u>	<u>7,591</u>	<u>23,591</u>	<u>(21,291)</u>	<u>29,126</u>	<u>234,368</u>	<u>984</u>	<u>235,352</u>
Unallocated interest income and other gains and losses, net										39,516
Corporate administrative expenses and share-based payment expenses										(56,414)
Finance costs										(26,368)
Share of results of an associate										(1,069)
Profit before taxation										<u>191,017</u>
For the year ended 31st, December, 2011 (restated)										
Segment revenue	<u>46,757</u>	<u>241,596</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>288,353</u>	<u>–</u>	<u>288,353</u>
Segment results	<u>(30,783)</u>	<u>5,790</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(24,993)</u>	<u>–</u>	<u>(24,993)</u>
Unallocated interest income and other gains and losses, net										8,490
Corporate administrative expenses and share-based payment expenses										(53,987)
Finance costs										(4,119)
Loss before taxation										<u>(74,609)</u>

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 profit (loss) generated or incurred by each segment without allocation of interest income from banks, other payable written off, sundry income net foreign exchange losses, gain on disposal of subsidiaries, (loss) gain on disposal of property, plant and equipment for corporate use, corporate administrative expenses, share-based payment expenses, finance costs on borrowings and share of results of an associate. This is the measure reported to the CODM 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 HK\$'000	TV advertising HK\$'000	Mobile value-added services HK\$'000	Mobile TV subscription HK\$'000	Newspaper advertising and newspaper distribution HK\$'000	Magazine advertising and magazine distribution HK\$'000	Securities trading and investments HK\$'000	Reportable segments' total HK\$'000	All other segments HK\$'000	Consolidated HK\$'000
At 31st December, 2012										
Segment assets	779,958	22,905	10,469	24,774	705,855	28,341	21,569	1,593,871	28,199	1,622,070
Property, plant and equipment- corporate										2,940
Art work										164,307
Other receivables, deposits and prepayments										117,357
Amounts due from non-controlling interests										4,538
Bank balances and cash										192,838
Deferred tax assets										1,588
Consolidated assets										<u>2,105,638</u>
Segment liabilities	68,266	71,047	3,509	5,926	50,899	18,408	-	218,055	10,302	228,357
Other payables and accrued charges										27,363
Amounts due to non-controlling interests										760
Amounts due to related companies										1,105
Tax liabilities										38,153
Convertible notes										354,313
Deferred tax liabilities										104,040
Consolidated liabilities										<u>754,091</u>

	Production and distribution of film rights HK\$'000	TV advertising HK\$'000	Mobile value-added services HK\$'000	Mobile TV subscription HK\$'000	Newspaper advertising and newspaper distribution HK\$'000	Magazine advertising and magazine distribution HK\$'000	Securities trading and investments HK\$'000	Reportable segments' total HK\$'000	All other segments HK\$'000	Consolidated HK\$'000
At 31st December, 2011 (restated)										
Segment assets	238,215	29,616	-	-	-	-	-	267,831	-	267,831
Property, plant and equipment – corporate										20
Other receivables, deposits and prepayments										90
Amounts due from non-controlling interests										1,720
Amount due from a shareholder										24
Amounts due from related companies										3,122
Bank balances and cash										59,212
Consolidated assets										<u>332,019</u>
Segment liabilities	70,457	53,596	-	-	-	-	-	124,053	-	124,053
Other payables and accrued charges										4,899
Amount due to a shareholder										31,803
Tax liabilities										4,541
Consolidated liabilities										<u>165,296</u>

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, art work, amounts due from non-controlling interests, a shareholder and related companies, certain other receivables, deposits and 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 accrued charges, amounts due to non-controlling interests, a shareholder and related companies, tax liabilities, convertible notes and deferred tax liabilities, for which the Group's management monitored and managed all these liabilities on a group basis.

4. OTHER INCOME

	2012 HK\$'000	2011 HK\$'000 (restated)
Interest income from banks	659	259
Government subsidies (<i>Note a</i>)	2,208	964
Refund of business tax (<i>Note b</i>)	16,759	835
Refund of PRC Enterprise Income Tax (<i>Note b</i>)	3,062	404
Other payables written off	8,365	–
Sundry income	736	–
	<u>31,789</u>	<u>2,462</u>

Notes:

- (a) During the year ended 31st December, 2012, the Group received subsidies of HK\$2,208,000 (2011: HK\$964,000) from the relevant PRC government authorities 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 tax incentives to several subsidiaries in the PRC by way of business tax and PRC Enterprise Income Tax (“EIT”) refund for the production and distribution of film rights, TV and magazines advertising, magazine distributions and provision of technology services by the Group in the PRC.

5. OTHER GAINS AND LOSSES, NET

	2012 HK\$'000	2011 HK\$'000 (restated)
(Loss) gain on disposal of property, plant and equipment	(6)	8,378
Gain on disposal of subsidiaries (<i>note 16</i>)	30,034	–
Net foreign exchange losses	(272)	(147)
Bad and doubtful debts recovered	6,757	–
Change in fair value of investments held for trading (<i>Note</i>)	29,328	–
	<u>65,841</u>	<u>8,231</u>

Note: The amount includes net realised gain of approximately HK\$19,782,000 on disposal of investments held for trading during the current year and unrealised gain of approximately HK\$9,546,000 on change in fair value of investments held for trading held by the Group as at 31st December, 2012.

6. FINANCE COSTS

	2012 HK\$'000	2011 HK\$'000 (restated)
Interests on:		
Bank borrowings wholly repayable within five years	–	207
Amount due to a shareholder	385	607
Imputed interest on borrowings from a shareholder	–	3,305
	<u>385</u>	<u>4,119</u>
Effective interest expense on convertible notes	25,983	–
	<u>26,368</u>	<u>4,119</u>

7. TAXATION CHARGE

	2012 HK\$'000	2011 HK\$'000 (restated)
Current tax		
– PRC EIT	(24,052)	(2,002)
– Reversal of tax payable (<i>Note</i>)	14,924	–
	<u>(9,128)</u>	<u>(2,002)</u>
Deferred tax		
– current year	(1,809)	–
	<u>(1,809)</u>	<u>–</u>
Taxation charge	<u>(10,937)</u>	<u>(2,002)</u>

Note: On 2nd April, 2012, a subsidiary of the ChinaVision Group has reallocated certain film rights contracts which have been completed in previous years to another subsidiary of the ChinaVision Group. This reallocation has resulted in a reduction in the tax exposure of the Group, which had made tax provisions in previous years without assuming the successful outcome of the reallocation, due to different tax rates applied by tax bureau in different provinces. Accordingly, a reversal of tax payable was made upon the transfer of film rights.

8. PROFIT (LOSS) FOR THE YEAR

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i> (restated)
Profit (loss) for the year has been arrived at after charging:		
Auditor's remuneration	3,022	762
Film rights recognised as an expense included in cost of sales and services	197,010	22,684
Cost of inventories recognised as an expense	37,731	–
Amortisation of intangible assets (included in cost of sales and services)	3,643	–
Depreciation of property, plant and equipment	11,410	976
Total amortisation and depreciation	15,053	976
Rental payments for premises under operating leases	18,898	3,032
Staff costs inclusive of directors' emoluments		
– salaries and other benefits	114,073	28,713
– share-based payments	1,604	–
	115,677	28,713

9. EARNINGS (LOSS) PER SHARE

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

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i> (restated)
Earnings (loss)		
Profit (loss) for the year attributable to owners of the Company for the purposes of basic and diluted earnings (loss) per share	177,153	(75,341)
	2012	2011 (restated)
Number of shares		
Weighted average number of ordinary shares in issue or deemed to be in issue during the year for the purposes of basic and diluted earnings (loss) per share	7,521,260,234	5,040,750,000

The weighted average number of shares used for the purpose of calculating earnings per share for the year ended 31st December, 2012 reflects the weighted average number of 5,040,750,000 ordinary shares deemed to be outstanding for the period from 1st January, 2012 to the date of the Acquisition and the total actual number of shares of the Company in issue after the date of the Acquisition.

The number of shares used for the purpose of calculating loss per share for the year ended 31st December, 2011 reflects the number of 5,040,750,000 ordinary shares of the Company issued in the Acquisition.

The computation of diluted earnings per share does not assume the conversion of the Company's outstanding convertible notes as their assumed conversion would increase the earnings per share for the year ended 31st December, 2012. In addition, the computation of diluted earnings per share does not assume the exercise of the share options because the exercise price of those share options outstanding was higher than the average market price for shares for the year ended 31st December, 2012.

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

	<i>HK\$'000</i>
COST	
At 1st January, 2011 and 31st December, 2011 (restated)	—
Arising from the Acquisition (<i>note 15</i>)	328,951
Exchange adjustments	4,418
At 31st December, 2012	333,369
CARRYING VALUES	
At 31st December, 2012	333,369
At 31st December, 2011	—

For the purpose of impairment testing, goodwill and intangible assets with indefinite useful life have been allocated to individual cash generating units (“CGUs”), including several subsidiaries in production and distribution of film rights segment (“Entertainment”), and one jointly controlled entity in newspaper advertising 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, 2012 and 2011 allocated to these units are as follows:

	2012		2011	
	Goodwill	Intangible assets with indefinite useful life	Goodwill	Intangible assets with indefinite useful life
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(restated)	(restated)
Entertainment (Unit A)	171,160	9,712	–	9,616
Advertising and newspaper (Unit B)	162,209	444,413	–	–
	<u>333,369</u>	<u>454,125</u>	<u>–</u>	<u>9,616</u>

During the year ended 31st December, 2012, the directors of the Company determined that there was no impairment of any of its CGUs containing goodwill and intangible assets with indefinite useful lives.

11. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2012 HK\$'000	2011 HK\$'000 (restated)
Trade receivables	406,032	61,720
Refundable deposit in relation to acquisition of an investee (Note 1)	29,851	29,557
Amount receivable from a former subsidiary (Note 2)	41,659	–
Deferred consideration for disposal of subsidiaries (note 16)	77,560	–
Other tax recoverable	48,973	1,268
Other receivables and deposits	18,022	1,299
	216,065	32,124
Deposits paid for acquisition of artwork and property, plant and equipment	20,157	–
Prepayment for film production (Note 3)	39,073	42,207
Prepayment for consultancy service fee	14,904	–
Other prepayments	13,624	906
Amount due from a joint venture partner (Note 4)	22,014	–
Total trade and other receivables, deposits and prepayments	731,869	136,957
Analysed as		
Current	664,401	99,211
Non-current	67,468	37,746
	731,869	136,957

Notes:

- During the year ended 31st December, 2011, the CEMG Group signed an agreement with a third party, pursuant to which the CEMG Group entrusted the third party and paid it a deposit of RMB24,000,000 (equivalent to HK\$29,851,000), which then submitted an application and the deposit to Shanghai United Assets and Equity Exchanges (“SUAEE”) for its intention to acquire for the 50% equity interests in another entity. The deposit is fully refundable prior to the approval of SUAEE and completion of the transaction. As at 30th June, 2012, the transaction has not yet been approved and completed. After assessing the transaction, the directors of the CEMG Group withdrew its application and demand for refund. As at 31st December, 2012, the demand for refund has been submitted and is in progress. In the opinion of the directors of the Group, the amount will be refunded within twelve months from 31st December, 2012. Accordingly, the balance is classified as current assets.
- The amount is unsecured, non-interest bearing and has no fixed repayment terms. In the opinion of the directors of the Group, the amount will be repaid within twelve months from 31st December, 2012. Accordingly, the balance is classified as current assets.

3. During the year ended 31st December, 2011, the CEMG Group signed two cooperative agreements with other film production companies (“Film Workshops”) pursuant to which the CEMG Group paid start-up costs to the Film Workshops which in return agreed to produce at least one film each year for the agreed period as stated in the agreements. Accordingly, a portion of start-up costs amounting to HK\$38,122,000 (2011: HK\$37,746,000) is classified as non-current assets. Remaining balance represents prepayment to other film production companies which is current in nature.
4. The amount is unsecured, non-interest bearing and repayable within twelve months from 31st December 2012. Accordingly, the balance is classified as current assets.

Trade receivables

Trade receivables consist of receivables from debtors arising from production and distribution of film rights segment and other business segments, net of allowance for doubtful debts, are analysed as follows:

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i> (restated)
Production and distribution of film rights	278,976	34,507
Other business segments	127,056	27,213
	406,032	61,720

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 series, they are required to settle the remaining balance when the relevant films or TV drama series 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 settlements.

At 31st December, 2012 and 2011, films and TV drama series related to those trade receivables from the respective PRC TV stations are broadcasted prior to the end of the reporting period.

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 date of delivery of the master copies of films or TV dramas which approximated the respective dates on which revenue was recognised:

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i> (restated)
0 – 90 days	200,806	34,507
91-180 days	45,545	–
181 – 365 days	18,715	–
Over 365 days	13,910	–
	278,976	34,507

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, which approximated the respective revenue recognition dates:

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i> (restated)
0 – 90 days	95,439	26,833
91-180 days	16,486	371
181 – 365 days	10,463	9
Over 365 days	4,668	–
	127,056	27,213

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\$29,041,000 (2011: HK\$9,000) 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 525 days (2011: 180 days).

Ageing of trade receivables which are past due but not impaired

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i> (restated)
181 – 365 days	10,463	9
Over 365 days	18,578	–
Total	29,041	9

12. TRADE AND OTHER PAYABLES AND ACCRUED CHARGES

Trade and other payables and accrued charges comprise amounts outstanding for trade purchases and ongoing costs. The following is an aged analysis of trade and bill payables presented based on the invoice date at the end of the reporting period as well as the analysis of other payables and accrued charges at 31st December, 2012:

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i> (restated)
0 – 90 days	48,045	51,227
91-180 days	1,589	314
181 – 365 days	3,009	–
Over 1 year	4,361	30
Total trade and bill payables	57,004	51,571
Other tax payable	51,136	11,940
Accrued staff cost	12,422	5,226
Amounts due to joint venture partners	2,685	7,578
Other payables and accrued charges (<i>Note</i>)	47,969	11,247
	171,216	87,562

The average credit period on purchase of goods is normally ranging from 120 days to 210 days.

Note: Included in other payables and accrued charges are payables and accruals of HK\$14,448,000 (2011: HK\$3,983,000) on legal and professional fees in relation to acquisition projects. The remaining balances are payables and accruals for daily operation expenses.

13. ISSUED SHARE CAPITAL

CEMG

	Number of shares			Share capital			
	Ordinary shares	Series A preferred shares ("Preferred shares")	Total	Par value per share US\$	Ordinary shares HK\$'000	Preferred shares HK\$'000	Total HK\$'000
Issued and fully paid:							
On incorporation	1	–	1	1	–	–	–
Issuance of ordinary shares (<i>Note 1</i>)	9,999	–	9,999	1	78	–	78
Subdivision of shares on 17th March, 2011 (<i>Note 2</i>)	99,990,000	–	99,990,000	0.0001	–	–	–
Issuance of Preferred shares on 21st March, 2011 (<i>Note 4</i>)	–	20,000,000	20,000,000	0.0001	–	16	16
Subdivision of shares on 28th March, 2011 (<i>Note 3</i>)	900,000,000	180,000,000	1,080,000,000	0.00001	–	–	–
Issuance of Preferred shares on 4th May, 2011 (<i>Note 4</i>)	–	50,000,000	50,000,000	0.00001	–	4	4
At 31st December, 2011 and 31st January, 2012, immediately before the Acquisition	<u>1,000,000,000</u>	<u>250,000,000</u>	<u>1,250,000,000</u>	0.00001	<u>78</u>	<u>20</u>	<u>98</u>

Notes:

- (1) On 4th January, 2011, CEMG issued 9,999 ordinary shares at par value of US\$1 each to the companies which were wholly-owned by Mr. Dong.
- (2) Pursuant to the approval by the shareholders of CEMG on 17th March, 2011, each of the issued and unissued shares of par value of US\$1 were subdivided into 10,000 shares at par value of US\$0.0001 each.
- (3) Pursuant to the approval by the shareholders of CEMG on 28th March, 2011, each of the issued and unissued shares at par value of US\$0.0001 were further subdivided into 10 shares of par value of US\$0.00001 each.
- (4) Pursuant to the approval by the board of directors of CEMG on 17th March, 2011 and 4th May, 2011, 20,000,000 Preferred shares at par value of US\$0.0001 each and 50,000,000 preferred shares at par value of US\$0.00001 each were issued to a third party investor to raise fund of HK\$156,000,000 and HK\$39,000,000 respectively. The holders of Preferred shares are entitled to have the voting right in the same manner as the holders of ordinary shares. Holders of Preferred shares are also entitled to receive payment of dividend in priority to the holders of the ordinary share dividends declared by CEMG and the distribution shall be equal to the distribution that such holder would have been received if such Preferred shares had been converted into ordinary shares of CEMG. In addition, CEMG has no obligation to redeem the Preferred shares.
- (5) Upon the completion of the Acquisition, all the ordinary shares and Preferred shares are held by the Company.

THE COMPANY

	Number of shares	Share capital HK\$'000
Ordinary shares of HK\$0.25 each		
Authorised:		
At 1st January, 2011, 31st December, 2011 and 31st December, 2012	10,000,000,000	2,500,000
Issued and fully paid:		
1st January, 2011	1,937,592,564	484,398
Issued in consideration for the acquisition of Year Wealth Limited in the year 2009 (<i>Note 1</i>)	20,000,000	5,000
Issued by placing of new shares (<i>Note 2</i>)	125,000,000	31,250
At 31st December, 2011 and 31st January, 2012, immediately before the Acquisition	2,082,592,564	520,648
New shares issued in respect of the Acquisition (<i>Note 3</i>)	5,040,750,000	1,260,188
Issued by subscription of shares (<i>Note 4</i>)	619,400,000	154,850
At 31st December, 2012	7,742,742,564	1,935,686

Notes:

- (1) The Company issued 20,000,000 ordinary shares to the vendor on 30th March, 2011 to settle the contingent consideration for the acquisition of the entire issued share capital of Year Wealth Limited in the year 2009.
- (2) On 24th June, 2011, the Company placed 125,000,000 ordinary shares to an independent investor at a price of HK\$0.40 per share.
- (3) On 31st January, 2012, the Company issued 5,040,750,000 ordinary shares of HK\$0.25 each as the total consideration in exchange of the entire issued share capital, including the Preferred shares, of CEMG.
- (4) Upon the completion of the Acquisition and pursuant to a conditional subscription agreement entered into on 21st October, 2011, the Company issued further 619,400,000 ordinary shares of HK\$0.25 each at the subscription price of HK\$0.40 per share to an independent third party on 31st January, 2012 totalling HK\$247,760,000.

All the shares issued ranked pari passu with the existing shares of the Company in all respects.

14. CONVERTIBLE NOTES

Pursuant to the equity transfer agreements for the acquisition of the entire issued share capital of Prefect Strategy International Limited (“Prefect Strategy”) and Main City Limited (“Main City”) which have indirect control and an effective interest in Beijing Beida Culture Development Company Limited (“Beida Culture”), 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 ChinaVision Group is required to issue the 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 Beida Culture 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 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-dilution 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.

As at 31st December, 2012, the entire issued share capital of a wholly-owned subsidiary of the Group was pledged as a share charge for CB1 on 3rd June, 2010.

15. ACQUISITION OF SUBSIDIARIES

(a) Acquisition of business through purchase of subsidiaries for the year ended 31st December, 2012

As set out in note 1, the Company acquired the entire issued share capital of CEMG in which Mr. Dong, a director of CEMG has controlling interests, which was completed on 31st January, 2012. As the Acquisition resulted in the Target's Shareholders of CEMG Group becoming, as a group, the controlling shareholders of the Company, the Acquisition was accounted for as a reverse acquisition, under which the CEMG Group was treated as the accounting acquirer and the ChinaVision Group immediately before the completion of the Acquisition was deemed to have been acquired by the CEMG Group.

Deemed consideration transferred

	<i>HK\$'000</i>
Shares issued (<i>Note</i>)	687,256
Fair value of equity component of convertible notes of the ChinaVision Group	3,971
Fair value of vested share options of the ChinaVision Group	23,280
	714,507

Note: The deemed consideration amounted to approximately HK\$687,256,000 represents the fair value of 2,082,592,564 ordinary shares of the Company in issue immediately prior to the Acquisition determined by reference to the published closing market price of HK\$0.33 per share at the date of the Acquisition i.e. 31st January, 2012.

Acquisition-related costs amounting to HK\$3,983,000 have been excluded from the cost of acquisition and have been recognised directly as an expense in the year ended 31st December, 2011 and included in the "other expenses" line item in the consolidated income statement of the CEMG Group.

The fair value of net assets of the ChinaVision Group acquired in the transaction and the goodwill arising as at the date of the Acquisition are as follows:

	Acquiree's carrying amounts before the Acquisition HK\$'000	Fair value adjustments HK\$'000	Fair value HK\$'000
Current assets			
Inventories	2,151	—	2,151
Film rights	30,916	—	30,916
Investments held for trading	13,586	—	13,586
Loan receivable	22,167	—	22,167
Trade and other receivables, deposits and prepayments	235,228	—	235,228
Amounts due from non-controlling interests	805	—	805
Bank balances and cash	74,535	—	74,535
Non-current assets			
Property, plant and equipment	28,076	—	28,076
Intangible assets	466,773	(3,755)	463,018
Interest in an associate	105,724	—	105,724
Club debenture	2,808	—	2,808
Art work	60,588	—	60,588
Deposits and prepayments	11,433	—	11,433
Deferred assets	3,380	—	3,380
Current liabilities			
Trade and other payables and deposits received	(153,198)	—	(153,198)
Amount due to a non-controlling interest	(739)	—	(739)
Amount due to a joint venture partner	(7,057)	—	(7,057)
Tax liabilities	(26,327)	—	(26,327)
Borrowings	(23,297)	—	(23,297)
Non-current liabilities			
Deferred tax liabilities	(103,015)	—	(103,015)
Convertible notes	(328,400)	—	(328,400)
	<u>416,137</u>	<u>(3,755)</u>	<u>412,382</u>

The receivables acquired (which principally comprised loan receivable, trade and other receivables and amounts due from non-controlling interests) with a fair value of HK\$247,153,000 at the date of Acquisition had gross contractual amounts of HK\$263,016,000. At the date of Acquisition, the best estimate of the contractual cash flows not expected to be collected amounted to HK\$15,863,000.

Non-controlling interests

The non-controlling interests in the ChinaVision Group recognised at the date of the Acquisition was measured by reference to the respective proportionate shares of recognised amounts of net assets of relevant subsidiaries and amounted to HK\$26,826,000.

Goodwill arising on Acquisition

	<i>HK\$'000</i>
Consideration transferred	714,507
Plus: non-controlling interests	26,826
Less: recognised amount of identifiable net assets acquired	(412,382)
Goodwill arising on acquisition	328,951
Exchange adjustment	4,418
Carrying value at 31st December, 2012	<u>333,369</u>

The goodwill arising on the Acquisition is attributable to the anticipated synergy effect of the production and distribution of film rights and the anticipated profitability of the newspaper advertising and newspaper distribution business of the Group.

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

Cash inflow arising on acquisition

	<i>HK\$'000</i>
Bank balances and cash acquired	<u>74,535</u>

Impact of the Acquisition on the results of the Group

Included in the profit for the year attributable to the owners of the Company and non-controlling interests are HK\$75,364,000 and HK\$2,348,000 respectively generated by the ChinaVision Group businesses. Revenues for the year include HK\$280,303,000 generated from the ChinaVision Group.

Had the Acquisition been effected at the beginning of the current year, total Group's revenue for the year ended 31st December, 2012 would have been HK\$1,029,001,000 and the Group's profit for the year would have been HK\$165,266,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the Acquisition been completed at the beginning of the year, nor is it intended to be a projection of future results.

(b) Acquisition of assets and liabilities through purchase of subsidiaries for the year ended 31st December, 2011

- (i) On 4th January, 2011, You Li Hao Ge Media & Culture, Ltd. (“You Li Hao Ge”), a wholly-owned subsidiary of CEMG, acquired the entire interest in Asian Union which holds 51% of Vision Ventures, through certain agreements (“Agreements”) signed among Asian Union, the owners of the Asian Union and You Li Hao Ge. Pursuant to the Agreements, the owners of Asian Union agreed to assign the power to appoint and remove all the members of the board of directors and to govern the financial and operating policies of Asian Union to You Li Hao Ge and to transfer all beneficial interests of these entities to You Li Hao Ge. Accordingly, Asian Union is treated as a wholly-owned subsidiary of CEMG and its results, assets and liabilities are consolidated with those of the CEMG Group.

The purpose of this acquisition was to obtain the operating licenses for production and publication of television drama series, television programmes and films in the PRC, which allowed the CEMG Group to develop television and film production business. Such acquisition did not constitute a business combination and did not give rise to any goodwill.

Consideration transferred

HK\$'000

Shares issued (*note*)

2,806

Note: 35,555 ordinary shares of one of the shareholders of CEMG were transferred by that shareholder to the vendors as consideration shares. The fair value of such consideration shares is assessed by an independent valuer using the market approach with application of the forward enterprise value to sales ratio of other comparable listed companies to the forecast sales for the year ended 31st December, 2011 of CEMG with adjustment for the specific status of CEMG. At the date of completion of the acquisition, the fair value of such consideration shares was amounted to approximately HK\$2,806,000.

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

HK\$'000

Non-current assets

Property, plant and equipment	460
Intangible assets	9,223

Current assets

Other receivables	802
Amount due from a shareholder	4,713
Amount due from a related company	27,150
Bank balances and cash	5,672

Current liabilities

Trade and other payables, accruals and deposits received	(28,042)
Amount due to a non-controlling shareholder of a subsidiary	(5,330)
Tax liabilities	(2,392)
Bank borrowings	(9,450)

2,806

The intangible assets mainly represent operating licences for production and publication of television drama series, television programmes and films in the PRC.

Cash inflow arising on acquisition

HK\$'000

Bank balances and cash acquired	5,672
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- (ii) On 5th January, 2011, the CEMG Group acquired 51% equity interest in Zhong Lian Hua Yi Shan He Shui for a cash consideration of RMB1,000,000 (equivalent to approximately HK\$1,181,000). Zhong Lian Hua Yi Shan He Shui has not commenced business at the date of acquisition.

Consideration transferred

HK\$'000

Cash consideration	1,181
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Assets and liabilities recognised by the CEMG Group at the date of acquisition:

HK\$'000

Non-current asset

Property, plant and equipment 732

Current assets

Other receivables 831

Bank balances and cash 802

Current liability

Other payables (49)

2,316

Non-controlling interest (1,135)

1,181

Net cash outflow arising on acquisition

HK\$'000

Cash consideration paid (1,181)

Bank balances and cash acquired 802

(379)

- (iii) On 11th February, 2011, the CEMG Group acquired 100% equity interest in Peng An Sheng Shi. Peng An Sheng Shi has not commenced business at the date of acquisition.

Consideration transferred

HK\$'000

Cash consideration 1,185

Asset recognised by the CEMG Group at the date of acquisition:

HK\$'000

Current asset

Bank balances and cash 1,185

Net cash flow arising on acquisition

HK\$'000

Cash consideration paid	(1,185)
Bank balances and cash acquired	1,185
	—

16. DISPOSAL OF SUBSIDIARIES

On 29th March, 2012, a wholly-owned subsidiary of the Company entered into a conditional sale and purchase agreement with an independent third party pursuant to which the Group will dispose of 100% equity interests in Fame Tower Limited (“Fame Tower”) and Golden Pace Limited (“Golden Pace”) (collectively referred to as the “Disposal Group”) which mainly hold 30% equity interest in Super Sports Media Inc. and the broadcasting right in connection with the mobile audio-visual broadcasting respectively for a total consideration of US\$20,000,000, which is equivalent to approximately HK\$155,120,000 (the “Disposal”). The Disposal was completed on 31st May, 2012, on which date control of Fame Tower and Golden Pace was passed to the acquirer.

Consideration received

HK\$'000

Cash received	77,560
Deferred cash consideration	77,560
	155,120

The deferred consideration of US\$10,000,000, equivalent to approximately HK\$77,560,000 is required to be settled in cash on or before 31st March, 2013. Such amount was settled subsequent to the year ended 31st December, 2012.

HK\$'000

Analysis of assets and liabilities over which control was lost

Intangible assets	20,431
Interest in an associate	104,655
Amounts due to group companies	(116,742)
Net assets disposed of	8,344

HK\$'000

Gain on disposal of subsidiaries

Consideration received and receivable	155,120
Net assets disposed of	(8,344)
Assignment of shareholder's loan	(116,742)
Gain on disposal	30,034

HK\$'000

Cash inflow arising on disposal

Cash consideration	77,560

During the year ended 31st December, 2012, Fame Tower and Golden Pace paid HK\$3,623,000 of the Group's net operating cash flows.

Subsequent to the date of the Acquisition as disclosed in note 1, the Disposal Group signed an agreement to further extend the licensing period for the broadcasting right of the mobile audio-visual broadcasting. Having considered this, the consideration for the Disposal in March 2012 exceeded the fair value of the Disposal Group at the date of the Acquisition.

17. EVENTS AFTER THE REPORTING PERIOD

On 21st February, 2013, a wholly-owned subsidiary of the Company has entered into Tongxiang Wuzhen "Journey to the West" film art centre project cooperative agreement and Tongxiang Wuzhen "Journey to the West" film art centre project memorandum with the People's Government of Tongxiang City of the Zhejiang Province (the "Tongxiang City Government") pursuant to which (i) the Tongxiang City Government will be responsible for requisition and agricultural land conversion of the land use right in the PRC which comprise of a parcel of land of an area of approximately 691.4 Mu (the "Sale Land") and another parcel of land of an area of approximately 357.1 Mu (the "Leased Land"); (ii) the wholly-owned subsidiary will acquire the Sale Land from public land sales for the development of the project; and (iii) the wholly-owned subsidiary shall be under no obligation to take up the lease of the Leased Land if the wholly-owned subsidiary fails to obtain the Sale Land. The proposed acquisition of the land use right in the PRC has not yet been completed as at the date of the consolidated financial statements for the year ended 31st December, 2012.

CHAIRMAN’S STATEMENT

In 2012, the cultural industry in China has experienced high growth with significant development. In the report of the Eighteenth Chinese People’s Political Consultative Conference (“CPPCC”) held recently, the Central Government has set specific goals for the development of the cultural industry which is currently undergoing reform in order that the industry may contribute to building a culturally strong nation. These goals include making: (1) cultural industry into one of the pillars of the People’s Republic of China (the “PRC”) economy; (2) cultural industry an important competitive strength of the nation; and (3) brands in the cultural industry into important icons within the nation’s cultural perception. With the background of favorable Central Government policies, along with the continuous growth of the PRC economy as well as peoples’ rising living standards, the Group is optimistic about the prospects of the cultural industry, which should also benefit all of the Group’s businesses.

During the year under review, the Group celebrated the 3rd anniversary of its founding. The Group has also achieved continued success by finalising a number of significant and new projects during the year. It has established strategic partnerships with a number of domestic industry leaders, commencing in-depth collaboration across a wide scope of business.

After the completion of the acquisition of the entire issued share capital of China Entertainment Media Group Limited (“CEMG”) on 31st January, 2012, the Group has consolidated its internal resources and created a cohesive team which has resulted in the rapid growth of all of its businesses. CEMG is a fast-growing media entertainment company principally engaged in movie and television drama investment and production, satellite TV network drama production and television advertising business. Apart from the ongoing collaboration with a team of well-known directors, screenwriters, actors and actresses, such as Mr. Ge You, Mr. Chen Bao Guo and Mr. Huang Bo, the famous movie stars; Mr. Hai Yan, Ms. Yan Ge Ling and Mr. Dong Zhe, the screenwriters; as well as Mr. Yin Li and Mr. Ding Sheng, the movie directors, CEMG has also entered into a long-term agreement with the Gansu Provincial Film and TV Broadcast Group (“Gansu TV”) to exclusively operate the television advertising and content programming segments of the Gansu Satellite Television Network and Gansu local television network. The Group has also optimised its business chain upon completion of the acquisition of CEMG and sought to enhance the synergies generated amongst its various teams and businesses in a bid to boost its core competitive advantages and further optimise its media platform. The Group has also utilised various channels to promote its program and products with the aim to becoming a large cultural media group seldom seen in the Greater China region that can produce its own quality content and operate its own extensive sales network.

In addition, the Group established a strategic partnership with Tencent Holdings Limited (“Tencent,” Stock Code: 0700) at the end of 2011. This has not only reinforced the Group’s capital foundation, but also enabled both parties to explore a range of channels for collaboration in order to generate greater synergies with solid progress achieved under review. The strategic partnership also enables the Group to use Tencent’s promotion-related resources and sales channels to promote and launch the Group’s films, television drama series, artists, new media content and mobile entertainment content. These channels include Instant Messaging QQ, web portal QQ.com, Tencent video platform, QQ game platform, social network Qzone and mobile wireless portal. The Group believes these initiatives will consolidate its leading position in the PRC media and cultural industry.

Worth to note about the Group’s major development in 2012 is that the Group has entered into agreements with Mr. Chiau Sing Chi (also known as Stephen Chow, “Mr. Chiau”), renowned movie star, as well as Bingo Group Holdings Limited (“Bingo”; Stock Code: 8220) during the year under review. In September 2012, the Group signed a contract with Bingo for acquiring a 30% equity share of the motion picture “Journey to the West: Conquering the Demons”, directed by Mr. Chiau. At the same time, the Group has entered into a joint agreement with Mr. Chiau to invest in five movies over seven years, whereby Mr. Chiau will serve as the presenter, producer, director, screenwriter, actor or in other key positions. Subsequently on 12th October 2012, the Group has signed another cooperative framework agreement with Mr. Chiau in which both parties will set-up a joint venture company to develop a “Journey to the West” Film Art Centre project (“Film Art Centre”) in Wuzhen. Such strongly branded uniquely Chinese cultural Film Art Centre will not only open a new chapter in Chinese film production history, but also bring the Group’s business exposure to a new height, with an ultimate goal to flourish the Group’s business as well as the whole cultural industry chain.

Television and Film Business

Production and distribution of television drama series

Since the completion of the acquisition of CEMG, the Group has followed its motto of “Building a Strong Brand; Producing Outstanding Dramas” to develop its television and film business and thus gained fruitful results.

“Liang Jian – Tie Xue Jun Hun” (亮劍－鐵血軍魂), a stunning large-scale New Year production last year, hit 0.985 audience rate which ranked first in viewership during its first broadcast day and maintained such leading position for several months during its broadcast on Zhejiang Satellite TV Channel Network. This TV program was also available over popular video websites in the PRC and has received overwhelming response. In March 2012, “Zheng Zhe Wu Di” (正者無敵) of the “Heroic Trilogy” (英雄無敵) series, an anti-Japanese drama, began broadcasting over a number of major satellite TV channels and immediately swept the top four rankings in terms of the same time-slot viewership among all television stations in the PRC. This series attracted

the largest ever pool of audiences on Beijing Satellite TV over the past twelve years. In August 2012, the Group has launched a large-scale production called “Qiang Shen Chuan Qi” (槍神傳奇) about the military defense industry especially for the Eighteenth CPPCC on all TV stations across the country. Sales have been satisfactory to date and have brought an ideal revenue contribution to the Group.

In addition, another episode of the “Heroic Trilogy” (英雄無敵) series namely “Yi Zhe Wu Di” (義者無敵) has completed shooting in October 2012 and will commence broadcasting across a number of satellite TV stations in the PRC after the first quarter of 2013. This drama series has enjoyed satisfactory sales and also received strong response before its broadcast debut extending the success of the “Heroic Trilogy” (英雄無敵) series. Upon its debut, the drama series is expected to generate more satisfactory sales revenue. “The Heroic Trilogy” series is one of the few television dramas which has both attracted a large audience and elicited the praise of the public in recent years. The television drama series highlighted mainstream values of society with content focused on patriotism and heroic deeds, successfully creating the “Trilogy” brand. It has received an enthusiastic response from audience since its debut.

At the same time, the Group has adopted an aggressive strategy and actively explored new development directions for drama. During the year, the Group has produced trendy contemporary TV drama series, including “Ya Dian Na Nu Shen” (雅典娜女神) and “Nu Ren Bang” (女人幫), and shooting has been completed. Sales of these two drama series have been promising. These two romantic and action TV drama series has generated a satisfactory sales contribution to the Group. “Cheng Shi Lian Ren” (城市戀人), which is invested, produced and filmed by the Group, has completed shooting in September 2012. In an even more exciting development, Choi Ji Woo is to appear in the Chinese iconic drama again, nine years after her last drama series broadcast in China. This appealing TV series is planned to be broadcasted on several cable TV channels during the second half of 2013.

Investment and development of films

During the year under review, the Group has actively explored opportunities to invest in films. Notably in this regard, in September 2012, the Group announced that it has entered into an agreement with Bingo for acquiring a 30% equity share of the motion picture “Journey to the West: Conquering the Demons”, directed by renowned star Mr. Chiau, at a consideration of RMB38,000,000. The investment gives the Group the rights to produce, market and distribute this motion picture on a worldwide basis. At the same time, the Group has entered into a joint agreement with Mr. Chiau to invest in five movies over seven years, whereby Mr. Chiau will serve as the presenter, producer, director, screenwriter, actor or in other key positions. The Group aims to continue the theme of “Journey to the West” and produce a series of movies based on its scenarios. “Journey to the West: Conquering the Demons” broke 23 box office records after it hit the screens of Hong Kong and Mainland China during the Spring Festival in 2013. It has bested its peers to become number one in global box office receipts for the first two

consecutive weeks after it started screening, and it still ranks number one in current first-run films box office. It also set records for the fastest time for a Chinese movie to reach box office receipts of RMB100 million, RMB200 million, RMB300 million until RMB1.2 billion. As of today, its accumulated box office receipts in Mainland China has exceeded RMB1.2 billion, breaking 23 box office receipts records of Chinese movies, which made it become one of the most successful Chinese movies to top the box office for five consecutive weeks. Its success has never been a coincidence, rather it marks the beginning of the rapid development and progress of Chinese movies. Capitalising on its ability to capture the market trend and abundant resources, the Group expects the coming five movies produced in collaboration with Mr. Chiau in the coming seven years will also become huge successes with impressive box office receipts and generate promising investment returns to the Group.

Apart from this, in February subsequent to the year under review, the Group announced that it has signed a memorandum and a cooperative agreement (the “Cooperative Agreement”) with the People’s Government of Tongxiang City, Zhejiang Province to develop a 1,048.5 mou film art centre project in Wuzhen. Pursuant to the cooperative framework agreement signed between the Group and Mr. Chiau, the Film Art Centre project is to be developed through a joint venture company established with Mr. Chiau. Wuzhen, also known as “Town of Water,” is one of the six famous ancient towns in Jiangnan and has a long history of more than 1,300 years. Since its official opening in 2001, the original ancient waterside town scenery and long cultural heritage have made Wuzhen a popular tourist destination in Jiangnan. The town was designated a national 5A tourist attraction and attracts some 6,000,000 visitors annually. Wuzhen benefits from its prime geographical location in eastern China, an area with higher consumption level and strong consumer demand. Meanwhile, the Xizha section within the Wuzhen scenic zone is still under development and has huge growth potential. The Group has decided to build the Film Art Centre in Wuzhen because of the extraordinary tourist resources there. The “Journey to the West” Film Art Centre will recreate the setting of the “Journey to the West: Conquering the Demons,” the initial film produced in collaboration with Mr. Chiau. Both parties also plan to add other related elements from the upcoming hit films created or directed by Mr. Chiau into the Film Art Centre, aiming to create an pioneer Asian film art centre and an extended Chinese cultural facility. Upon completion, the project would become a trailblazing Chinese culture-themed Film Art Centre that showcases oriental grandeur, and open a new chapter in the history of Asia’s film culture. The Group expects the Film Art Centre to rival other world-class film centres elsewhere around the world in the near future.

The Group has also capitalised on the strategic partnership with Tencent in the areas of promotion-related resources and sales channels. Prompting by the Group, Tencent Video Platform (騰訊視頻), a subsidiary of Tencent, entered into an agreement with “Journey to the West: Conquering the Demons” to secure the exclusive network distribution right and official website copyright. The Group hopes to leverage Tencent’s immense number of subscribers and powerful and proven movie and drama operation model to boost the all-round promotion of its television and film business.

Besides Mr. Chiau, the Group has also assembled a constellation of stars including Mr. Ge You, Mr. Chen Bao Guo and Mr. Huang Bo; accomplished screenwriters such as Mr. Hai Yan, Ms. Yan Ge Ling and Mr. Dong Zhe; and renowned movie directors including Mr. Yin Li and Mr. Ding Sheng to set up television and film workshops. In addition, the film “White Orange” (白橘子), co-invested by the Group and China Film Group Corporation (“China Film”) under Yin Li’s directorship, has planned to invite top Hollywood movie stars to play the roles. While the identity of the movie stars is undisclosed, such superb casting ensures the highest expectations from the market. The director workshops, the numerous movie investment projects and the Group’s movie investments and production efforts during the year under review have opened a golden era for the Group’s film and TV production.

Television Advertising Business

After completion of the acquisition of CEMG, by signing a 10-year strategic cooperation agreement with Gansu TV, the Group acquired the exclusive right to operate television advertising and content programming segments of the Gansu Satellite TV network. The Group has conducted a complete restructuring of Gansu Satellite TV aiming at making it become “the top living satellite channel in the PRC” with “living a better life” as the slogan. A series of innovative programmes have been launched to introduce a trendy, healthy, green and intelligent lifestyle to audiences. In addition to implementing such measures as securing better advertising time slots and enhancing programme content, the Group has also produced a brand new “micro film” programme during the year under review, which have not only opened a new chapter among satellite TV channels in the PRC, but also generated high advertising revenue for the Group. During the year under review, the Group utilised its quality internal resources and fully integrated the development of TV network and TV program which achieved a business turnaround in this segment.

Mobile New Media Business

In 2012, the number of 3G users has increased sharply due to the surging popularity of smartphones and tablets as well as the rapid growth of the national 3G network. The Group’s mobile new media business has also recorded satisfactory growth. During the year, total revenue from this segment increased by more than 70% as compared with that of last year. The number of paid users rose by 5 times to over 11.86 million. With the proliferating variety of smart products penetrating the consumer market in the PRC, the Group is optimistic about the development of mobile new media business and is allocating more resources in expanding its reach and channels to tap the potential of this segment.

The Group is strengthening its collaboration with the three major mobile communications operators, namely, China Mobile, China Unicom and China Telecom, to develop the mobile TV business. Revenue from this business segment was satisfactory during the year under review, which increased by 60% when compared with corresponding period last year and achieved a turnaround in business. The key programs covered in the Group's mobile TV business included news stories, social and legal reports, entertainment, film and television and recorded broadcasts of England Premier League ("EPL") matches. In 2012, the Group has collaborated with the operators to roll out more than 10 television drama series, including "Fan Ju Ye Feng Kuang" (飯局也瘋狂), "The Confidant" (大太監) and "War of Desire" (凰圖騰) which earned higher revenue. As a result, the Group has achieved a major breakthrough in its mobile TV business with the number of monthly subscribers via China Mobile platform jumping from 120,000 in early 2012 to more than 450,000 at the end of 2012, while the number of monthly subscribers via China Telecom platform similarly surged from 20,000 in early 2012 to 80,000.

On the other hand, the Group's mobile value-added business such as mobile digital reading, mobile music and mobile animation businesses have also made good progress, with mobile digital reading business achieving the most satisfactory growth. During the year under review, the Group cooperated with a number of telecom service providers to launch a range of wireless value-added services, offering personalised information and entertainment information services to customers through SMS, MMS and mobile news business. In the year of 2012, the Group's mobile digital reading business secured the adaptation rights to the plays "Nu Ren Bang" (女人幫) and "Qin Ai" (親愛) which will be available on various reading platforms in the PRC during this year. In addition, the Group has successfully launched the digital version of "Nan Ren Bang" (男人幫) and "Fan Ju Ye Feng Kuang" (飯局也瘋狂) with an aim to offering a wider selection of quality mobile digital reading content to customers. Acquiring these rights also shows that the Group is working hard to enrich the content and improve the quality of its mobile new media business.

Print Media Business

Newspaper

Riding on the Group's continuous efforts in business development and operation improvement, Beijing Times has not only grown to become 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), Jinghua website (京華網), e-business services (億家網) and other electronic terminal products under the Jinghua brand, but also captured considerable market share in the morning newspaper market in Beijing. In May 2012, *Beijing Times* announced its global debut of Cloud Newspaper, which integrated traditional print media (front-port) and mobile internet (end-port) by using image recognition technology. With two ports as entrances, Internet gets "alive" in the newspaper. After six months of operation, the Cloud Newspaper has been widely recognized by General Administration of Press and

Publication of the PRC and the readers. Besides, the stylish business division, which was established around two years ago, has entered the fast growth track, the placement of high-end product advertisements has since maintained steady growth. With the Group's dedicated efforts to explore other marketing channels for broadening the revenue streams, Beijing Times contributed stable returns to the Group during the year under review.

Magazine

In 2012, the Group's up-market women's magazine, 費加羅 FIGARO, has been included in a list of the PRC's premier magazines, and has become more widely accepted by renowned international brands. In Mainland China, according to the latest CNRS readership survey findings on modern lifestyle magazines released by CVSC-TNS RESEARCH (CTR), 費加羅 FIGARO ranked top eight among its peers. 費加羅 FIGARO iPad edition has also unveiled a new image to readers since it went online. With innovative animation, interactive features and information on the latest trends, the iPad edition has attracted downloads from a large number of readers and has attracted the attention of many major brands. It also ranked first in the women's magazine category of App Store in April 2012 and ninth in the magazine and newspaper category in the PRC, reflecting its outstanding performance. In August 2012, the Group launched FIGARO Cloud Magazine (費加羅雲拍), making it the first modern lifestyle magazine in Mainland China presenting an image via mobile devices by integrating new media and traditional print media. As such, it has created a true 360 degree omnimedia and has enjoyed an overwhelming response in the market. During the year under review, while 費加羅 FIGARO has not recorded a profit, management believes that by capitalising on the brand awareness created by the Group's professional team and their dedicated efforts, the magazine is likely to achieve a business turnaround in the near future and will generate stable returns to the Group.

Other Video Operations Businesses

In order to streamline operations and bolster its financial strength, the Group decided to sell the 30% equity interest in Super Sports Media Inc. as well as the rights to the mobile live, delayed and recorded broadcasts of EPL matches at a consideration of US\$20 million in March 2012. The transaction was completed at the end of May 2012 and generated a profit of over HK\$30 million for the Group. After the disposal, the Group continues to hold the non-exclusive broadcasting rights of EPL matches. This can help minimise the resources invested in the operation and maintenance of broadcasting EPL matches, as well as generate strong cash flow for the Group, which could further enhance its financial position and enable resources to be directed towards expanding the new media and television and film business with immense potential.

Prospects

Looking to 2013, guided by the motto of “Building a Strong Brand; Producing Outstanding Dramas,” the Group is committed to further strengthen its existing television and film business and explore potentially yield-accretive production and investment opportunities of films and television dramas which are of excellent contents. The Group will commence collaboration with Mr. Chiau to produce the second cinema epic after “Journey to the West: Conquering the Demons”. In view of the tremendous success of that first movie, the Group expects this new movie to premiere in 2013, and subsequent movies to continue to bring extraordinary new experiences to audiences and earn exceptional box office receipts. At the same time, the success of the movie series of “Journey to the West” will boost the development of Film Art Centre project. In fact, such uniquely Chinese cultural Film Art Centre is going to integrate culture, tourism, cinema, entertainment and high technology functions. The glory of oriental civilisation is to be showcased as it ushers in a new era in the history of Asia’s film culture. The “Journey to the West” movie series and the “Journey to the West” Film Art Centre will complement each other perfectly, creating a new sustainable development area merging film and television production. This, in turn, will further advance the Group’s strategy to build a television and film culture industry business chain.

In addition, the Group will continue to integrate and explore upstream and downstream resources in the industry. On one hand, the Group is actively and effectively adjusting between different business divisions including the television and film business, mobile new media business, print media business and television advertising business, in order to make some of the businesses more profitable and further strengthen the well-performed businesses to grow steadily. The Group also strives to realise synergies through integrating internal resources and further promote the collaboration among the teams. On the other hand, the Group will actively introduce both capital and strategic partners in order to expand the culture industry business chain and at the same time provide a wider development platform and stronger support base. Looking ahead in 2013, the Group will further enhance its core competencies in the industry, by formulating and executing clear business strategies, leveraging its capital strength, continuing to implement a standardised operation model and following an advanced management philosophy. Meanwhile, the Group will also adhere to the motto of “Leading future development through cultural creativity” and strive to develop into an influential international cultural group which aims to bring high returns for shareholders over the long term.

FINANCIAL RESULTS

On 31st January, 2012, the Company acquired the entire issued share capital of China Entertainment Media Group Limited (“CEMG”) for a total consideration of approximately HK\$2,016,300,000 which was satisfied by the issuance of 5,040,750,000 new ordinary shares of the Company. Upon completion of the acquisition, the shareholders of CEMG received 5,040,750,000 ordinary shares of the Company, representing 70.8% of its enlarged issued share capital and thereby held the largest portion of the voting rights of the Company. Under Hong Kong Financial Reporting Standard 3 (Revised) “Business Combinations,” this acquisition has been accounted for as a reverse acquisition. For accounting purposes, CEMG is the accounting acquirer and the Company (as the accounting acquiree) is deemed to have been acquired by CEMG. As a result, the eleven months’ (1st February, 2012 to 31st December, 2012) financial results of the Company and its subsidiaries were consolidated into the financial statements of the acquirer for the year ended 31st December, 2012. All comparative figures have been restated (applying CEMG’s 2011 figures as comparative figures) to conform to the accounting treatment as a reverse acquisition.

Major Corporate Development

The acquisition of the entire issued share capital of CEMG announced on 21st October, 2011 at a consideration of approximately HK\$2,016,300,000 was completed on 31st January, 2012. CEMG is a fast growing media entertainment company principally engaged in three major business segments: movies, television drama series and television advertising. Subsequent to the completion of the transaction, two media groups have been collaborating to produce and distribute more television drama series, and promote these dramas through diversified delivery platforms such as print media and mobile new media where the Group has strong competitive advantages. Although the acquisition was only completed in late January 2012, the consolidation of the two groups has proceeded smoothly.

Final Dividend

The Board did not recommend the payment of a final dividend for the year ended 31st December, 2012 (2011: Nil). Capital will be reserved for the expansion of the Group’s business and to capture the investment opportunities arising from the tremendous growth in the cultural industry in China. The Board may consider to distribute dividend in the next financial year, depending on the Group’s business performance and the market condition.

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Operations

During the year ended 31st December, 2012, the Group was primarily engaged in two types of businesses, namely, (i) media-related businesses; and (ii) securities trading and investments. The media related businesses principally included: planning, production, publication, investment, distribution and licensing of television drama and films and organising cultural and artistic exchange activities, mobile value-added services,

mobile games business, mobile TV business, sales and distribution of newspapers and magazines, an advertising sales and TV programme packaging services. An overwhelming majority of these businesses were conducted in the People's Republic of China (the "PRC").

Media Related Businesses

For the year ended 31st December, 2012, film, television program and television drama series production, distribution and licensing businesses brought the Group a revenue of HK\$415,936,000 (2011: HK\$46,757,000) with a segment profit of HK\$162,277,000 (2011: loss of HK\$30,783,000). The substantial growth was principally attributable to the notable growth in revenue from producing and distributing various television drama series, which surged to HK\$378,039,000 (2011: HK\$46,757,000), accounting for more than 37% of the Group's total turnover.

After the Group acquired CEMG, resource allocation was optimised to create synergies. The move enhanced the Group's core competitiveness significantly, creating new momentum for its long-term development in the cultural industry. During the year under review, the Group launched a number of new films and television drama series, including "Zheng Zhe Wu Di" (正者無敵) of the "Heroic Trilogy" series (英雄無敵系列), "Liang Jian – Tie Xue Jun Hun" (亮劍—鐵血軍魂), "Qiang Shen Chuan Qi" (槍神傳奇). These productions were well rapidly becoming popular at major television stations in the PRC, which boosted the sales and gross profit, and generated good returns for the Group.

During a difficult year, the Group managed to boost the advertising sales of the TV networks business, which brought a revenue of HK\$287,134,000 (2011: HK\$241,596,000) with a segment profit of HK\$25,930,000 (2011: profit of HK\$5,790,000) for the year ended 31st December, 2012.

During the year, the Group actively resumed its SMS value-added business, which generated stable income for the Group. For the year ended 31st December, 2012, its net income amounted to HK\$13,449,000 with segment profit of HK\$7,144,000. This arm 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 such as SMS, MMS, WAP, interactive voice response and the like.

For the year ended 31st December, 2012, the Mobile TV subscription business has been developing well during the year and generated a net income of HK\$14,442,000 (after the 49% share of results), with a segment profit of HK\$7,591,000. The increasing popularity of 3G technology in the local mobile internet market in tandem with the favourable policies launched by the Central Government strongly indicate that the number of 3G users will surge, so the Group is optimistic about the prospects of the emerging mobile internet segment.

The newspaper advertising and newspaper distribution businesses generated stable revenue and profit for the Group during the year. For the year ended 31st December, 2012, its revenue and segment profit amounted to HK\$204,141,000, after the 50% share of results, and HK\$23,591,000 respectively. The revenue of this segment was mainly from the advertising placement from Beijing Times, as well as the diversified portals associated with the brand name of “Jinghua”.

In addition, the high-end women’s magazine 費加羅FIGARO started to deliver a stable income after its successful launch in mid-August 2011. During the year under review, it recorded a revenue of HK\$38,424,000 and segment loss of HK\$21,291,000. The Group expects the magazine to deliver stronger returns in the future by forging collaboration with diverse strategic partners and through media resource platforms within the Group.

Securities Trading and Investments

For the year ended 31st December, 2012, the Group’s securities trading and investment recorded a segment profit of HK\$29,126,000, mainly due to profit from change in fair value of investments held for trading and realised profits from certain securities.

Other Businesses

For the year ended 31st December, 2012, revenues and segment profit from other segments including distribution of magazines and newspapers apart from Beijing Times and 費加羅FIGARO, sales of bottled water, mobile games subscription, TV programme packaging services income and others in the PRC amounted to HK\$42,960,000 and HK\$984,000 respectively.

To streamline the Group’s operations and reallocate more resources to its core businesses which bring stable returns, the Group disposed of its 30% equity interest in its associated company, Super Sports Media Inc. (“Super Sports”), and the rights to the mobile live, delayed and recorded broadcasts of English Premier League (“EPL”) matches to an independent third party in March 2012 for a total consideration of US\$20,000,000. This transaction was completed in late May 2012 and a profit of HK\$30,034,000 was recognised in the consolidated income statement during the year. The disposal generated strong cash in-flow for the Group, which further enhanced its financial strength and enabled resources to be directed towards expanding the new media, television and film business where there is immense potential. Upon the disposal, the Group has still retained the non-exclusive mobile broadcasting rights of EPL matches.

In September 2012, the Group entered into an agreement with Bingo Group Holdings Limited (“Bingo”, Stock code: 8220) to acquire 30% equity interest in a movie “Journey to the West: Conquering the Demons” with the production, promotion and distribution rights around the world for a consideration of RMB38,000,000. Directed by renowned star Chiau Sing Chi (also known as Stephen Chow, “Mr. Chiau”), the movie hit the screen during the Spring Festival of 2013 and is expected to generate a promising return on this investment.

The Group also signed a cooperative agreement with Mr. Chiau to invest in and produce five movies during the next seven years, under which Mr. Chiau is to serve as the presenter, producer, director, screenwriter, or actor or in other key positions. The Group expects that each movie would mark a new milestone in the PRC film industry. The Group later signed a cooperative framework agreement (“Framework Agreement”) with Mr. Chiau in October 2012 to establish a joint venture (“JV”) to jointly develop a “Journey to the West” film art centre (the “Film Art Centre”). According to the Framework Agreement, the Group owns a 75% interests in the JV, while Mr. Chiau owns a 25% share in it.

To develop the Film Art Centre, the Group signed a memorandum of understanding and a cooperative agreement with the People’s Government of Tongxiang City, Zhejiang in February 2013 (the “Agreement”) to build the Film Art Centre on a parcel of land covering approximately 1,048.5 mu in Wuzhen. According to the Agreement, the Group plans to acquire the land use rights of the parcel with a total area of approximately 691.4 mu (one mu is equal to around 666 square meters) by stages and rent the remaining land area of 357.1 mu for the development of the Film Art Centre. On top of recreating the settings from “Journey to the West: Conquering the Demons”, the first movie co-produced with Mr. Chiau, both parties plan to add other related elements from the upcoming hits created or directed by Mr. Chiau into this Film Art Centre, with the aim to developing a film art centre integrating culture, tourism, filming, entertainment and high technology functions embracing Chinese culture.

Operating and other expenses

For the year ended 31st December, 2012, distribution and selling expenses and other administrative expenses increased from HK\$13,291,000 and HK\$45,857,000 in the previous year to HK\$132,167,000 and HK\$168,696,000 respectively. The increases were primarily due to the consolidation of the eleven months’ expenses of the Company’s various businesses.

For the years ended 31st December, 2012 and 2011, share option expense mainly represented the share options granted by the Company to the employees, directors and consultants in 2010 and an one-off share option expense in 2011 related to an incentive for certain individuals to join CEMG.

Finance costs increased from HK\$4,119,000 to HK\$26,368,000 for the year ended 31st December, 2012, which was due to the effective interest expense on convertible notes.

The Group’s share of loss of an associate of HK\$1,069,000 for the year ended 31st December, 2012 was from Super Sports, which was subsequently disposed of on 29th March, 2012.

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, 2012, the Group maintained cash reserves of HK\$192,838,000 (2011: HK\$59,212,000). As at 31st December, 2012, the equity attributable to owners of the Company amounting to HK\$1,316,740,000 (2011: HK\$162,011,000) with total borrowings of HK\$354,313,000 (2011: nil). As at 31st December, 2012, the Group's gearing ratio (net borrowings including convertible notes over total equity) was 12% (2011: nil).

On 31st January, 2012, the Company issued 5,040,750,000 ordinary shares of HK\$0.25 each as the total consideration in exchange of the entire equity interest of CEMG.

Pursuant to a subscription agreement entered into on 21st October, 2011, the Company allotted and issued 619,400,000 new shares of the Company at the subscription price of HK\$0.40 per share to THL F Limited, a wholly-owned subsidiary of Tencent Holdings Limited. The 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 the PRC and its transactions, related working capital and borrowings are primarily denominated in Renminbi and Hong Kong Dollars. The Group monitors its foreign exchange exposure and will consider hedging significant currency exposure should the need arise.

Charges on Assets

As at 31st December, 2012, the entire issued share capital of a wholly-owned subsidiary of the Group was pledged as a share charge for the convertible note with the principal amount of HK\$350,000,000 issued by the Company on 3rd June, 2010 (2011: nil).

Contingent Liabilities

As at 31st December, 2012, the Group had no material contingent liabilities (2011: nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 31st December, 2012, the Group, including its subsidiaries and jointly control entities but excluding its associates, employed approximately 1,700 (2011: approximately 120) 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.

CORPORATE GOVERNANCE

The Company has applied and complied with the applicable code provisions set out in the Code on Corporate Governance Practices (“Former CG Code”) (effective until 31st March, 2012) during the period from 1st January, 2012 to 31st March, 2012 and the Corporate Governance Code (“New CG Code”) (effective from 1st April, 2012) (the “CG Amendments”) during the period from 1st April, 2012 to 31st December, 2012 contained 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 of the Former CG Code and the New CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. There has been no separation of the roles of the chairman and the chief executive since the appointment of Mr. Dong Ping, the Chairman of the Company, as the acting Chief Executive Officer of the Company with effect from 9th January, 2012. In view of Mr. Dong Ping’s extensive experience in the industry and in-depth knowledge of the Group’s operation and business, the Board considers that the current management structure works effectively in enabling it to discharge the responsibilities and thus, there is no imminent need to separate the roles into two individuals. However, the Board will identify an appropriate person to take up the role of chief executive when necessary.

Code Provision A.6.7

Code provision A.6.7 of the New CG Code stipulates that independent non-executive directors (“INEDs”) and other non-executive directors should attend general meetings. Mr. Chen Ching and Mr. Jin Hui Zhi, both being the INEDs of the Company, were unable to attend the annual general meeting of the Company held on 11th June, 2012 (the “2012 AGM”) due to other business engagements.

Code Provisions B.1.3 and C.3.3

Code provisions B.1.3 and C.3.3 of the Former CG Code 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 of the Former CG Code and (following the CG Amendments) the code provision B.1.2 of the New CG Code 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 of the Former CG Code 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. Following the amendment to the terms of reference of the Audit Committee to make them correspond with the code provision C.3.3 of the New CG Code with effect from 29th March, 2012, there is no more deviation in such terms of reference from the code provision of the Former CG Code and the New CG Code.

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, 2012.

Code Provision E.1.2

Code Provision E.1.2 of the Former CG Code and the New CG Code stipulates that the chairman of the board should attend the annual general meeting. Mr. Dong Ping, the Chairman of the Board, was unable to attend the 2012 AGM due to other business engagement.

Further information on the Company’s corporate governance code and details of the Company’s deviations from certain code provisions of the Former CG Code and the New CG Code during the year under review will be set out in the corporate governance report to be contained in the Company’s 2012 annual report which will be sent to the shareholders of the Company in April 2013.

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, 2012.

SCOPE OF WORK OF MESSRS. 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, 2012 as set out in the preliminary announcement have been agreed by the Group’s auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by Messrs. 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 Messrs. 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, 2012.

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

Hong Kong, 27th March, 2013

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