



中國傳媒影視控股有限公司*
China Media and Films Holdings Limited

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)
(Stock Code: 8172)

THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2012

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (THE “GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This announcement, for which the directors (the “Directors”) of China Media and Films Holdings Limited (formerly known as KH Investment Holdings Limited) (the “Company”) collectively and individually accept responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquires, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or in this announcement misleading.

* For identification only

UNAUDITED QUARTERLY RESULTS

The board of Directors (the “Board”) of the Company announces the unaudited condensed consolidated results of the Company and its subsidiaries and jointly controlled entities (the “Group”) for the nine months ended 30 September 2012, together with the comparative unaudited figures for 2011 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		For the three months ended		For the nine months ended	
		30 September	30 September	30 September	30 September
		2012	2011	2012	2011
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	Notes	HK'000	HK'000	HK'000	HK'000
Continuing operations					
Turnover	3	9,189	8,955	22,343	30,212
Costs of sales		(7,246)	(6,808)	(17,233)	(23,590)
Gross profit		1,943	2,147	5,110	6,622
Other revenue and income	4	30	4	37	91
Administrative expenses		(4,136)	(4,439)	(12,181)	(10,127)
Finance costs	5	(175)	(153)	(506)	(445)
Loss before tax	6	(2,338)	(2,441)	(7,540)	(3,859)
Income tax expense	7	—	—	—	—
Loss for the period from continuing operations		<u>(2,338)</u>	<u>(2,441)</u>	<u>(7,540)</u>	<u>(3,859)</u>
Discontinued operation					
Loss for the period from discontinued operation	8	—	(62)	(3,092)	(76)
Loss attributable to owners of the Company		<u>(2,338)</u>	<u>(2,503)</u>	<u>(10,632)</u>	<u>(3,935)</u>
Dividend					
		—	—	—	—
Loss per share					
9					
From continuing and discontinued operations					
— Basic and diluted		<u>HK(0.46)cent</u>	HK(0.50)cent	<u>HK(2.10)cents</u>	HK(0.78)cent
From continuing operations					
— Basic and diluted		<u>HK(0.46)cent</u>	HK(0.49)cent	<u>HK(1.49)cents</u>	HK(0.76)cent
From discontinued operation					
— Basic and diluted		<u>N/A</u>	HK(0.01)cent	<u>HK(0.61)cent</u>	HK(0.02)cent

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the three months ended		For the nine months ended	
	30 September	30 September	30 September	30 September
	2012	2011	2012	2011
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	<i>HK'000</i>	<i>HK'000</i>	<i>HK'000</i>	<i>HK'000</i>
Loss for the period	(2,338)	(2,503)	(10,632)	(3,935)
Other comprehensive income for the period	—	—	—	—
Total comprehensive loss for the period	<u>(2,338)</u>	<u>(2,503)</u>	<u>(10,632)</u>	<u>(3,935)</u>
Total comprehensive loss attributable to owners of the Company	<u>(2,338)</u>	<u>(2,503)</u>	<u>(10,632)</u>	<u>(3,935)</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. General information

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 11 June 2001 and continued in Bermuda on 16 March 2009. The Company's shares have been listed on the GEM of the Stock Exchange since 26 March 2002.

The registered office and principal place of business of the Company are located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and Rooms 2506-09, 25/F, China Resources Building, No.26 Harbour Road, Wanchai, Hong Kong respectively.

The unaudited condensed consolidated income statement and unaudited condensed consolidated statement of comprehensive income (the "Unaudited Consolidated Results") are presented in Hong Kong dollars ("HK\$"), which is the same as the functional currency of the Company and all values are rounded to the nearest thousand (HK\$"000") except otherwise indicated.

The Company's principal activity is investment holding and the principal activities of its subsidiaries and jointly controlled entities are provision of artists management services, and film production and distribution.

2. Basis of preparation and consolidation

The Unaudited Consolidated Results have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which is a collective term that includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations ("Ints") issued by the Hong Kong Institute of Certified Public Accountant ("HKICPA"). In addition, the Unaudited Consolidated Results include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules") and by the Hong Kong Companies Ordinance.

The measurement basis used in the preparation of the Unaudited Consolidated Results is the historical cost convention, as modified for the revaluation of certain financial instruments which are stated at their fair values.

Certain comparative figures have been reclassified to conform with current year's presentation.

The preparation of Unaudited Consolidated Results in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

The accounting policies and basis of preparation adopted in the preparation of the Unaudited Consolidated Results are consistent with those adopted in annual financial statements for the year ended 31 December 2011.

All significant intercompany transactions, balances and unrealized gain on transactions within the Group have been eliminated on consolidation.

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective. The Directors anticipate that the application of the new and revised HKFRSs will have no material impact on the results and financial position of the Group.

3. Turnover

	For the three months ended		For the nine months ended	
	30 September		30 September	
	2012	2011	2012	2011
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK'000	HK\$'000	HK'000	HK\$'000
Continuing operations				
Film distribution income	—	—	—	100
Artists management services	<u>9,189</u>	<u>8,955</u>	<u>22,343</u>	<u>30,112</u>
	<u>9,189</u>	<u>8,955</u>	<u>22,343</u>	<u>30,212</u>
Discontinued operation				
Infrared consultancy services	<u>—</u>	<u>28</u>	<u>—</u>	<u>282</u>
	<u>—</u>	<u>28</u>	<u>—</u>	<u>282</u>
	<u>9,189</u>	<u>8,983</u>	<u>22,343</u>	<u>30,494</u>

4. Other revenue and income

	For the three months ended		For the nine months ended	
	30 September		30 September	
	2012	2011	2012	2011
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK'000	HK\$'000	HK'000	HK\$'000
Continuing operations				
Bank interest income	<u>30</u>	<u>4</u>	<u>37</u>	<u>77</u>
Sundry income	<u>—</u>	<u>—</u>	<u>—</u>	<u>14</u>
	<u>30</u>	<u>4</u>	<u>37</u>	<u>91</u>
Discontinued operation				
Sundry income	<u>—</u>	<u>—</u>	<u>120</u>	<u>3</u>
	<u>—</u>	<u>—</u>	<u>120</u>	<u>3</u>
	<u>30</u>	<u>4</u>	<u>157</u>	<u>94</u>

5. Finance costs

	For the three months ended 30 September		For the nine months ended 30 September	
	2012 (Unaudited) <i>HK'000</i>	2011 (Unaudited) <i>HK\$'000</i>	2012 (Unaudited) <i>HK'000</i>	2011 (Unaudited) <i>HK\$'000</i>
Continuing operations				
Effective interest expenses on convertible loan notes	175	153	506	444
Interest on bank loan and overdraft wholly repayable within five years	—	—	—	1
	<u>175</u>	<u>153</u>	<u>506</u>	<u>445</u>

6. Loss before tax

	For the three months ended 30 September		For the nine months ended 30 September	
	2012 (Unaudited) <i>HK'000</i>	2011 (Unaudited) <i>HK\$'000</i>	2012 (Unaudited) <i>HK'000</i>	2011 (Unaudited) <i>HK\$'000</i>
Continuing operations				
Depreciation of property, plant and equipment	88	1	187	3
Minimum lease payments under operating leases on land and buildings	1,110	—	2,334	—
Impairment loss of film in progress	—	1,390	—	1,390
Staff costs including directors' remuneration	1,661	773	5,022	2,270
Equity-settled share option expenses	—	—	—	2,409
	<u>—</u>	<u>—</u>	<u>—</u>	<u>2,409</u>
Discontinued operation				
Depreciation of property, plant and equipment	—	17	33	50
Minimum lease payments under operating leases on land and buildings	—	54	125	161
Staff costs including directors' remuneration	—	—	—	10
	<u>—</u>	<u>—</u>	<u>—</u>	<u>10</u>

7. Income tax expense

No provision of Hong Kong profits tax has been provided as the Group did not generate any assessable profits arising in Hong Kong or the estimated assessable profit was wholly absorbed by tax losses brought forward during the period under review. (2011: Nil).

8. Discontinued operation

On 29 June 2012, the Group disposed of its wholly owned subsidiary of Infrared Engineering and Consultants Limited (“Infrared”). Upon completion of the disposal, Infrared ceased to be subsidiary of the Company and the business of infrared consultancy services operation which is solely carried out by the Infrared, will become a discontinued operation of the Group.

The results of the discontinued operation related to Infrared are set out below.

	For the three months ended		For the nine months ended	
	30 September		30 September	
	2012	2011	2012	2011
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK'000	HK\$'000	HK'000	HK\$'000
Turnover	—	28	—	282
Cost of sales	—	—	—	(67)
Gross profit	—	28	—	215
Other revenue and income	—	—	120	3
Administrative expenses	—	(90)	(252)	(294)
Finance costs	—	—	—	—
Loss before tax	—	(62)	(132)	(76)
Income tax expense	—	—	—	—
Loss on disposal of Infrared	—	(62)	(132)	(76)
Loss for the period from discontinued operation	—	(62)	(3,092)	(76)

9. Loss per share

For continuing and discontinued operations

The calculation of the basic loss per share for continuing and discontinued operations is based on the loss attributable to owners of the Company for the three months ended 30 September 2012 of approximately HK\$2.3 million (2011: loss attributable to owners of the Company of approximately HK\$2.5 million) and loss attributable to owners of the Company for nine months ended 30 September 2012 of approximately HK\$10.6 million (2011: loss attributable to owners of the Company of approximately HK\$3.9 million) and weight average of 505,649,726 shares in issue during the three months ended 30 September 2012 and 2011 and the weighted average of 505,649,726 shares in issue during the nine months ended 30 September 2012 and 2011.

For continuing operations

The calculation of the basic loss per share for continuing operations is based on the loss attributable to owners of the Company for the three months ended 30 September 2012 of approximately HK\$2.3 million (2011: loss attributable to owners of the Company of approximately HK\$2.4 million) and loss attributable to owners of the Company for nine months ended 30 September 2012 of approximately HK\$7.5 million (2011: loss attributable to owners of the Company of approximately HK\$3.8 million).

For discontinued operation

The calculation of the basic loss per share for discontinued operation is based on the loss attributable to owners of the Company for the three months ended 30 September 2012 of nil (2011: loss attributable to owners of the Company of approximately HK\$0.1 million) and loss attributable to owners of the Company for nine months ended 30 September 2012 of approximately HK\$3.1 million (2011: loss attributable to owners of the Company of approximately HK\$0.1 million).

For the three months and nine months ended 30 September 2012 and 2011, diluted loss per share of continuing and discontinued operations were not presented as the conversion of all outstanding convertible loan notes would have anti-dilutive effects.

10. Reserves

	Share capital (unaudited) HK\$'000	Share premium (unaudited) HK\$'000	Contributed surplus (unaudited) HK\$'000	Convertible loan notes reserve (unaudited) HK\$'000	Share- based payments reserve (unaudited) HK\$'000	Retained profits (unaudited) HK\$'000	Total (unaudited) HK\$'000
At 1 January 2011	5,056	47,383	28,294	2,381	1,367	31,217	115,698
Net loss for the period	—	—	—	—	—	(3,935)	(3,935)
Other comprehensive income for the period	—	—	—	—	—	—	—
Total comprehensive loss for the period	—	—	—	—	—	(3,935)	(3,935)
Recognition of equity-settled share- based payments	—	—	—	—	2,409	—	2,409
Lapse of share options	—	—	—	—	(3,776)	3,776	—
At 30 September 2011	<u>5,056</u>	<u>47,383</u>	<u>28,294</u>	<u>2,381</u>	<u>—</u>	<u>31,058</u>	<u>114,172</u>
At 1 January 2012	5,056	47,383	28,294	2,381	—	14,742	97,856
Net loss for the period	—	—	—	—	—	(10,632)	(10,632)
Other comprehensive income for the period	—	—	—	—	—	—	—
Total comprehensive loss for the period	—	—	—	—	—	(10,632)	(10,632)
At 30 September 2012	<u>5,056</u>	<u>47,383</u>	<u>28,294</u>	<u>2,381</u>	<u>—</u>	<u>4,110</u>	<u>87,224</u>

DIVIDEND

The Board does not recommend the payment of a dividend for the nine months ended 30 September 2012 (2011: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Change of Company Name

In order to reflect the principal activities of the Group, the Company changed its name from “KH Investment Holdings Limited” to “China Media and Films Holdings Limited” and adopted the Chinese name “中國傳媒影視控股有限公司” as the Company’s secondary name to replace “嘉滙投資控股有限公司”, which has been used by the Company for identification purposes only. Such resolutions were passed at the annual general meeting of the Company held on 16 May 2012 and became effective on 18 May 2012.

Business Review

Artist Management

During the period under review, the revenue contributed by such segment was approximately HK\$22.3 million (2011: approximately HK\$30.1 million), representing a decrease of 25.9% as compared with the period ended 30 September 2011. The gross profit margin increased to 22.9% (2011: 21.7%). The stable gross profit margin in such segment was in line with the management’s expectation.

Pending litigation

On 30 May 2011, China Star Management Limited, an indirect wholly-owned subsidiary of the Company, issued a Writ of Summons against Tang’s Workshop Limited (“Tang’s Workshop”) and claimed to recover the services rendered or work done and material supplied to Tang’s Workshop for the sum of HK\$127,500. At the date of this announcement, the result of the litigation has not yet been finalised.

Film Distribution and Production

During the period under review, the Group did not have any addition of film rights and no revenue was recorded in such segment (2011: approximately HK\$0.1 million). The joint venture company, China Star Film Group Limited which is engaged in the production and distribution of films, has two films in their pre-production phases. Due to the scheduling of the film casts and revision to the scripts, shooting of these two films has been delayed, and the production completion date and the release date of the films have not been determined. In early August 2012, Eternity Investment Limited (“Eternity”) (stock code: 764), a company listed on the Main Board of the Stock Exchange, has become a substantial shareholder of the Company by acquiring an approximately 29% interest in the Company. Given that Eternity has engaged in film distribution business in the PRC since 2001, the acquisition of 29% equity interest in the Company by Eternity presents a good opportunity

for the Group to form a strategic alliance with Eternity by leveraging the expertise, network and connections in the film distribution industry in the PRC of Eternity. As at 30 September 2012, the entire cash and bank balance of China Star Film Group Limited of approximately HK\$54 million was earmarked for film production business. Of the total approximately HK\$54 million, approximately HK\$27 million was consolidated into cash and bank balance of the Company.

Provision of Infrared Thermal Imaging and Thermography Solutions and Consultancy Services

On 29 June 2012, Premium Dignity Investments Limited (the “Vendor”), an indirect wholly owned subsidiary of the Company, and an independent third party (the “Purchaser”) entered into an agreement (the “Disposal Agreement”) pursuant to which the Vendor agreed to sell and the Purchaser agreed to acquire the entire issued share capital of Infrared Engineering & Consultants Limited (the “Disposed Company”) for a consideration of HK\$1 (the “Disposal”). The Disposal was completed immediately after entering into the Disposal Agreement.

As mentioned in the annual report of the Company for the year ended 31 December 2011, the business operations in the PRC market of the infrared consultancy services segment was scale-down due to uncertain business environment in the PRC market. Excluding the one-off expenses of impairment loss recognised in respect of goodwill of approximately HK\$10.9 million, a net loss of approximately HK\$0.5 million was recorded in such segment.

In addition, in accordance with the unaudited financial statements of the Disposed Company for the period ended 29 June 2012, the Disposed Company recorded a net loss and net liabilities position of approximately HK\$0.1 million and HK\$0.3 million respectively.

In view that the business operation of the Disposed Company has been at a continued loss and its financial position deteriorated to a net liability position, the Directors consider that by way of the Disposal, (i) the financial position of the Group can be improved in the long run; and (ii) the Group can direct its resources to another business segment or other potential investments.

After the Disposal, the Disposal Company ceased to be the subsidiary of the Group and its results and assets and liabilities will no longer be consolidated to those of the Group. The operation of the provision of infrared thermal imaging and thermography solutions and consultancy services was classified as discontinued operation for financial statement purpose. During the period under review, there was no revenue contributed by such segment (2011: Nil). A loss on disposal of the Disposed Company, arising at the completion date of the Disposal, of approximately HK\$3.0 million was recognised in the profit and loss of the Group as a result of the Disposal.

Financial Review

For continuing operations, the revenue of the Group was approximately HK\$22.3 million for the nine months ended 30 September 2012 (2011: approximately HK\$30.2 million), and it was generated from provision of artist management, representing a decrease of 26.2% as compared with the period ended 30 September 2011.

Administrative expenses were mainly the legal and professional fees, staff costs, operating leases and other general administrative expenses of the Group incurred during the period under review. Administrative expenses increased by 20.8% to approximately HK\$12.2 million from approximately HK\$10.1 million in prior period. Such increase was mainly contributed by the payment of operating leases during the period under review. The operating leases, as the rental expenses paid to shareholder, is a facility sharing agreement (“Agreement”) dated 30 April 2012 entered into between Golden Island Catering Group Company Limited (“Golden Island”), a wholly-owned subsidiary of Culture Landmark Investment Limited, and our subsidiary. Pursuant to the Agreement, the aggregate annual fees payable for each of the two years ending 31 March 2014 will be subject to the cap amount of HK\$4,800,000, being the maximum annual amount payable. Golden Island is a connected person of the Company and the Agreement constitutes a continuing connected transaction for the Company.

Finance costs were mainly the effective interest expenses on the convertible loan notes (2011: approximately HK\$0.4 million).

During the period under review, loss for the period attributable to owners of the Company was approximately HK\$10.6 million (2011: loss for the period attributable to owners of the Company was approximately HK\$3.9 million), which was mainly attributed from the expenses on operating leases amounted to HK\$2.3 million (2011: Nil) and the loss on disposal amounted to HK\$3.0 million.

Future Plans

We are still planning the future developmental strategies for the Group and studying the prevalent market trends. However, regardless of the aforementioned, strengthening and development of the Group’s business are their priorities and focus in order to prepare ourselves for the upcoming challenges and opportunities.

Meanwhile, we will continue to identify other appropriate investment opportunities to penetrate into other business sectors.

DIRECTORS’ AND CHIEF EXECUTIVES’ INTEREST AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 September 2012, the interests and short positions of the Directors and chief executives of the Company and their associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) which were notified to the Company and the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have taken under such provisions of

the SFO), or which are required to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Rule 5.46 of the GEM Listing Rules, were as follows:

Long positions in the associated corporation

Name of associated corporation	Name of Director	Class of share held	Capacity	Number of shares held (Approximate percentage of the issued shares as at 30 September 2012)
Culture Landmark Investment Limited ("Culture Landmark")	Cheng Yang	Ordinary	Personal interest	1,786,000,000 (14.91%)
	Cheng Yang	Ordinary	Family interest	980,000 (0.00%)

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Scheme") on 6 March 2002. The principal terms of the Scheme have been set out in the Note 33 to the financial statements in the annual report of the Company for the year ended 31 December 2011. The scheme expired on 5 March 2012 and the Company is considering the adoption of a new share option scheme when appropriate.

There is no outstanding share options as at 30 September 2012 and no share options had been granted during the period ended 30 September 2012.

DIRECTORS' AND CHIEF EXECUTIVE'S RIGHTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed above, at 30 September 2012, neither the Company nor any of its subsidiaries was a party to any arrangements to enable the Directors and chief executive of the Company to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate, and none of the Directors and chief executive of the Company or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such rights.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2012, the register of substantial shareholders maintained by the Company under Section 336 of the SFO showed that, other than the interests disclosed above in respect of certain Directors, the following shareholders had an interest of 5% or more in the issued share capital of the Company:

Long positions in ordinary shares of HK\$0.01 each of the Company

Name of substantial shareholder	Capacity	Interest in shares	Interest in underlying shares	Total interest in shares	Approximate percentage of the Company's issued share capital
Culture Landmark	Interest of controlled corporation (<i>Note 1</i>)	232,366,016	12,731,006	245,097,022	48.47%
New Asia Media Development Limited ("New Asia Media")	Beneficial owner (<i>Note 1</i>)	232,366,016	12,731,006	245,097,022	48.47%
Eternity Investment Limited	Interest of controlled corporation (<i>Note 2</i>)	146,640,000	—	146,640,000	29.00%
Riche (BVI) Limited	Interest of controlled corporation (<i>Note 2</i>)	146,640,000	—	146,640,000	29.00%
Riche Advertising Limited	Beneficial owner (<i>Note 3</i>)	146,640,000	—	146,640,000	29.00%
Mr. Lo Yuk Sui ("Mr. Lo")	Interest of controlled corporation (<i>Note 4</i>)	35,247,161	—	35,247,161	6.97%
Secure Way Technology Limited ("Secure Way")	Interest of controlled corporation (<i>Note 4</i>)	35,247,161	—	35,247,161	6.97%
Net Community Limited ("Net Community")	Interest of controlled corporation (<i>Note 5</i>)	35,247,161	—	35,247,161	6.97%
Century Digital Holdings Limited ("Century Digital")	Interest of controlled corporation (<i>Note 6</i>)	35,247,161	—	35,247,161	6.97%
Grand Modern Investments Limited ("Grand Modern")	Interest of controlled corporation (<i>Note 7</i>)	35,247,161	—	35,247,161	6.97%
Century City International Holdings Limited ("Century City International")	Interest of controlled corporation (<i>Note 8</i>)	35,247,161	—	35,247,161	6.97%
Century City BVI Holdings Limited ("Century City BVI")	Interest of controlled corporation (<i>Note 9</i>)	35,247,161	—	35,247,161	6.97%
Century City Holdings Limited ("Century City Holdings")	Interest of controlled corporation (<i>Note 10</i>)	35,247,161	—	35,247,161	6.97%
Aikford Financial Services Limited ("Aikford")	Beneficial owner (<i>Note 11</i>)	35,247,161	—	35,247,161	6.97%

Notes:

- (1) New Asia Media, a company which is wholly and beneficially owned by Culture Landmark, a company listed on the Main Board of the Stock Exchange, is the beneficial owner of 232,366,016 shares of the Company and zero-coupon convertible loan notes due 24 September 2013 in the principal amount of HK\$6,200,000 issued by the Company carrying the right to convert into a total of 12,731,006 shares of the Company at the prevailing conversion price of HK\$0.487 per share (subject to adjustment). The Chairman and Chief Executive Officer of the Company, Mr. Cheng Yang, is also the chairman, chief executive officer and executive director of the Culture Landmark.
- (2) Riche (BVI) Limited is wholly and beneficially owned by Eternity Investment Limited.
- (3) Riche Advertising Limited is the beneficial owner of 146,640,000 shares of the Company and is wholly and beneficially owned by Riche (BVI) Limited.
- (4) Secure Way is wholly and beneficially owned by Mr. Lo.
- (5) Net Community is wholly and beneficially owned by Secure Way.
- (6) Century Digital is wholly and beneficially owned by Net Community.
- (7) Grand Modern is wholly and beneficially owned by Century Digital.
- (8) Grand Modern owns 50.38% interest in Century City International, a company listed on the Main Board of the Stock Exchange.
- (9) Century City BVI is wholly and beneficially owned by Century City International.
- (10) Century City Holdings is wholly and beneficially owned by Century City BVI.
- (11) Aikford is the beneficial owner of 35,247,161 shares of the Company and is wholly and beneficially owned by Century City Holdings.

Save as disclosed above, at 30 September 2012, the Company has not been notified by any persons (other than the Directors and chief executives of the Company) who had interests or short positions in the shares and underlying shares of the Company which were to be recorded in the register required to be kept under Section 336 of the SFO and/or who were directly or indirectly interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

COMPETING INTEREST

At 30 September 2012, none of the directors, the substantial shareholders nor their respective associates had an interest in any business which competes or may compete with the business of the Group.

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

During the nine months ended 30 September 2012, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

Save as disclosed below, the Company has complied with provisions set out in Appendix 15 of the Code of Corporate Governance Practices of the GEM Listing Rules for the nine months ended 30 September 2012. A report on the principal corporate governance practices adopted by the Company is set out in the 2011 annual report of the Company.

a. Chairman and chief executive officer

Under the Code provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The roles of the chairman and chief executive officer of the Company have been performed by Mr. Cheng Yang, who is also an executive Director. The Board still considered that the non-segregation would not result in considerable concentration of power in one person and has the advantage of strong and consistent leadership which is conducive to making and implementing decisions quickly and consistently.

The Board will review the effectiveness of this arrangement from time to time and consider appointing an individual as the chief executive officer of the Company when it thinks appropriate.

b. Terms of non-executive Directors

Under the code provision A.4.1, all the non-executive directors should be appointed for a specific term, subject to re-election. The term of office for non-executive directors is subject to retirement from office by rotation and is eligible for re-election in accordance with the provisions of the Company's bye-laws. At each annual general meeting, one-third of the directors for the time being, (or if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation. As such, the Company considers that such provisions are sufficient to meet the underlying objective of this code provision.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the nine months ended 30 September 2012, the Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiries of all Directors, the Company's Directors confirmed they have complied with the required standards of dealings and the code of conduct regarding securities transactions by directors adopted by the Company.

AUDIT COMMITTEE

The audit committee has three members, namely Mr. Yip Tai Him (chairman of the audit committee), Mr. Law Yiu Sang, Jacky and Mr. Fung Wai Ching, all being independent non-executive Directors. Mr. Fung Wai Ching was appointed on 25 May 2012 due to the resignation of Ms. Chio Chong Meng.

The primary duties of the audit committee are to review the Company's annual report and financial statements, quarterly reports and interim report and to provide advice and comment thereon to the board of directors. The audit committee will also be responsible for reviewing and supervising the financial reporting and internal control procedures of the Group.

The audit committee has reviewed the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters with the management team of the Company. The audit committee has reviewed the third quarterly results for the nine months ended 30 September 2012 before proposing to the Board for approval.

By Order of the Board
China Media and Films Holdings Limited
Cheng Yang
Chairman

Hong Kong, 8 November 2012

As at the date of this announcement, the Board comprises Mr. Cheng Yang (Chairman and Chief Executive Officer), Mr. Leung Wai Man and Ms. Jiang Di as executive Directors; and Mr. Yip Tai Him, Mr. Law Yiu Sang, Jacky and Mr. Fung Wai Ching as independent non-executive Directors.

This announcement will be published on the GEM website on the "Latest Company Announcements" page for at least seven days from the date of its publication and on the Company's website at www.cmfh.com.