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

(Incorporated in Bermuda with limited liability)

(Stock Code: 1060)

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

HIGHLIGHT

	Six months ended 30th June,		
	2013	2012	
	HK$'000	*HK$'000*	Growth
	(unaudited)	(unaudited)/ (restated)	
Revenue	**481,986**	421,291	14.4%
Gross profit	**210,406**	140,078	50.2%
Profit from operations *(Note)*	**138,301**	48,730	183.8%
Profit before interest and taxation	**177,269**	104,908	69.0%
Net profit attributable to owners of the Company	**133,070**	102,261	30.1%
Basic earnings per share	**1.72 HK Cents**	1.40 HK Cents	22.9%

Note: Excluding finance costs, other gains and losses, share of pre-tax results from the newspaper advertising and distribution business and taxation

* *For identification purpose only*

The board of directors (the "Board") of ChinaVision Media Group Limited (the "Company") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "Group" or "ChinaVision Media Group) for the six months ended 30th June, 2013 together with the comparative amounts for the corresponding period in 2012. The unaudited condensed consolidated interim financial information for the six months ended 30th June, 2013 has been reviewed by the Company's Audit Committee. Deloitte Touche Tohmatsu, the Company's auditor, has conducted its review on the unaudited condensed consolidated interim financial information for the six months ended 30th June, 2013 in accordance with the Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

For the period ended 30th June, 2013, the Group maintained its growth momentum. Revenue and profit attributable to the owners of the Company surged by 14.4% and 30.1% respectively to approximately HK$481,986,000 and HK$133,070,000 (30th June, 2012: revenue and profit attributable to the owners of the Company was HK$421,291,000 and HK$102,261,000 respectively). The increase was mainly driven by the strong growth of the Group's core businesses, namely film and television drama series production and distribution business and satellite television advertising. In addition, the Group continued to implement tight cost control with an aim to maximising profitability of all its core businesses.

For the six months ended 30th June, 2013, earnings per share (basic and diluted) for the Group increased by 22.9% to 1.72 HK cents (30th June, 2012: 1.40 HK cents). Net assets value attributable to the owners of the Company per share reached HK$0.19 (30th June, 2012: HK$0.17).

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	Six months ended 30th June, 2013 HK$'000 (unaudited)	2012 HK$'000 (unaudited)/ (restated)
Revenue	3	**481,986**	421,291
Cost of sales and services		**(271,580)**	(281,213)
Gross profit		**210,406**	140,078
Other income		**15,510**	10,839
Other gains and losses, net	4	**47,539**	36,611
Distribution and selling expenses		**(23,844)**	(33,993)
Administrative expenses			
– share-based payment expenses		**–**	(1,290)
– other administrative expenses		**(68,342)**	(67,676)
		(68,342)	(68,966)
Finance costs	5		
– effective interest expense on convertible notes		**(17,966)**	(11,673)
– other finance costs		**–**	(384)
		(17,966)	(12,057)
Share of loss of an associate		**–**	(1,069)
Share of (losses) profits of joint ventures		**(4,000)**	21,408
Profit before taxation		**159,303**	92,851
Taxation (charge) credit	6	**(20,241)**	8,305
Profit for the period	7	**139,062**	101,156
Profit (loss) for the period attributable to:			
Owners of the Company		**133,070**	102,261
Non-controlling interests		**5,992**	(1,105)
		139,062	101,156
		HK cents	*HK cents*
Earnings per share	8		
– Basic		**1.72**	1.40
– Diluted		**1.72**	1.40

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Six months ended 30th June,	
	2013	2012
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)/ (restated)
Profit for the period	**139,062**	101,156
Other comprehensive income (expense):		
Item that will not be reclassified subsequently to profit or loss:		
Exchange difference arising on translation to presentation currency	**28,390**	(10,857)
Total comprehensive income for the period	**167,452**	90,299
Total comprehensive income (expense) for the period attributable to:		
Owners of the Company	**161,246**	91,653
Non-controlling interests	**6,206**	(1,354)
	167,452	90,299

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	At 30th June, 2013 HK$'000 (unaudited)	At 31st December, 2012 HK$'000 (restated)
NON-CURRENT ASSETS			
Property, plant and equipment		**14,989**	15,514
Goodwill		**174,204**	171,160
Intangible assets		**12,682**	12,003
Interests in joint ventures		**26,769**	636,248
Club debenture		**2,886**	2,836
Art work		**167,218**	164,307
Deposits and prepayments	9	**97,918**	67,468
Deferred tax assets		**1,322**	1,319
		497,988	1,070,855
CURRENT ASSETS			
Film rights		**92,151**	169,296
Investments held for trading		**6,454**	21,569
Trade receivables	9	**532,377**	345,796
Other receivables, deposits and prepayments	9	**218,820**	222,731
Amounts due from non-controlling interests		**2,214**	4,538
Bank balances and cash		**177,485**	107,753
		1,029,501	871,683
Assets classified as held for sale	10	**609,776**	–
		1,639,277	871,683
CURRENT LIABILITIES			
Trade and other payables and accrued charges	11	**158,825**	143,296
Receipts in advance from customers		**54,345**	59,885
Amount due to a third party	13	**350,000**	–
Amounts due to related companies		**1,206**	1,105
Amounts due to non-controlling interests		**2,810**	760
Derivative financial instruments		**3,968**	–
Tax liabilities		**41,746**	32,402
Convertible note	13	**–**	333,069
		612,900	570,517
Liabilities associated with assets classified as held for sale	10	**8,949**	–
		621,849	570,517
NET CURRENT ASSETS		**1,017,428**	301,166
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,515,416**	1,372,021

	Notes	At 30th June, 2013 HK$'000 (unaudited)	At 31st December, 2012 HK$'000 (restated)
CAPITAL AND RESERVES			
Issued share capital	12	**1,935,686**	1,935,686
Reserves		**(457,700)**	(618,946)
Equity attributable to owners of the Company		**1,477,986**	1,316,740
Non-controlling interests		**15,215**	34,037
TOTAL EQUITY		**1,493,201**	1,350,777
NON-CURRENT LIABILITY			
Convertible note	13	**22,215**	21,244
		1,515,416	1,372,021

Notes:

1. BASIS OF PREPARATION

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

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.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30th June, 2013 are the same as those followed in the preparation of the Company's annual financial statements for the year ended 31st December, 2012 as disclosed in the Annual Report of the Company for the year ended 31st December, 2012 except for the following accounting policies which were adopted during the period ended 30th June, 2013.

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Application of new or revised Hong Kong Financial Reporting Standards ("HKFRSs")

In the current interim period, the Group has applied, for the first time, certain new or revised HKFRSs issued by the HKICPA that are mandatory effective for the current interim period.

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In the current interim period, the Group has applied for the first time HKFRS 10, HKFRS 11, HKFRS 12 and HKAS 28 (as revised in 2011) together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding the transitional guidance. HKAS 27 (as revised in 2011) is not applicable to these condensed consolidated financial statements as it deals only with separate financial statements.

The impact of the application of these standards is set out below.

Impact of the application of HKFRS 10

HKFRS 10 replaces the parts of HKAS 27 "Consolidated and separate financial statements" that deal with consolidated financial statements and HK(SIC) – Int 12 "Consolidation – Special purpose entities". HKFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee. Some guidance included in HKFRS 10 that deals with whether or not an investor that owns less than 50% of the voting rights in an investee has control over the investee is relevant to the Group.

The Group does not have any equity interest in the registered capital of 中聯京華文化傳播（北京）有限公司 ("Zhong Lian Jinghua") and 北京世通寰亞廣告有限公司 ("Beijing Shi Tong") as they are established as owned by an employee of the Group. Pursuant to certain agreements among Zhong Lian Jinghua, the registered shareholder of Zhong Lian Jinghua and the Group, the registered shareholder of Zhong Lian Jinghua agreed to assign all the shareholder's rights of Zhong Lian Jinghua and 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 Zhong Lian Jinghua to the Group. The directors of the Company considered such agreements give the Group the current ability to direct the relevant activities of Zhong Lian Jinghua. Pursuant to certain agreements among Beijing Shi Tong, the registered shareholder of Beijing Shi Tong and the Group, the registered shareholder of Beijing Shi Tong agreed to assign all the shareholder's rights of Beijing Shi Tong and 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 Beijing Shi Tong to the Group. The directors of the Company considered such agreements give the Group the current ability to direct the relevant activities of Beijing Shi Tong. In the opinion of the directors of the Company, all the terms of these agreements are valid, binding and legally enforceable on all parties under the applicable laws in the People's Republic of China (the "PRC"). With the power over Zhong Lian Jinghua and Beijing Shi Tong and the ability to use the power over Zhong Lian Jinghua and Beijing Shi Tong to affect the amount of the Group's return, they are treated as wholly-owned subsidiaries of the Company under HKFRS 10 and their results, assets and liabilities are consolidated with those of the Group.

Zhong Lian Jinghua holds 51% equity interests of 天津唐圖科技有限公司, 北京中聯同達文化有限公司, 甘肅飛視天成文化傳播有限公司, 北京中聯華億山和水影視文化有限公司 and 北京逆光順影影視文化傳播有限公司 (collectively referred to as the "Non Wholly-owned Subsidiaries") and 100% equity interests of 北京永聯信通科技有限責任公司, 北京北大文化發展有限公司 (in English, Beijing Beida Culture Development Company Limited "Beida Culture"), 中聯華盟（上海）文化傳媒有限公司, 北京中聯華盟文化傳媒投資有限公司, 北京鵬安盛世廣告有限公司, 華盟（天津）文化投資有限公司, 中聯華盟（天津）廣告有限公司,北京人和人文化有限公司 and 人和人（天津）廣告有限公司 (collectively referred to as the "Wholly-owned Subsidiaries"). Pursuant to the respective Memorandum and Article of Association of Non Wholly-owned Subsidiaries and Wholly-owned Subsidiaries, the decisions on relevant activities of these entities requires approval from shareholders with simple majority of votes. Zhong Lian Jinghua possesses over 50% of the voting powers in the shareholders of the Non Wholly-owned Subsidiaries and 100% voting powers in the shareholders of the Wholly-owned Subsidiaries which give the Group the current ability to direct the relevant activities. Accordingly, they are treated as the subsidiaries of the Company under HKFRS 10 and their results, assets and liabilities are consolidated with those of the Group.

Impact of the application of HKFRS 11

HKFRS 11 replaces HKAS 31 "Interests in joint ventures", and the guidance contained in a related interpretation, HK(SIC) – Int 13 "Jointly controlled entities – Non-monetary contributions by venturers", has been incorporated in HKAS 28 (as revised in 2011). HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under HKFRS 11, there are only two types of joint arrangements – joint operations and joint ventures. The classification of joint arrangements under HKFRS 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement. Previously, HKAS 31 had three types of joint arrangements – jointly controlled entities, jointly controlled operations and jointly controlled assets. The classification of joint arrangements under HKAS 31 was primarily determined based on the legal form of the arrangement (e.g. a joint arrangement that was established through a separate entity was classified as a jointly controlled entity).

The initial and subsequent accounting of joint ventures and joint operations are different. Investments in joint ventures are accounted for using the equity method (proportionate consolidation is no longer allowed). Investments in joint operations are accounted for such that each joint operator recognises its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable standards.

The directors of the Company reviewed and assessed the classification of the Group's investments in joint arrangements in accordance with the requirements of HKFRS 11. Zhong Lian Jinghua holds 50% equity interests of 京華文化傳播有限公司 ("Jinghua Culture"). Zhong Lian Jinghua also holds 49% equity interests of 人民視訊文化有限公司 ("RenMinShiXun"). Pursuant to the Memorandum and Article of Association of Jinghua Culture and RenMinShiXun, the decisions on relevant activities of these entities have to be approved by both shareholders. In other words, decisions in Jinghua Culture and RenMinShiXun require the unanimous consent of the parties sharing control. Accordingly, the directors concluded that the Group's investments in RenMinShiXun and Jinghua Culture, which were classified as jointly controlled entities under HKAS 31 and were accounted for using the proportionate consolidation method, should be classified as joint ventures under HKFRS 11 and accounted for using the equity method. The changes in accounting of the Group's investments in RenMinShiXun and Jinghua Culture have been applied in accordance with the relevant transitional provisions set out in HKFRS 11. The initial investments as at 1st January, 2012 for the purposes of applying the equity method is measured as the aggregate of the carrying amounts of the assets and liabilities that the Group had previously proportionately consolidated (see the tables below for details). Also, the directors performed an impairment assessment on the initial investment as at 1st January, 2012 and concluded that no impairment loss is required. Comparative amounts for 2012 have been restated to reflect the change in accounting for the Group's investments in RenMinShiXun and Jinghua Culture.

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.

Amendments to HKAS 34 "Interim financial reporting (as part of the annual improvements to HKFRSs 2009-2011 cycle)"

The Group has applied the amendments to HKAS 34 "Interim financial reporting" as part of the annual improvements to HKFRSs 2009 – 2011 cycle for the first time in the current interim period. The amendments to HKAS 34 clarify that the total assets and total liabilities for a particular reportable segment would be separately disclosed in the interim financial statements only when the amounts are regularly provided to the chief operating decision maker ("CODM") and there has been a material change from the amounts disclosed in the last annual financial statements for that reportable segment.

The CODM reviews assets and liabilities of the Group's reportable segments for performance assessment and resource allocation purposes. In addition, there are significant changes on segment assets and liabilities as compared with those segment assets and liabilities as at 31st December, 2012. Accordingly, the Group has included information about segment assets and segment liabilities as part of segment information in note 3.

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.

Summary of the effect of the above changes in accounting policy

The effect of the changes in the Group's accounting policy described above on the results for the current and preceding interim periods by line items presented in the condensed consolidated statement of profit or loss and other comprehensive income is as follows:

	Six months ended 30th June, 2012 *HK$'000*
Impact on profit for the interim period	
Decrease in revenue	(101,872)
Decrease in costs of sales and services	39,109
Decrease in other income	(1,526)
Decrease in other gains and losses, net	(101)
Decrease in distribution and selling expenses	28,666
Decrease in other administrative expenses	9,742
Increase in share of profits of joint ventures	21,408
Decrease in taxation charge	4,732
Net increase in profit for the interim period	158
Impact on other comprehensive income for the interim period	
Increase in exchange difference arising on translation to presentation currency	6
Net increase in total comprehensive income for the interim period	164
Increase in profit for the interim period attributable to:	
Owners of the Company	–
Non-controlling interests	158
	158
Increase in total comprehensive income for the interim period attributable to:	
Owners of the Company	–
Non-controlling interests	164
	164

The effect of the changes in accounting policy described above on the financial positions of the Group as at the end of the immediately preceding financial year, i.e. 31st December, 2012, is as follows:

	At 31st December, 2012 (originally stated)	Adjustments	At 31st December, 2012 (restated)
	HK$'000	*HK$'000*	*HK$'000*
Property, plant and equipment	24,196	(8,682)	15,514
Goodwill	333,369	(162,209)	171,160
Intangible assets	456,416	(444,413)	12,003
Interests in joint ventures	–	636,248	636,248
Deferred tax assets	1,588	(269)	1,319
Inventories	2,816	(2,816)	–
Trade and other receivables, deposits and prepayments	731,869	(95,874)	635,995
Bank balances and cash	192,838	(85,085)	107,753
Trade and other payables and accrued charges	(171,216)	27,920	(143,296)
Receipts in advance from customers	(84,504)	24,619	(59,885)
Tax liabilities	(38,153)	5,751	(32,402)
Deferred tax liabilities	(104,040)	104,040	–
Total effects on net assets	1,345,179	(770)	1,344,409
Non-controlling interests and total effects on equity	34,807	(770)	34,037

There is no significant impact on basic and diluted earnings per share due to the above change in accounting policies for the six months ended 30th June, 2012.

3. REVENUE AND SEGMENT INFORMATION

The Group's operating segments, determined based on information reported to the chief operation decision maker, being the executive and non-executive directors of the Company, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided, are as follows:

(i)	Production and distribution of film rights	–	production and distribution of film rights over films, television programmes and television drama series
(ii)	Television advertising ("TV advertising")	–	sale of TV advertising air-times in the PRC
(iii)	Mobile value-added services	–	provision of personalised information and entertainment services to mobile handset users in the PRC
(iv)	Magazine advertising and magazine distribution	–	distribution of fashion magazine, FIGARO, and sale of advertisements spaces in FIGARO in the PRC

In addition to the operating segments described above, each of which constitute reportable segments, the Group has other operating segments which include trading of securities in Hong Kong, mobile game subscription, provision of other agency services, TV programme packaging services and others in the PRC. None of these segments meet any of the quantitative thresholds for determining reportable segments. Accordingly, all of the above operating segments are grouped as "all other segments".

Segment of mobile TV subscription and newspaper advertising and newspaper distribution as presented in prior period are operated through the joint ventures, which were accounted for using the proportionate consolidation method in prior periods. Under HKFRS 11, such joint arrangements should be classified as joint venture and accounted for using the equity method (details set out in note 2). The CODM assesses their performance based on the share of net assets and results of these joint ventures upon the application of HKFRS 11 and no longer constitute separate operating segments. Accordingly, no separate segment information on mobile TV subscription and newspaper advertising and newspaper distribution are presented. Revenue and segment information for the period ended 30th June, 2012 is restated.

The following is an analysis of the Group's revenue and results by reportable segment for the six months ended 30th June, 2013 and 2012:

	Production and distribution of film rights	TV advertising	Mobile value-added services	Magazine advertising and magazine distribution	Reportable segments' total	All other segments	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
For the six months ended 30th June, 2013 (unaudited)							
Segment revenue	**302,416**	**151,517**	**5,783**	**17,571**	**477,287**	**4,699**	**481,986**
Segment results	**128,820**	**38,503**	**3,386**	**(6,668)**	**164,041**	**(946)**	**163,095**
Unallocated interest income and other gains and losses, net							**46,436**
Corporate administrative expenses							**(28,261)**
Share of losses of joint ventures							**(4,000)**
Finance costs							**(17,966)**
Profit before taxation							**159,304**
For the six months ended 30th June 2012 (unaudited)/(restated)							
Segment revenue	252,685	123,607	5,598	16,964	398,854	22,437	421,291
Segment results	93,164	(4,581)	1,845	(9,426)	81,002	(3,634)	77,368
Unallocated interest income and other gains and losses, net							31,140
Corporate administrative expenses							(22,649)
Share-based payment expenses							(1,290)
Share of loss of an associate							(1,069)
Share of profits of joint ventures							21,408
Finance costs							(12,057)
Profit before taxation							92,851

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

Segment results represent the profit generated or loss incurred by each segment without allocation of interest income from banks, gain on disposal of subsidiaries, gain on disposal of art work, impairment loss on a disposal group classified as held for sale, net foreign exchange (loss) gain, change in fair value of derivative financial instruments, corporate administrative expenses, share-based payment expenses, finance costs on borrowings, effective interest expense on convertible notes, share of loss of an associate and share of (losses) profits of joint ventures. This is the measure reported to the board of directors for the purpose of resource allocation and performance assessments.

Segment assets and liabilities

	Production and distribution of film rights	TV advertising	Mobile value-added services	Magazine advertising and magazine distribution	Reportable segments' total	All other segments	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 30th June, 2013 (unaudited)							
Segment assets	**951,334**	**25,301**	**11,289**	**27,924**	**1,015,848**	**24,566**	**1,040,414**
Segment liabilities	**109,142**	**61,330**	**4,941**	**12,728**	**188,141**	**10,376**	**198,517**
At 31st December, 2012 (restated)							
Segment assets	779,958	22,905	10,469	28,341	841,673	49,769	891,442
Segment liabilities	68,266	71,047	3,509	18,408	161,230	10,302	171,532

4. OTHER GAINS AND LOSSES, NET

	Six months ended 30th June,	
	2013	2012
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)/ (restated)
Gain on disposal of subsidiaries	**–**	30,034
Gain on disposal of art work	**74,058**	–
Impairment loss on a disposal group classified as held for sale *(note 10)*	**(23,589)**	–
Net foreign exchange (loss) gain	**(1,966)**	953
Reversal of allowance for bad and doubtful debts	**79**	7,069
Change in fair value of held for trading investments *(Note)*	**2,925**	(1,445)
Change in fair value of derivative financial instruments	**(3,968)**	–
	47,539	36,611

Note: The amount includes net realised gain of approximately HK$4,459,000 (six months ended 30th June, 2012: nil) on disposal of investments held for trading during the current period and unrealised loss of approximately HK$1,534,000 (six months ended 30th June, 2012: HK$1,445,000) on change in fair value of investments held for trading held by the Group as at 30th June, 2013.

5. FINANCE COSTS

	Six months ended 30th June, 2013 *HK$'000* (unaudited)	2012 *HK$'000* (unaudited)/ (restated)
Effective interest expense on convertible notes	**17,966**	11,673
Interest on borrowings wholly repayable within five years:		
Interest on borrowings from a shareholder	**–**	384
	17,966	12,057

6. TAXATION (CHARGE) CREDIT

	Six months ended 30th June, 2013 *HK$'000* (unaudited)	2012 *HK$'000* (unaudited)/ (restated)
Current tax:		
PRC Enterprise Income Tax	**(20,221)**	(6,470)
Reversal of tax payable *(Note)*	**–**	14,855
Deferred tax:		
Current period	**(20)**	(80)
	(20,241)	8,305

Note: On 2nd April, 2012, a subsidiary of the Company had reallocated certain film rights contracts which had been completed in previous years to another subsidiary of the Company. This reallocation had 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 transfer of film rights.

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

Pursuant to the relevant laws and regulations in the PRC, 中聯華盟(上海)文化傳媒有限公司 (in English, Zhong Lian Hua Meng (Shanghai) Culture Media Ltd.) is chargeable for Enterprise Income Tax ("EIT") at the EIT rate of 25% on ten percent of its gross revenue.

EIT in the PRC charged to other PRC subsidiaries is calculated at 25% of estimated assessable profit for the period ended 30th June, 2013 and 2012.

7. PROFIT FOR THE PERIOD

	Six months ended 30th June, 2013	2012
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)/ (restated)
Profit for the period has been arrived at after charging (crediting):		
Staff costs (including directors' remuneration)	**28,615**	25,082
Amortisation of intangible assets (included in cost of sales and services)	**418**	2,725
Depreciation of property, plant and equipment	**3,483**	4,125
Film rights recognised as an expense (included in cost of sales and services)	**132,905**	135,857
Rental payments for premises under operating leases	**12,107**	8,597
Interest income	**(162)**	(153)

8. EARNINGS PER SHARE

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

	Six months ended 30th June, 2013	2012
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)/ (restated)
Earnings		
Profit for the period attributable to the owners of the Company for the purposes of basic and diluted earnings per share	**133,070**	102,261
	Number of shares	Number of shares
Number of shares		
Weighted average number of ordinary shares in issue or deemed to be in issue during the period for the purposes of basic and diluted earnings per share	**7,742,742,564**	7,297,340,110

The weighted average number of shares used for the purpose of calculating earnings per share for the period ended 30th June, 2012 reflected 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 of China Entertainment Media Group Limited ("CEMG") in 2012 (the "Acquisition") and the total actual number of shares of the Company in issue after the date of 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 period ended 30th June, 2013 and 2012.

In addition, the computation of diluted earnings per share does not assume the exercise of share options and warrants because the exercise price of these options and warrants was higher than the average market price for shares for the period ended 30th June, 2013 and 2012.

9. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	At 30th June, 2013	At 31st December, 2012
	HK$'000	*HK$'000*
	(unaudited)	(restated)
Trade receivables	**532,377**	345,796
Refundable deposit in relation to acquisition of an investee *(Note 1)*	**30,380**	29,851
Amount receivable from a former subsidiary *(Note 2)*	**27,691**	41,659
Amount receivable for disposal of art work *(Note 3)*	**90,644**	–
Deferred consideration for disposal of subsidiaries	**–**	77,560
Other tax recoverable	**27,719**	24,766
Other receivables and deposits	**15,467**	13,460
	191,901	187,296
Deposits paid for acquisition of artwork and property, plant and equipment	**–**	20,157
Prepayment for film production *(Note 4)*	**100,987**	39,073
Prepayment for consultancy service fee	**7,452**	14,904
Other prepayments	**16,398**	13,222
Amount due from a joint venture partner *(Note 5)*	**–**	15,547
Total trade and other receivables, deposits and prepayments	**849,115**	635,995
Analysed as		
Current	**751,197**	568,527
Non-current	**97,918**	67,468
	849,115	635,995

Notes:

1. In prior year, the Group signed an agreement with a third party, pursuant to which the Group entrusted the third party entity and paid it a deposit of RMB24,000,000, which then submitted an application and the deposit to Shanghai United Assets and Equity Exchange ("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 31st December, 2012, the demand for refund had been submitted and is in progress. In the opinion of the directors of the Group, the amount will be refunded before year ended 31st December, 2013. Accordingly, the balance is classified as current assets.

2. The amount is unsecured, non-interest bearing and has no fixed repayment terms. Subsequent to the period ended 30th June, 2013, the amount was fully repaid.

3. The amount is unsecured and non-interest bearing and will be settled before the year ended 31st December, 2013.

4. In prior year, the Group signed two cooperative agreements with other film production companies ("Film Workshops") pursuant to which the 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$38,798,000 (31st December, 2012: HK$38,122,000) is classified as non-current assets.

   On 18th September, 2012, the Group entered into a film investment cooperation agreement with Mr. Chiau Sing Chi (also known as Stephen Chow, "Mr. Chiau"), pursuant to which Mr. Chiau planned to produce 5 films in the coming 7 years and the Group will invest RMB10,000,000 for each film. During the current interim period, the Group paid total investment cost of RMB50,000,000 (approximately HK$62,189,000) for the production of 5 films by Mr. Chiau and the production of first film is expected to start within twelve months from 30th June, 2013. Accordingly, a portion of prepaid production costs amounting to RMB10,000,000 (approximately HK$12,438,000) is classified as current assets and the remaining RMB40,000,000 (approximately HK$49,751,000) is classified as non-current assets.

   As at 31st December, 2012, the remaining balance represented prepayments to other film production companies which was current in nature.

5. The amount was unsecured, non-interest bearing and repayable on demand. As at 30th June, 2013, the balance is classified as assets held for sale as set out in note 10.

Trade receivables

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

	At 30th June, 2013 *HK$'000* **(unaudited)**	At 31st December, 2012 *HK$'000* (restated)
Production and distribution of film rights	**467,064**	278,976
Other business segments	**65,313**	66,820
	532,377	345,796

For the production and distribution of film rights segment, according to certain sales contracts signed with customers, 50% and 40% of the total contract value are billed upon signing of the contracts and delivery of the master copies of films or television drama series with credit periods ranged from 60 days to 90 days respectively. Remaining 10% of the contract value is billed and with credit period ranged from 60 days and 90 days after the relevant films or television drama series are broadcasted, which is normally within one year from the date of delivery of the relevant master copies of films or television drama series. 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; (iii) industry practice in settlement; and (iv) subsequent settlements.

As at 30th June, 2013 and 31st December, 2012, the films and majority of the television drama series related to the trade receivables from the respective PRC television stations outstanding as at these dates have been broadcasted prior to the end of the relevant 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 television drama series which approximated the respective dates on which revenue was recognised:

	At 30th June, 2013 *HK$'000* **(unaudited)**	At 31st December, 2012 *HK$'000* (restated)
0 – 90 days	**248,721**	200,806
91 – 180 days	**26,582**	45,545
181 – 365 days	**186,408**	18,715
Over 365 days	**5,353**	13,910
	467,064	278,976

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:

	At 30th June, 2013	At 31st December, 2012
	HK$'000	*HK$'000*
	(unaudited)	(restated)
0 – 90 days	**50,714**	63,777
91-180 days	**974**	1,631
181 – 365 days	**10,841**	1,412
Over 365 days	**2,784**	–
	65,313	66,820

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.

10. DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

On 20th June, 2013, the Company entered into an agreement with a third party (the "Third Party") to dispose 70% of its equity interest of Beida Culture which holds 50% equity interest in Jinghua Culture, at a consideration of HK$400,000,000. The Third Party is the original vender which sold the 70% equity interest of Beida Culture to the Company at the original consideration of HK$400,000,000 during the year ended 31st December, 2010. The consideration shall be satisfied by (i) HK$50,000,000 cash consideration; and (ii) the surrender of CB1 of aggregate principal amount HK$350,000,000, which is presented in the condensed consolidated financial statements as payable to a third party. This transaction was not completed as at 30th June, 2013. The assets and liabilities attributable to Beida Culture that are expected to be sold within twelve months from the date of signing the agreement have been reclassified as disposal group held for sale and are separately presented in the condensed consolidated statement of financial position.

The carrying amount of the relevant assets and liabilities exceeded the consideration and, accordingly, impairment loss of HK$23,589,000 has been recognised.

Major classes of assets and liabilities of the subsidiary as at the end of the current interim period are as follows:

	At 30th June, 2013 *HK$'000*
Property, plant and equipment	**814**
Interest in a joint venture	**616,718**
Amount due from a joint venture partner	**15,823**
Bank balances and cash	**10**
	633,365
Less: impairment loss recognised	**(23,589)**
Total assets classified as held for sale	**609,776**
Other payables and accrued charges	**1,736**
Tax liabilities	**7,213**
Total liabilities associated with assets classified as held for sale	**8,949**

Upon completion of such disposal, Beida Culture will become an associate of the Group.

11. TRADE AND OTHER PAYABLES AND ACCRUED CHARGES

	At 30th June, 2013 ***HK$'000*** **(unaudited)**	At 31st December, 2012 *HK$'000* (restated)
Trade payables	**58,212**	32,582
Other tax payable	**60,299**	49,535
Accrued staff costs	**4,500**	9,304
Amounts due to joint ventures	**5,363**	5,264
Other payables and accrued charges *(Note)*	**30,451**	46,611
	158,825	143,296

Note: Included in other payables and accrued charges are payables and accruals on legal and professional fees in relation to merger and acquisition projects amounting to HK$3,900,000 (31st December, 2012: HK$14,448,000). The remaining balances are payables and accruals for daily operation expenses.

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

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

	At 30th June, 2013	At 31st December, 2012
	HK$'000	*HK$'000*
	(unaudited)	(restated)
0 – 90 days	**48,537**	28,042
91 – 180 days	**983**	173
181 – 365 days	**4,314**	178
Over 365 days	**4,378**	4,189
	58,212	32,582

12. ISSUED SHARE CAPITAL

CEMG

	Number of shares			Share capital			
	Ordinary shares	Series A preferred shares ("Preferred shares")	Total	Par value per share	Ordinary shares	Preferred shares	Total
				US$	*HK$'000*	*HK$'000*	*HK$'000*
Issued and fully paid:							
At 1st January, 2012 and 31st January, 2012, immediately before the Acquisition	1,000,000,000	250,000,000	1,250,000,000	0.00001	78	20	98

The Company

	Number of shares	Share capital HK$'000
Ordinary shares of HK$0.25 each		
Authorised:		
At 1st January, 2012, 31st December, 2012 and 30th June, 2013	10,000,000,000	2,500,000
Issued and fully paid:		
At 1st January, 2012 and 31st January, 2012, immediately before the Acquisition	2,082,592,564	520,648
New shares issued in respect of the Acquisition *(Note 1)*	5,040,750,000	1,260,188
Issued by subscription of shares *(Note 2)*	619,400,000	154,850
At 30th June, 2012, 31st December, 2012 and 30th June, 2013	7,742,742,564	1,935,686

Notes:

(1) On 31st January, 2012, the Company issued 5,040,750,000 ordinary shares of HK$0.25 each at a total consideration of approximately HK$2,016,300,000 in exchange of the entire issued share capital, including Preferred shares, of CEMG.

(2) Upon the completion of the Acquisition and pursuant to the conditional subscription agreement entered into on 21st October, 2011, the Company further issued 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.

13. CONVERTIBLE NOTES

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

In addition, based on the relevant agreements, the Group is required to issue an additional amount of convertible note of the Company amounting to a principal amount of HK$30,000,000 (the "Additional CB") to the vendor if profit after taxation of 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 on the fifth anniversary 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-dilutive clauses. In addition, the note holders shall exercise its conversion rights in relation to all outstanding amount of the convertible notes if (i) the market closing price of the shares on the Stock Exchange shall for 10 consecutive trading days be more than HK$1.5 per share; and (ii) the Company shall have given to the note holders within 7 business days written notice of compulsory conversion requiring the note holders to exercise its conversion rights in relation to all outstanding amount of the convertible notes.

Since the date of the Acquisition up to the maturity date of 3rd June, 2013 and 30th June, 2013, none of the CB1 and Additional CB with principal amount of HK$350,000,000 and HK$30,000,000 respectively has been converted.

CB1 was matured on 3rd June, 2013. On the same date, the Company and CB1 holder entered into an agreement to extend the repayment of the amount due (the "HK$350,000,000 Payable") from 3rd June, 2013 to 30th June, 2013. Since the conversion period for CB1 was matured on 3rd June, 2013, the principal amount due was reclassified as other payable with effect from 3rd June, 2013.

As set out in note 10, part of the consideration for the disposal of 70% equity interest in Beida Culture will be satisfied by the surrender of HK$350,000,000 Payable. The amount is reclassified as payable to third party on 20th June, 2013. As at 30th June, 2013, the entire share capital of Prefect Strategy was pledged as a share charge for payable to third party.

14. EVENTS AFTER THE REPORTING PERIOD

On 25th July, 2013, the Company placed 582,630,000 ordinary shares of HK$0.25 each for a total consideration of approximately HK$268,000,000 to certain independent investors at a price of HK$0.46 per share.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30th June, 2013 (30th June, 2012: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Pursuant to the application of new Hong Kong Financial Reporting Standard 11 ("HKFRS 11"), the Group will no longer apply the proportionate consolidation accounting method but the equity method for its joint ventures. Therefore, the consolidated financial statements for the period ended 30th June, 2012 have been restated according to the changes in HKFRS 11. Profit for the period attributable to owners of the Company was not affected by the restatement.

Business Review

During the period ended 30th June, 2013 (the "Period"), the Group was principally engaged in media related businesses, principally including planning, production, publication, investment, distribution of television drama series and films and organising cultural and artistic exchange activities, mobile value-added services, mobile TV business, sales and distribution of newspapers and magazines, satellite television advertising, magazine advertising and TV program packaging services. An overwhelming majority of these businesses were conducted in the People's Republic of China (the "PRC").

Media Related Business

Film, television drama series production and distribution businesses

For the six months ended 30th June, 2013, the revenue of film, television drama series production and distribution businesses amounted to HK$302,416,000 (30th June, 2012: HK$252,685,000), accounting for 62.7% of the Group's revenue; segment profit before tax amounted to HK$128,820,000 (30th June, 2012: HK$93,164,000). In particular, television drama series production and distribution business accounted for 69% of the segment revenue, whereas film production and distribution business made up 31%. The strong growth in this segment revenue was mainly attributable to the sales of two television dramas series, namely "Righteous Invincible" (義者無敵, the new episode from the "Heroic" series (英雄無敵系列), and an emotional drama "Left Hand Joins Right Hand" (左手親情右手愛).

In addition, the Group was entitled to 30% of investment return in the blockbuster movie "Journey to the West: Conquering the Demon". Directed by the Chinese movie guru and super star, Mr. Chiau Sing Chi (also known as Stephen Chow, "Mr. Chiau"), this movie broke numerous box office records. It has also become the first movie to rank "Number One in Box Office for Five Consecutive Weeks" in the Chinese movie history. As at 30th June, 2013, the cumulative box office from both the domestic and the overseas markets recorded over HK$1.6 billion, bringing considerable returns for the Group.

During the Period, the Group implemented stringent cost control measures to streamline the production chain and improve the efficiency and overall profitability while enhancing the productivity.

Television Advertising Business

For the six months ended 30th June, 2013, the revenue of the television advertising business reached HK$151,517,000 (30th June, 2012: HK$123,607,000), accounting for 31.4% of the Group's revenue with a segment profit before tax of HK$38,503,000 (30th June, 2012: segment loss before tax was HK$4,581,000). Following the acquisition of China Entertainment Media Group Limited in 2012, the Group acquired the exclusive right to operate television advertising and content programming for Gansu Satellite Television Network ("Gansu Satellite TV"). To seize the rapid change of market demand, the Group modulated the marketing strategy to attract high quality customers and implemented strict and effective cost control, resulting in substantial increase in gross profit of the television advertising business during the period. With an aim to increasing the viewership and subsequently boost the advertising income, the Group has been repositioning the television station and improving the program quality.

Mobile New Media business

The Group's mobile new media business mainly includes mobile value-added service and mobile TV business. The mobile TV business is operated under a joint venture. For the six months ended 30th June, 2013, net revenue and segment profit before tax of the mobile new media business (including mobile value-added service and mobile TV business) were HK$15,548,000 (30th June, 2012: HK$10,988,000) and HK$9,025,000 (30th June, 2012: HK$5,241,000) respectively.

Of the business, net revenue and segment profit before tax of the mobile TV business were HK$9,765,000 (30th June, 2012: HK$5,390,000) and HK$5,639,000 (30th June, 2012: HK$3,396,000) respectively (calculated based on the 49% share of results of joint venture attributable to the Group). Since the mobile TV business was under the operation of a joint venture, the net revenue and segment profit before tax were recognised in the share of results of joint ventures attributable to the Group using the equity method. During the Period, revenue of the Group's corporations with the three major telecommunication operators, namely China Mobile Limited ("China Mobile"), China United Network Communications Group ("China Unicom") and China Telecommunications Corporation (China Telecom) recorded steady growth. In particular, the cooperation with China Mobile made the highest revenue contribution of RMB33,582,000 (equivalent to HK$42,135,000), representing an increase of 110% compared to the same period last year. It accounted for 78% of the income of this business.

The net revenue and segment profit before tax of the mobile value-added business reached HK$5,783,000 (30th June, 2012: HK$5,598,000) and HK$3,386,000 (30th June, 2012: HK$1,845,000) respectively, accounting for 1.2% of the Group's revenue. The Group's mobile value-added business included SMS, digital reading and online games, and personalised information and entertainment services for Chinese mobile phone users. The growth was mainly driven by the rising popularity of the emerging mobile internet and the fast-growing mobile phone users.

Magazine Advertising and Magazine Distribution Business

The distribution and adverting business of high-end women's magazine 費加羅 FIGARO generated a revenue of HK$ 17,571,000 (30th June, 2012: HK$16,964,000), accounting for 3.6% of the overall revenue, with a segment loss before tax of HK$6,668,000 (30th June, 2012: HK$9,426,000). Since its launch in August 2011, 費加羅 FIGARO has been recognised as one of the premier magazines in the PRC and widely accepted by internationally renowned advertisers. Although the magazine and newspaper industry remained sluggish during the Period, 費加羅 FIGARO still recorded growth in magazine sales and advertising sales as compared to the corresponding period of last year.

Other businesses

For the six months ended 30th June, 2013, the revenue and segment loss before tax from other segments, including trading of securities in Hong Kong, distribution of magazines and newspapers apart from Beijing Times and 費加羅 FIGARO, mobile games subscription, provision of other agency services, TV program packaging services income and others in the PRC, amounted to HK$4,699,000 (30th June, 2012: HK$22,437,000) and HK$946,000 (30th June, 2012: HK$3,634,000) respectively.

In addition, the Group's joint venture businesses include newspaper advertising and distribution and mobile TV businesses (please refer to the above "Mobile New Media Business" chapter for details). For the period ended 30th June, 2013, the share of losses of joint ventures attributable to the Group was HK$4,000,000 (30th June, 2012: share of profits HK$21,408,000), which was mainly due to the loss recorded in the newspaper advertising and distribution business.

During the Period, the newspaper advertising and distribution business recorded a decrease in revenue and an operating loss. The rising domestic costs, particularly paper costs and wages, caused a great pressure on the operating cost of this business. As such, on 20th June, 2013, the Group announce to propose a disposal of the 70% equity interest of a wholly-owned subsidiary, Beijing Beida Culture Development Company Limited ("Beida Culture") for a consideration of HK$400,000,000 to a third party. Beida Culture owns 50% equity interest of the newspaper advertising and distribution business of JingHua Culture Broadcast Company Limited ("JingHua Culture"). Of the total consideration, HK$50,000,000 will be paid in cash, and the remaining HK$350,000,000 will be settled with the surrender of the convertible note (issued by the Group in the equivalent amount) by the third party free from encumbrance. The disposal is expected to record an estimated book loss of HK$23,589,000. The loss has been accounted for as an impairment loss on a disposal group classified as held for sale in the consolidated financial statements for the period ended 30th June, 2013. This transaction has not been completed at the date of this announcement.

In February 2013, the Group announced that it signed a memorandum and a cooperative agreement with the People's Government of Tongxiang City, Zhejiang Province to acquire the land use right of a parcel of land in the total area of approximately 1,048.5 Mou in the PRC for development of "Journey to the West" film art centre project. As at the date of this announcement, there has no new development of this project as the Board is still in the process of evaluation.

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

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 30th June, 2013, the Group maintained cash reserves of HK$177,485,000 (31st December, 2012: HK$107,753,000). As at 30th June, 2013, the equity attributable to owners of the Company amounting to HK$1,477,986,000 (31st December, 2012: HK$1,316,740,000) with total borrowings of HK$22,215,000 (31st December, 2012: HK$354,313,000). As at 30th June, 2013, the Group's gearing ratio (net borrowings including convertible notes and deducting the cash reserves over total equity) was 0% (31st December, 2012: 18.7%).

On May, 2013, the Company placed 60,000,000 warrants to confer the right to subscribe for one ordinary share of the Company of HK$0.25 each at an initial subscription price of HK$0.5 per share, at a placing price of HK$0.01 per warrant. For the period ended 30th June, 2013, the net proceeds of HK$500,000 from the issue of the warrants were used for general working capital of the Group. The Company will receive additional gross proceeds of approximately HK$30 million upon exercise in full subscription rights attaching to the warrants. The Company intends to use such proceeds as general working capital of the Group. Such issuance of warrants has been completed on 7th June, 2013.

On 25th July, 2013, the Company issued and allotted 582,630,000 ordinary shares of the Company of HK$0.25 each at the subscription price of HK$0.46 to investors, approximately 7% of the issued share capital of the Company as enlarged by the allotment and issue of the subscription shares as at 25th July, 2013. The net proceeds of approximately HK$260,000,000 from the subscription were used for general working capital of the Group and/or for investments when opportunities arise. The subscription has been completed on 25th July, 2013.

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 of 30th June, 2013, the entire issued share capital of a wholly-owned subsidiary of the Group was pledged as a share charge for the amount due to a third party of HK$350,000,000 (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 amounting to HK$350,000,000 issued by the Company on 3rd June, 2010).

Contingent Liabilities

As at 30th June, 2013, the Group had no material contingent liabilities (31st December, 2012: nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 30th June, 2013, the Group, including its subsidiaries and joint ventures, employed approximately 1,660 (30th June, 2012: approximately 1,600) 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 period under review, 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.

RISK FACTORS

The Group's business development is dependent on the China Central Government's policy on the development of cultural industries, the film and television drama series businesses and satellite television advertising business. The businesses, results of operations and financial condition of the Group may be materially adversely affected by factors such as the Group's ability to accurately gauge changes in viewers' taste; competition from foreign films; the television advertising business's sensitivity to popularity amongst viewers; the regulatory environment; economic conditions and seasonality of advertising budgets; the Group's dependency, to a certain extent, on theatre circuits; the Group's ability to effectively select products for use in in-film advertisements which do not harm the Group's reputation; and compliance with relevant laws and regulations.

PROSPECTS

Under the "Outline of the Cultural Reform and Development" of the "Twelfth Five-year Plan", the Chinese Government is going to build the cultural industry as the pillar industry in China. With an aim to building a culturally strong nation, China is reforming its cultural system stimulating the rapid growth of the cultural industry. As both the traditional and new media are under revolution, various new media products emerged. With an uptick in China's GDP growth, the increasingly affluent domestic population is driving cultural consumption, fuelling the media industry to bloom. According to a forecast by a Chinese securities firm, even in the time of economic downturn, China's media market still recorded a year-on-year increase by 20% in the first quarter of 2013.

The Group is one of the rare leading integrated platforms in China providing high quality content production and distribution and multiple distribution channels extending from the investment and production of films and television drama series, production of satellite television programmes and operation of television advertising as well as print media and mobile new media platforms. Such integrated platform creates synergistic benefits and improved operating efficiency leading to greater economies of scale among its peers.

Film Production and Distribution Business

Film production and distribution business is one of the core businesses of the Group. According to the State Administration of Radio Film and Television, China's film market continued its rapid growth momentum. The cumulative box office reached over RMB9 billion, representing year-on-year growth of nearly 42%, whereas the number of moviegoers jumped by 44% in the first five months of 2013. According to market estimation, the annual box office receipts will exceed RMB23 billion in 2013, representing an increase of 35% as compared to RMB17 billion of last year. Movie theaters have been widely covered in the second-tier and third-tier cities in recent years. The number of theaters and screens in the PRC reached 3,370 and 13,100 respectively by the end of 2012. Both the historical trend and the recent growth data show that China's film industry has entered a period of prosperity.

To further seize the opportunities in this rapidly growing industry, the Group is now accelerating its long-term strategic cooperation with Mr. Chiau. Following the tremendous success of "Journey to the West: Conquering the Demons", the Group aims to speed up the process of production of the upcoming five movies with Mr. Chiau. Planning of the shooting schedule of the second "Journey to the West" series will be started in the second half of 2013 and completed in 2014. The Group is proud to bring in Mr. Chiau`s innovative ideas and extraordinary entertainment experience to audience.

Moreover, the strategic cooperation with the China Film Group Corporation ("CFGC") aims to bring in commercial films and high quality art films to the Chinese audience in the PRC. Amongst them, movies such as "The Faithful Meeting" (玩命邂逅), and "918 Event" (九一八大案) are expected to be released in 2014. The Group has great resources including renowned contracted directors, screenwriters and actors, while CFGC is a strong brand name in the movie industry with comprehensive distribution channels. Leveraged on the talents and resources from both sides, the Group is planning to offer diversified movie choices to the market and further enhance its position in the field of film production and investment. In recent years, Taiwanese movies have become very popular. The unique teenage romantic style has made Taiwanese movies a big hit across South-east Asia. In January 2013, China's State Press and Publication Administration of Radio announced administrative rules to promote cross-strait cooperation in the film industry, favoring movie producers in greater China to integrate resources and develop co-production platform. To capture such opportunity, the Group has partnered with Taiwanese film investors to establish a film production company called Mandarin Vision Inc to be jointly operated and managed by the Group and the Taiwanese investors, such as CTBC Venture Capital Co., Ltd, Sunsino Ventures Group and certain management. Through the collaboration, the Group is able to consolidate resources from both side and aiming to produce small-scale and low-cost with fresh style Taiwanese movies targeting audience across Mainland China, Hong Kong and Taiwan. Apart from that, the Group has also invested in a movie, namely "My Rival is Superman" (我的情敵是超人) in the third quarter of 2013. It was based on the story "Sneezing" (打噴嚏), written by Mr. Giddens Ko, a famous Taiwanese director who directed "You Are the Apple of My Eye" (那些年，我們一起追的女孩). With Mr. Giddens Ko as a producer of the new movie, "My Rival is Superman" is expected to create another wave of Taiwanese teenage romance in Asia. The Group envisages that there will be a deeper and closer cooperation with Mr. Giddens Ko in the coming years to offer audience with diverse movie selections.

With the long-term cooperation with Mr. Chiau, the strategic cooperation with CFGC as well as the new co-production platform with Taiwanese film-makers, the Group's film production business have turned diversified and well established. In the second half of 2013, the Group plans to release one to two movies, including "He and She" (他和她), bringing additional revenues from the film production and distribution business to the Group. The Group still aims to invest and produce four to six quality films per year, in order to become the industry leader in China.

Television Drama Series Production and Distribution Business

Television drama series production and distribution business is another core business of the Group. Television drama series are still the most watched programs on television networks in China. Television stations compete for viewership with an aim to boosting advertising income. Such competition has led to program innovations and drives the television drama series industry to grow. On top of that, more and more online television channels participated in the competition of quality television drama series, hence further pushing the demand and price of television drama series. The transaction value of television drama series in China already exceeded RMB10 billion in 2012, with Compound Annual Growth Rate of 13% over the past six years. According to an estimate from a securities firm, the total transaction value is expected to reach RMB16.5 billion in 2015.

The Group has achieved encouraging results in the past few years, especially from its "Heroic" (英雄無敵) series. Two of the television drama from the series, namely "The Heart of Justice" (正者無敵) and "Righteous Invincible" (義者無敵) were released in 2012 and 2013 respectively and contributed considerable profits to the Group. The new episode from the series – "The Power of Faith" (信者無敵) commenced production in the third quarter of 2013; in which, the famous actor Mr. Chen Bao Guo will continue to act in the leading role. This television drama series is expected to complete shooting in the first half of 2014. Apart from the "Heroic" series, the Group is also in the process of producing a trendy contemporary series, "A Good Woman" (美麗誘惑), which is expected to receive strong response and hence, generate fruitful contribution to the Group. In addition, two to three more television drama series, including "Qianwang" (槍王) will be released in the second half of 2013.

Looking ahead, quality will still be the Group's priority in television drama series productions. At the same time, the Group also plans to develop successful movies such as "Journey to the West: Conquering the Demons" into television drama series. Leveraged on the Group's in-depth knowledge of the market trend, as well as its careful selection of screenplays, directors, productions and actors, the Group will make greater investment in high-quality movies and television drama series. The Group will stick to its plan to produce four to six television drama series per year with an aim to increasing the investment return of each project.

Television Advertising Business

The Group believes that there is still huge room for improvement in the television advertising and content programming segments of the Gansu Satellite TV. According to a third party research provider, China is the third largest advertising market in the world after the United States and Japan, in terms of advertising expenditure. Television is still the dominant form of media platform for advertising expenditures in China. According to the CTR Media Intelligence (央視市場研究公司), television advertising expenditure (based on the published advertising rate) grew by 6.4% to RMB544 billion by the end of 2012, representing more than 70% of the total advertising revenue in China. It is expected to reach RMB577 billion in 2013. The Group aims to positioning itself as a "Top Living Satellite Channel" in China, bringing a trendy, healthy, green and intelligent lifestyle to audience. A series of improved programs and reshuffled program schedules have been arranged to lift Gansu Satellite TV's brand image, the utilization of air time and the advertising rate.

Mobile New Media Business

The Group will continue to seize the opportunities brought forth by 3G and 4G network development and accelerate the business expansion in mobile new media business. according to China's Ministry of Industry and Information Technology Report, mobile Internet users climbed to 420 million in 2012, representing an increase of 74.5% as compared to the year before. Mobile phone has become the most popular platform for Chinese Internet users. The Group will continue to strengthen its collaboration with the three major mobile communication operators to broaden the sales and marketing channel and provide wider selection of quality mobile television content. In addition, the Group will launch 12 television drama series and 44 films and a range of mobile value-added services such as mobile digital reading, mobile music and mobile animation to attract more paid users. At present, the Group is testing a new Android online game and development of China Mobile music channel of Sichuan, China Mobile cartoon e-books channel of Zhejiang will start in the second half of 2013, aiming to achieve positive results in the near future.

Print Media Business

By keeping the remaining 15% effective interest in JingHua, the Group will continue to explore new marketing channels for broadening the newspaper advertising revenue streams such as the Cloud Newspaper (being an integration of traditional print and new media) launched last year.

The Group's first-line women's magazine, FIGARO has already been included in the list of the PRC's premier magazines. The download rate of FIGARO IPAD edition continues to soar since its launch in 2012, which attracted the attention of renowned international brands. At the same time, the magazine has also developed its official "Weibo" and "WeChat" account at the emerging social networking platforms, successfully built a large audience base and reinforced the influential power of FIGARO. In the future, the Group will fully integrate the traditional print media with the mobile new media, actively expand readership, in order to enhance the advertising revenue of the magazine. To reach the target readers, the Group distributes the magazines in the first-tier, second-tier and third-tier cities, especially in the airports, central business districts, high-end residential areas, office buildings, where medium-high income individuals cluster. The Group is actively expanding its distribution channels for FIGARO with added multi-media functions, especially through the Group's numerous media resources. The Group will keep on enhancing brand awareness and advertising value of the magazine, allowing the business to self-sustain and ultimately contribute returns to the Group.

The Group has entered the fast-growing phase and will focus on developing its core businesses. During the Period, the Group successfully raised additional working capital in the market and expanded its shareholder base, which reflected the capital market's confidence on the Group's business direction and future development. Leveraged on its one-stop media platform in China and its film and television drama series production resources, the Group will focus on speeding up the cooperation projects with its strategic partners in the second half of 2013. In the meantime, the Group will also selectively delegate resources to develop the production and sales channel of its new media business. With its comprehensive media platform, the Group is well-set to capture the flourishing opportunity from China's rapidly developing media and cultural industry. Management believes, the Group will continue to maintain the growth momentum and create fruitful returns for its shareholders.

CORPORATE GOVERNANCE

During the six months ended 30th June, 2013, the Company has applied and complied with the applicable code provisions set out in the Corporate Governance Code contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), except for certain deviations which are summarised below: –

Code Provision A.2.1

Code provision A.2.1 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 B.1.2

Code provision B.1.2 stipulates that the terms of reference of the remuneration committee should include, as a minimum, those specific duties as set out in the code provision.

The terms of reference of the remuneration committee (the "Remuneration Committee") adopted by the Company are in compliance with the code provision B.1.2 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 reasons for the above deviation are set out in the section "Corporate Governance Report" contained in the Company's annual report for the financial year ended 31st December, 2012. The Board considers that the Remuneration Committee should continue to operate according to the terms of reference adopted by the Company. The Board will review the terms at least annually and make appropriate changes if considered necessary.

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 six months ended 30th June, 2013.

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

Hong Kong, 28th August, 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.