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中國東方文化集團有限公司
China Oriental Culture Group Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2371)

ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2013

The board (the “Board”) of directors (the “Directors”) of China Oriental Culture Group Limited (the “Company”) hereby announces the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2013 (the “Reporting Period”), together with the comparative figures for the corresponding period in 2012 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2013

		Six months ended 30 June	
		2013	2012
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Unaudited)
Turnover	3	<u>28,826</u>	<u>13,433</u>
Revenue	3	28,826	13,433
Cost of sales and services		<u>(12,737)</u>	<u>(38,029)</u>
Gross profit/(loss)		16,089	(24,596)

		Six months ended 30 June	
		2013	2012
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Unaudited)
Other income	4	2	14
Selling and marketing expenses		(163)	(596)
Administrative expenses		(13,868)	(23,710)
Gain on bargain purchase of a subsidiary		–	12
Increase in fair value of derivative financial instruments		–	2,293
Share of results of an associate		–	–
Finance costs	5	<u>(6,406)</u>	<u>(4,418)</u>
Loss before tax		(4,346)	(51,001)
Income tax expense	6	<u>(3,860)</u>	<u>(55)</u>
Loss for the period	7	<u>(8,206)</u>	<u>(51,056)</u>
Other comprehensive income			
Exchange differences arising on translation and other comprehensive (expense) income for the period		<u>(4,856)</u>	<u>3,435</u>
Total comprehensive expense for the period		<u><u>(13,062)</u></u>	<u><u>(47,621)</u></u>

		Six months ended 30 June	
		2013	2012
<i>Notes</i>		<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Unaudited)
Loss for the period attributable to:			
Owners of the Company		(8,210)	(50,433)
Non-controlling interests		<u>4</u>	<u>(623)</u>
Loss for the period		<u>(8,206)</u>	<u>(51,056)</u>
Total comprehensive expense attributable to:			
Owners of the Company		(13,066)	(46,998)
Non-controlling interests		<u>4</u>	<u>(623)</u>
		<u>(13,062)</u>	<u>(47,621)</u>
Loss per share	9		
Basic and diluted (RMB cents)		<u>(0.40)</u>	<u>(2.56)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2013

		30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
	Notes		
Non-current assets			
Plant and equipment	10	5,378	6,909
Intangible assets		3,301	3,395
Goodwill		18,262	18,262
Interest in an associate		–	–
Deposit paid for acquisition of an intangible asset		–	–
Prepayment for a mobile media project		–	–
Available-for-sale investments		1,979	2,006
		<u>28,920</u>	<u>30,572</u>
Current assets			
Trade and other receivables	11	58,163	35,336
Amount due from an associate		4,863	7,095
Amount due from non-controlling interest holder		203	203
Income tax recoverable		–	–
Bank balances and cash		8,990	19,965
		<u>72,219</u>	<u>62,599</u>
Current liabilities			
Trade and other payables	12	29,064	16,208
Amount due to a director		240	240
Provision for a claim		7,500	7,500
Income tax payable		7,512	3,559
Other borrowings		18,000	18,000
Convertible loan notes		–	6,413
Derivative financial liabilities	13	6,682	7,254
		<u>68,998</u>	<u>59,174</u>
Net current assets		<u>3,221</u>	<u>3,425</u>
Total assets less current liabilities		<u><u>32,141</u></u>	<u><u>33,997</u></u>

		30 June 2013	31 December 2012
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Audited)
Capital and reserves			
Share capital	14	187,587	178,517
Reserves		<u>(177,039)</u>	<u>(187,907)</u>
Equity attributable to owners of the Company		10,548	(9,390)
Non-controlling interests		<u>(127)</u>	<u>(132)</u>
Total equity		<u>10,421</u>	<u>(9,522)</u>
Non-current liability			
Convertible loan notes		<u>21,720</u>	<u>43,519</u>
		<u>32,141</u>	<u>33,997</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL AND BASIS OF PREPARATION

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

The Company is principally engaged in investment holding and security trading. Other than those major operating subsidiaries established in the People’s Republic of China (the “PRC”) whose functional currency is Renminbi (“RMB”), the functional currency of the remaining subsidiaries is Hong Kong dollars (“HK\$”).

The functional currency of the Company is HK\$, which is different from the presentation currency, RMB. As the Company and its subsidiaries (hereinafter collectively referred to as the “Group”) mainly operates in the PRC, the directors of the Company consider that it is appropriate to present the consolidated financial statements in RMB.

2. PRINCIPAL ACCOUNTING POLICIES

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2013 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2012.

In the current interim period, the Group has applied, for the first time, the following new or revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant for the Group’s condensed consolidated financial statements:

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

HKFRS 13 Fair Value Measurement

The Group has applied HKFRS 13 for the first time in the current interim period. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements, and replaces those requirements previously included in various HKFRSs. Consequential amendments have been made to HKAS 34 to require certain disclosures to be made in the interim condensed consolidated financial statements.

The scope of HKFRS 13 is broad, and 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, subject to a few exceptions. HKFRS 13 contains a new definition for 'fair value' and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

In accordance with the transitional provisions of HKFRS 13, the Group has applied the new fair value measurement and disclosure requirements prospectively.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 introduce new terminology for statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive section such that items of other comprehensive income are 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 existing option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

Except as described above, the application of the other new or revised HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

The Group has not early adopted new and revised HKFRSs, interpretations and amendments (hereinafter collectively referred to as “New HKFRSs”) that have been issued but are not yet effective as set out in Note (3) of the consolidated financial statements for the year ended 31 December 2012.

In addition, there are following amendments to HKFRSs have been issued but are not effective subsequent to the date of consolidated financial statements for the year ended 31 December 2012.

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

Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures ²
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities ¹
HKFRS 9	Financial Instruments ²
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities ¹
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets ¹
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting ¹
HK(IFRIC) * – Interpretation 21	Levies ¹

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

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

² Effective for annual periods beginning on or after 1 January 2015.

The directors of the Company anticipate that the application of these new HKFRSs will have no material impact on the results and the financial position of the Group in the future.

3. SEGMENT INFORMATION

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

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

1. Advertising media – provision of advertising services in respect of placing advertisements on the outdoor billboards and light-emitting diode (“LED”) screens of the Group to advertisers and advertising agencies;
2. Other media – provision of consultancy and media operation services and TV programmes distribution services;
3. Sales of third party software and hardware – provision of third party operational supporting system (OSS) software and hardware; and
4. Securities trading – trading of financial assets at fair value through profit or loss.

During the six months ended 30 June 2011, there was a new reportable and operating segment regarding other media business upon the acquisition of a subsidiary.

Operating segments regarding the sales of self-developed software and maintenance, training and other services were discontinued during the six months ended 30 June 2011. The segment information reported on the next pages does not include any amounts for these discontinued operations.

Segment revenue and results

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

Six months ended 30 June 2013

	Advertising media <i>RMB'000</i> (Unaudited)	Other media <i>RMB'000</i> (Unaudited)	Sales of third party software and hardware <i>RMB'000</i> (Unaudited)	Securities trading <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
REVENUE					
External sales	<u>219</u>	<u>28,607</u>	<u>–</u>	<u>–</u>	<u>28,826</u>
Segment profit/(loss)	<u>(2,818)</u>	<u>11,481</u>	<u>–</u>	<u>–</u>	<u>8,663</u>
Increase in fair value of derivative financial instruments					–
Gain on bargain purchase of a subsidiary					–
Unallocated other income					2
Unallocated corporate expenses					(6,605)
Finance costs					<u>(6,406)</u>
Loss before tax					<u>(4,346)</u>

Six months ended 30 June 2012

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

Segment assets and liabilities

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

	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
Segment assets		
Advertising media	9,577	6,305
Other media	32,913	26,726
Sales of third party software and hardware	–	–
Securities trading	–	–
Total segment assets	42,490	33,031
Unallocated corporate assets	58,649	60,140
Consolidated assets	101,139	93,171
Segment liabilities		
Advertising media	19,383	11,276
Other media	5,666	100
Sales of third party software and hardware	–	–
Securities Trading	–	–
Total segment liabilities	25,049	11,376
Unallocated corporate liabilities	65,669	91,317
Consolidated liabilities	90,718	102,693

4. OTHER INCOME

	Six months ended 30 June 2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)
Bank interest income	2	11
Others	–	3
	2	14

5. FINANCE COSTS

	Six months ended 30 June	
	2013	2012
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Interest on other borrowings wholly repayable within five years	190	200
Effective interest expenses on convertible loan notes	<u>6,216</u>	<u>4,218</u>
	<u>6,406</u>	<u>4,418</u>

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2013	2012
	<i>RMB</i>	<i>RMB</i>
	(Unaudited)	(Unaudited)
Current tax:		
PRC Enterprise Income Tax	<u>3,860</u>	<u>55</u>

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of certain PRC subsidiaries is 25% for both periods. Provision for PRC Enterprise Income Tax is made for both periods based on the estimated assessable profit derived from the PRC.

Hong Kong Profits Tax was calculated at 16.5% of the estimated assessable profit for both periods. No provision for Hong Kong Profits Tax has been made for the six months ended 30 June 2013 and 2012 as the Group did not have any assessable profit subject to Hong Kong Profits Tax for both periods.

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

7. LOSS FOR THE PERIOD

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

	Six months ended 30 June	
	2013	2012
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Depreciation of plant and equipment	1,479	1,777
Amortisation of intangible assets	94	19,234
Written off of plant and equipment	–	4
Provision of litigation claims	–	7,500
Operating lease rentals in respect of rented premises	<u>3,123</u>	<u>4,453</u>

8. DIVIDENDS

No dividends were paid, declared or proposed during the interim period. The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2013 (six months ended 30 June 2012: Nil).

9. LOSS PER SHARE

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

	Six months ended 30 June	
	2013	2012
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Loss		
Loss for the period attributable to owners of the Company	<u>(8,210)</u>	<u>(50,433)</u>
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	<u>2,060,975</u>	<u>1,967,563</u>

The computation of diluted loss per share does not assume the exercise of the Company's share options because the exercise price of those share options were higher than the average market price for shares; and does not assume the conversion of the Company's outstanding convertible loan notes since their exercise would result in a decrease in loss per share for the six months ended 30 June 2013 and 2012. Diluted loss per share was the same as the basis loss per share as there were no potential dilutive ordinary shares outstanding on share options, and convertible loan notes for both periods.

10. MOVEMENTS IN PLANT AND EQUIPMENT

During the six months ended 30 June 2013, the Group had no additions to plant and equipment (six months ended 30 June 2012: approximately RMB109,000).

During the six months ended 30 June 2013, the Group had no written off of plant and equipment (six months ended 30 June 2012: RMB4,000).

11. TRADE AND OTHER RECEIVABLES

	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
Trade receivables	25,728	15,400
Less: impairment loss recognised	(226)	(6,967)
	<u>25,502</u>	<u>8,433</u>
Other receivables	9,589	4,923
Less: impairment loss recognised	–	(429)
	<u>9,589</u>	<u>4,494</u>
Deposits	22,981	25,232
Less: impairment loss recognised	–	(3,000)
	<u>22,981</u>	<u>22,232</u>
Prepayments	<u>91</u>	<u>177</u>
	<u>58,163</u>	<u>35,336</u>

Trade receivables are due to the terms on the relevant contracts.

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

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

	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
Within 30 days	4,265	4,832
31 to 60 days	21,237	3,375
Over 365 days	–	226
	<u>25,502</u>	<u>8,433</u>

12. TRADE AND OTHER PAYABLES

	30 June 2013 <i>RMB'000</i> (Unaudited)	31 December 2012 <i>RMB'000</i> (Audited)
Trade payables	3,734	3,715
Other payables	3,805	3,663
Receipts in advance	161	161
Accruals	21,364	8,669
	<u>29,064</u>	<u>16,208</u>

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

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

	30 June 2013 <i>RMB'000</i> (Unaudited)	31 December 2012 <i>RMB'000</i> (Audited)
Within 30 days	–	100
31 to 60 days	–	205
181 to 365 days	3,734	3,410
	<u>3,734</u>	<u>3,715</u>

13. DERIVATIVE FINANCIAL LIABILITIES

	Contingent consideration instrument RMB'000	Derivative component of convertible loan notes RMB'000	Total RMB'000
As at 1 January 2012	4,340	7,247	11,587
Issue of convertible loan notes	–	235	235
Increase in fair value	(480)	(904)	(1,384)
Conversion of convertible loan notes	–	(3,044)	(3,044)
Exchange realignment	(72)	(68)	(140)
At 31 December 2012 (Audited)	3,788	3,466	7,254
Conversion of convertible loan notes	–	(524)	(524)
Exchange realignment	(52)	4	(48)
At 30 June 2013 (Unaudited)	<u>3,736</u>	<u>2,946</u>	<u>6,682</u>

14. SHARE CAPITAL

	Number of shares		Share capital		Equivalent nominal value of ordinary shares	
	30 June 2013 '000 (Unaudited)	31 December 2012 '000 (Audited)	30 June 2013 HK\$'000 (Unaudited)	31 December 2012 HK\$'000 (Audited)	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
Ordinary shares of HK\$0.1 each						
Authorised:						
At beginning of the period and end of the period / year	<u>10,000,000</u>	<u>10,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>879,100</u>	<u>879,100</u>
Issued and fully paid:						
At beginning of the period / year	2,021,937	1,939,436	202,194	193,944	178,517	171,828
Issue of shares upon conversion of convertible loan notes	114,043	62,501	11,404	6,250	9,070	5,054
Issue of shares upon settlement of consideration in respect of acquisition of subsidiaries	–	–	–	–	–	–
Issue of shares upon placing	–	20,000	–	2,000	–	1,635
At end of the period / year	<u>2,135,981</u>	<u>2,021,937</u>	<u>213,598</u>	<u>202,194</u>	<u>187,587</u>	<u>178,517</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the Reporting Period, the Group recorded a turnover of approximately RMB28,826,000 (six months ended 30 June 2012: approximately RMB13,433,000), representing an increase of 215% as compared to the last corresponding period. The loss for the Reporting Period attributable to owners of the Company aggregated at approximately RMB8,210,000 (six months ended 30 June 2012: approximately RMB50,433,000), representing a decrease of approximately 83.7% as compared to the last corresponding period. The basic loss per share for the six months ended 30 June 2013 was RMB0.40 cents (six months ended 30 June 2012: basic loss per share RMB2.56 cents), representing a decrease of approximately 84.4% as compared to the last corresponding period.

Of these, turnover derived from advertising media income and other media income were approximately RMB219,000 and RMB28,607,000 respectively (six months ended 30 June 2012: approximately RMB11,139,000 and RMB2,294,000 respectively). Administrative expenses for the Reporting Period was approximately RMB13,868,000 (six months ended 30 June 2012: approximately RMB23,710,000), representing a decrease of 41.5% as compared to the last corresponding period. The decrease in expenses was mainly due to the saving in the staff cost and the legal and professional fee.

Business Review

The Group is principally engaged in the provision of advertising and consultancy services in respect of placing advertisements on the outdoor billboards and light-emitting diode (“LED”) screens of the Group to advertisers and advertising agencies.

The contributions from the advertising media business continued to decrease in the first half of 2013 due to the unfavourable operating environment for the advertising industry in the PRC. In August 2012, the Group ceased the publication of the weekly direct mail magazine 《新乘坐》 which was distributed free of charge in the subway in Beijing of the PRC. In the first half of 2013, the outdoor advertising market including the LED business was challenging and full of uncertainties. The Group ceased the investment of new outdoor media but maintained only part of the existing ones.

On the other hand, the Group’s TV programmes distribution business generated stable revenue in the first half of 2013. The new 30 episodes of TV programme titled 《捍衛者》 was broadcasted by the no. 8 channel of CCTV in April 2013 and several provincial TV stations thereafter.

Business Outlook

The Group is optimistic about the establishment of the cross-media platform in the PRC. The completion of the major acquisition in relation to the acquisition of the entire issued share capital of Housden Holdings Limited (“Housden”) on 8 August 2013 provides the Company a unique opportunity to expand in another important media, internet, and engage in internet advertising industry and the related on-line education business activities in the PRC with lucrative potential. There are a lot of successful business internet platforms in the PRC partly due to the enormous population in the PRC. The Acquisition also provides a great opportunity to the Group to extend its advertising services under this platform.

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

Advance to an Entity

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

At 30 June 2013, the amount due from Apex One was approximately RMB4,863,000.

Liquidity and Financial Resources

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

As at 30 June 2013, the Group had bank balances and cash of approximately RMB8,990,000 (at 31 December 2012: approximately RMB19,965,000).

As at 30 June 2013, the Group’s net current assets totalled approximately RMB3,221,000 (at 31 December 2012: approximately RMB3,425,000).

The Group’s current ratio was approximately 1.05 time as at 30 June 2013 as compared with 1.06 times as at 31 December 2012.

Gearing Ratio

The gearing ratio of the Group (measured as total liabilities to total assets) was 89.7% as at 30 June 2013 (at 31 December 2012: 110.2%).

Capital Structure

As at 30 June 2013, the Company's issued share capital was approximately HK\$213,598,000 and the number of its issued ordinary shares was 2,135,980,777 shares of HK\$0.10 each.

Material Transaction

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

On 7 September 2012, Talent Group Development Limited ("Talent Group"), a wholly-owned subsidiary of the Company, Headwind Holdings Limited ("Headwind") and Mr. Lu Xing ("Mr. Lu"), the beneficial owner of the entire issued share capital of Housden and Headwind, entered into the acquisition agreement (the "Acquisition Agreement"), pursuant to which Talent Group has conditionally agreed to acquire and Headwind has conditionally agreed to dispose of the entire issued share capital of Housden at the initial consideration of HK\$199.5 million which will be satisfied by the Company issuing 950,000,000 initial preferred shares at the issue price of HK\$0.21 per preferred share upon completion of the Acquisition, and is subject to (i) the relevant valuation adjustment; and (ii) an upward adjustment by HK\$199.5 million, to be satisfied by the Company issuing a total of 950,000,000 additional preferred shares to Headwind if Housden, CL Education Limited, 北京創聯中人技術服務有限公司 (Beijing Chuanglian Zhongren Technical Service Company Limited*), 北京創聯教育投資有限公司 (Beijing Chuanglian Education Investment Company Limited*) and 北京中人光華教育科技有限公司 (Beijing Zhongren Guanghua Education Technology Company Limited*) fulfilled the relevant profit warranty (the terms of which have been amended in the supplemental agreement dated 29 March 2013) under the Acquisition Agreement. In aggregate, a maximum of 1,900,000,000 preferred shares shall be issued by the Company to Headwind if the relevant profit warranty is fulfilled.

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

The Acquisition constitutes a major acquisition for the Company under Rule 14.06 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange and is subject to the reporting, announcement and independent shareholders' approval to have been sought at the extraordinary general meeting of the Company held on 24 July 2013.

On 29 March 2013, Talent Group, Headwind and Mr. Lu entered into a supplemental agreement to the Acquisition Agreement, pursuant to which the parties to the Acquisition Agreement agreed to extend the long stop date to a date falling on or before 30 June 2013 or such later date as Talent Group and Headwind may agree in writing.

On 24 July 2013, the resolution for approving the Acquisition and all the transactions contemplated thereunder was passed by the independent shareholders of the Company.

* *for identification purposes only*

On 8 August 2013, all the conditions precedent to the completion of the Acquisition as stipulated under the Acquisition Agreement have been fulfilled and the Acquisition was completed. At the completion of the Acquisition, the Company has issued an aggregate of 950,000,000 initial preferred shares at a subscription price of HK\$0.21 each to Headwind as payment and settlement of the initial consideration being an amount of HK\$199.5 million.

Details of the Acquisition have been set out in the announcements dated 9 September 2012, 7 December 2012, 31 December 2012, 15 January 2013, 28 February 2013, 29 March 2013, 30 April 2013, 31 May 2013, 24 July 2013 and 8 August 2013 and the circular dated 28 June 2013 published by the Company.

Fund Raising Activities

On 20 June 2013, the Company and the subscribers, namely Mr. Wong Cho Fai, Nicholas, Mr. Chau Christopher Chien Chung, Rich Wealth Investments Limited (ultimately beneficial owned by Ms. Lam Siu Ping) and Mr. Lee Fook Hon, Stephen, who are independent investors, entered into the subscription agreement in respect of the issue of the convertible notes at the conversion price of HK\$0.29 per share in the aggregate principal amount of RMB15 million. The subscription of convertible notes was completed on 2 July 2013.

Foreign Exchange Exposure

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

Charge on Group Assets

As at 30 June 2013 and 31 December 2012, the Group did not have any charges on its assets.

Contingent Liabilities

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

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

With reference to a legal opinion obtained from the PRC legal advisor, likelihood of an unfavorable outcome is probable and the amount of the loss of RMB7,500,000 can be reasonably estimated. As a result, provision of RMB7,500,000 in respect of such claim was made and included in other payables in the condensed consolidated financial statements.

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

Capital Commitment

As at 30 June 2013, the Group have material capital commitment of approximately RMB320,225,000 (at 31 December 2012: approximately RMB320,225,000).

Employee Information and Remuneration Policy

As at 30 June 2013, the Group had 61 employees (31 December 2012: 60 employees) in Hong Kong and the PRC and the total staff costs (including all Directors' remuneration and fees) are approximately RMB2,882,000 for the Reporting Period (six months ended 30 June 2012: approximately RMB4,455,000).

We offer competitive remuneration package, including medical and retirement benefits, to eligible employees. In order to attract, retain and motivate eligible employees, including the Directors, the Company had adopted a share option scheme (the "Share Option Scheme"). As at 30 June 2013, there were 76,260,000 share options remained outstanding which can be exercised by the grantees of the Share Option Scheme.

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

SHARE OPTION SCHEME

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

During the Reporting Period, 66,200,000 share options lapsed and no share option was granted, exercised and cancelled under the Share Option Scheme. Movements of share options for the Reporting Period under the Share Option Scheme are summarised as follows:

List of Grantees	Balance as at 1 January 2013	Granted during the Reporting Period	Exercised during the Reporting Period	Lapsed during the Reporting Period	Cancelled during the Reporting Period	Balance as at 30 June 2013	Exercise Price HK\$	Date of Grant	Exercise Period
Directors									
Mr. Li Qing	3,000,000	–	–	–	–	3,000,000	0.96	08/10/2010	08/10/2010–07/10/2013
	980,000	–	–	–	–	980,000	0.58	02/06/2011	02/06/2011–01/06/2014
	5,000,000	–	–	–	–	5,000,000	0.55	05/09/2011	05/09/2011–04/09/2014
Mr. Yan Dake	5,000,000	–	–	–	–	5,000,000	0.58	02/06/2011	02/06/2011–01/06/2014
Mr. Leung Siu Kee	500,000	–	–	–	–	500,000	0.96	08/10/2010	08/10/2010–07/10/2013
	460,000	–	–	–	–	460,000	0.58	02/06/2011	02/06/2011–01/06/2014
Mr. Han Bing	1,900,000	–	–	–	–	1,900,000	0.237	03/10/2012	03/10/2012–02/10/2015
Mr. Chen Fu Ju (Resigned on 1 March 2013)	17,300,000	–	–	–	–	17,300,000	0.58	02/06/2011	02/06/2011–01/06/2014
Mr. Zhao Yong (Resigned on 31 October 2012)	1,500,000	–	–	(1,500,000)*	–	–	0.96	08/10/2010	08/10/2010–07/10/2013
Mr. Li Zhong (Resigned on 30 July 2012)	1,500,000	–	–	(1,500,000)*	–	–	0.58	02/06/2011	02/06/2011–01/06/2014
Subtotal	37,140,000	–	–	(3,000,000)	–	34,140,000			
Employees									
In aggregate	24,200,000	–	–	(10,000,000)	–	14,200,000	0.96	08/10/2010	08/10/2010–07/10/2013
	4,360,000	–	–	(1,200,000)	–	3,160,000	0.85	06/01/2011	06/01/2011–05/01/2014
	6,960,000	–	–	–	–	6,960,000	0.58	02/06/2011	02/06/2011–01/06/2014
	3,000,000	–	–	–	–	3,000,000	0.53	06/07/2011	06/07/2011–05/07/2014
	2,000,000	–	–	–	–	2,000,000	0.56	29/07/2011	29/07/2011–28/07/2014
	4,800,000	–	–	–	–	4,800,000	0.55	05/09/2011	05/09/2011–04/09/2014
	8,000,000	–	–	(8,000,000)	–	–	0.366	03/11/2011	03/11/2011–02/11/2014
Subtotal	53,320,000	–	–	(19,200,000)	–	34,120,000			
Consultants									
In aggregate	5,000,000	–	–	–	–	5,000,000	0.53	06/07/2011	06/07/2011–05/07/2014
	45,000,000	–	–	(42,000,000)	–	3,000,000	0.56	29/07/2011	29/07/2011–28/07/2014
	2,000,000	–	–	(2,000,000)	–	–	0.366	03/11/2011	03/11/2011–02/11/2014
Subtotal	52,000,000	–	–	(44,000,000)	–	8,000,000			
Total	142,460,000	–	–	(66,200,000)	–	76,260,000			

* According to the Share Option Scheme, the relevant options shall lapse 6 months following the date of cessation of his employment since the grantee is entitled to exercise such options within the said period.

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

As at 30 June 2013, the following Directors or chief executives of the Company had held the following interests or short positions in the shares, underlying shares (as defined in the Securities and Futures Ordinance (the "SFO")) and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules:

Long positions in the Company:

Name of Directors	Nature of interests	Number of issued ordinary shares held	Number of underlying shares held pursuant to share options	Aggregate number of shares held	Approximate aggregate percentage of the issued share capital
Li Qing	Beneficial owner	2,432,000	8,980,000	11,412,000	0.53%
Yan Dake	Beneficial owner	–	5,000,000	5,000,000	0.23%
Leung Siu Kee	Beneficial owner	–	960,000	960,000	0.04%
Han Bing	Beneficial owner	–	1,900,000	1,900,000	0.08%

Save as disclosed above, as at 30 June 2013, none of the Directors or chief executives of the Company held any interests or short positions in the shares, underlying shares (as defined in the SFO) or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange, pursuant to the Model Code.

DIRECTOR'S RIGHT TO ACQUIRE SHARES OR DEBENTURES

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

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2013, the following persons (other than Directors or chief executives of the Company) had an interest or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Long positions in the Company:

Name of substantial shareholders of the Company	Nature of interests	Number of issued ordinary shares/ underlying shares held	Aggregate number of shares held	Approximate aggregate percentage of the issued share capital
Ho Wai Kong ("Mr. Ho")	Held by controlled corporation (<i>Note 1</i>)	359,639,306	409,859,306	19.18%
	Held by spouse (<i>Note 2</i>)	50,220,000		
Guo Binni	Beneficial owner (<i>Note 2</i>)	50,220,000	409,859,306	19.18%
	Held by controlled corporation (<i>Note 1</i>)	359,639,306		
Rotaland Limited	Beneficial owner (<i>Note 1</i>)	358,139,306	358,139,306	16.76%
Lu Xing	Held by controlled corporation (<i>Note 3</i>)	2,031,728,323	2,031,728,323	95.11%
Ascher Group Limited	Beneficial owner (<i>Note 3</i>)	131,728,323	131,728,323	6.16%
Headwind Holdings Limited	Beneficial owner (<i>Note 3</i>)	1,900,000,000	1,900,000,000	88.95%

Notes:

1. Of these 359,639,306 shares, 358,139,306 shares are held by Rotaland Limited; and 1,500,000 shares are held by Similan Limited. Rotaland Limited and Similan Limited are companies incorporated in the British Virgin Islands with limited liability and wholly owned by Mr. Ho.
2. These 50,220,000 shares are held by Ms. Guo Binni who is the spouse of Mr. Ho.
3. Of these 2,031,728,323 shares, 1,900,000,000 shares are held by Headwind Holdings Limited upon conversion of the preferred shares in full and 131,728,323 shares are held by Ascher Group Limited. Headwind Holdings Limited and Ascher Group Limited are companies incorporated in the British Virgin Islands with limited liability and wholly owned by Mr. Lu Xing.

Save as disclosed above, as at 30 June 2013, the Company had not been notified of any interests or short position being held by any substantial shareholder in the shares or underlying shares in the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

CORPORATE GOVERNANCE CODE

Throughout the Reporting Period, the Company has applied and complied with the code provisions in the Corporate Governance Code (the “CG Code”) set out in Appendix 14 of the Listing Rules except the following deviation:

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

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

COMPLIANCE WITH MODEL CODE

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

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

During the Reporting Period, the Company has issued 114,043,538 ordinary shares by means of conversion of convertible loan notes.

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

AUDIT COMMITTEE

The audit committee of the Company (the “Audit Committee”) currently consists of three independent non-executive Directors, namely, Mr. Leung Siu Kee, Mr. Han Bing and Ms. Wang Shuping. The unaudited financial interim results and the interim report of the Group for the Reporting Period have been reviewed by the Audit Committee.

By Order of the Board
China Oriental Culture Group Limited
Li Qing
Executive Director

Hong Kong, 23 August 2013

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