



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)



**2013**

**INTERIM REPORT**

\* For identification purpose only



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*This report, for which the directors (the "Directors") of China Media and Films 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 report 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 report misleading.*



## UNAUDITED INTERIM RESULTS

The board of Directors (the “Board”) of the Company announces the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the three months and six months ended 30 June 2013, together with the comparative unaudited figures for the corresponding periods in 2012 as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	For the three months ended		For the six months ended	
		30 June 2013	30 June 2012	30 June 2013	30 June 2012
		(Unaudited) HK\$'000	(Unaudited) (Restated) HK\$'000	(Unaudited) HK\$'000	(Unaudited) (Restated) HK\$'000
<b>Continuing operations</b>					
Turnover	5	2,160	7,099	9,464	13,154
Cost of sales		(1,583)	(5,167)	(7,076)	(9,987)
Gross profit		577	1,932	2,388	3,167
Other revenue and other income	6	113	3	192	7
Administrative expenses		(3,989)	(4,020)	(8,318)	(8,043)
Finance costs	7	(192)	(168)	(378)	(331)
Share of results of jointly controlled entities		12	(1)	31	(2)
Loss before tax	8	(3,479)	(2,254)	(6,085)	(5,202)
Income tax expense	9	—	—	—	—
Loss for the period from continuing operations		(3,479)	(2,254)	(6,085)	(5,202)
<b>Discontinued operation</b>					
Loss for the period from discontinued operation	10	—	(3,039)	—	(3,092)
<b>Loss for the period attributable to owners of the Company</b>		<b>(3,479)</b>	<b>(5,293)</b>	<b>(6,085)</b>	<b>(8,294)</b>
<b>Dividend</b>		<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>



	Notes	For the three months ended		For the six months ended	
		30 June 2013 (Unaudited) HK\$'000	30 June 2012 (Unaudited) (Restated) HK\$'000	30 June 2013 (Unaudited) HK\$'000	30 June 2012 (Unaudited) (Restated) HK\$'000
<b>Loss per share</b>	11				
From continuing and discontinued operations — Basic and diluted		HK(0.69) cent	HK(1.05) cents	HK(1.20) cents	HK(1.64) cents
From continuing operations — Basic and diluted		HK(0.69) cent	HK(0.45) cent	HK(1.20) cents	HK(1.03) cents
From discontinued operation — Basic and diluted		N/A	HK(0.60) cent	N/A	HK(0.61) cent



## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the three months ended		For the six months ended	
	30 June 2013	30 June 2012	30 June 2013	30 June 2012
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loss for the period	(3,479)	(5,293)	(6,085)	(8,294)
Other comprehensive income for the period	—	—	—	—
Total comprehensive loss for the period	(3,479)	(5,293)	(6,085)	(8,294)
Total comprehensive loss attributable to owners of the Company	(3,479)	(5,293)	(6,085)	(8,294)

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 30 June 2013 (Unaudited) HK\$'000	At 31 December 2012 (Audited) (Restated) HK\$'000	At 1 January 2012 (Audited) (Restated) HK\$'000
	Notes			
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	12	1,983	2,244	364
Film rights and films in progress		1,188	1,188	1,188
Goodwill	13	—	—	3,280
Interests in jointly controlled entities		28,672	28,639	28,656
<b>Total non-current assets</b>		<b>31,843</b>	<b>32,071</b>	<b>33,488</b>
<b>Current assets</b>				
Trade receivables	14	5	53	1,300
Deposits, prepayments and other receivables		5,739	9,963	7,898
Amount due from jointly controlled entities		12	12	6
Cash and cash equivalents		50,600	53,533	70,111
<b>Total current assets</b>		<b>56,356</b>	<b>63,561</b>	<b>79,315</b>



		At 30 June 2013 (Unaudited) HK\$'000	At 31 December 2012 (Audited) (Restated) HK\$'000	At 1 January 2012 (Audited) (Restated) HK\$'000
	Notes			
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Trade payables	15	6	71	11
Accruals and other payables		2,682	2,820	3,734
Receipts in advance		2,825	4,348	6,251
Convertible loan notes	16	6,015	5,637	—
<b>Total current liabilities</b>		<b>11,528</b>	<b>12,876</b>	<b>9,996</b>
<b>Net current assets</b>		<b>44,828</b>	<b>50,685</b>	<b>69,319</b>
<b>Total assets less current liabilities</b>		<b>76,671</b>	<b>82,756</b>	<b>102,807</b>
<b>Non-current liability</b>				
Convertible loan notes	16	—	—	4,951
<b>Total non-current liability</b>		<b>—</b>	<b>—</b>	<b>4,951</b>
<b>Net assets</b>		<b>76,671</b>	<b>82,756</b>	<b>97,856</b>
<b>EQUITY</b>				
Share capital	18	5,056	5,056	5,056
Reserves		71,615	77,700	92,800
<b>Total equity</b>		<b>76,671</b>	<b>82,756</b>	<b>97,856</b>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital (Unaudited) HK\$'000	Share premium (Unaudited) HK\$'000	Contributed surplus (Unaudited) HK\$'000	Convertible loan notes reserve (Unaudited) HK\$'000	Retained profits/ accumulated losses) (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
At 1 January 2012	5,056	47,383	28,294	2,381	14,742	97,856
Net loss for the period	—	—	—	—	(8,294)	(8,294)
Other comprehensive income for the period	—	—	—	—	—	—
Total comprehensive loss for the period	—	—	—	—	(8,294)	(8,294)
At 30 June 2012	5,056	47,383	28,294	2,381	6,448	89,562
At 1 January 2013	5,056	47,383	28,294	2,381	(358)	82,756
Net loss for the period	—	—	—	—	(6,085)	(6,085)
Other comprehensive income for the period	—	—	—	—	—	—
Total comprehensive loss for the period	—	—	—	—	(6,085)	(6,085)
At 30 June 2013	5,056	47,383	28,294	2,381	(6,443)	76,671





## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the six months ended 30 June	
	2013 (Unaudited) <i>HK\$'000</i>	2012 (Unaudited) (Restated) <i>HK\$'000</i>
Net cash used in operating activities	(2,933)	(6,345)
Net cash used in investing activities	—	(2,180)
Net cash used in financing activity	—	(1)
Net decrease in cash and cash equivalents	(2,933)	(8,526)
Cash and cash equivalents at the beginning of period	53,533	70,111
Cash and cash equivalents at the end of period	50,600	61,585
Analysis of balances of cash and cash equivalents		
Cash and cash equivalents	50,600	61,585



## **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 interim financial statements (the "Interim Financial Statements") 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 artist management services, and film production and distribution.

### **2. Application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs")**

The accounting policies used in the preparation of the Interim Financial Statements are consistent with these used in the annual financial statements of the Group for the year ended 31 December 2012, except for the impact of the adoption of the new and revised Hong Kong Accounting Standard ("HKASs"), HKFRSs and interpretations described below.



## 2. Application of new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) (continued)

In the current period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations (“new and revised HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), which are effective for the Group’s accounting period beginning on 1 January 2013.

HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income
HKAS 19 (Revised)	Employee Benefits
HKAS 27 (Revised)	Separate Financial Statements
HKAS 28 (Revised)	Investments in Associates and Joint Ventures
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2009-2011 Cycle Issued in June 2012
HKFRS 1 (Amendments)	Government Loans
HKFRS 7 (Amendments)	Disclosures — Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HK(IFRIC) — Int 20	Stripping Costs in the Production Phase of a Surface Mine

Except for described below, the accounting policies and basis of preparation adopted in the preparation of the Interim Financial Statements are consistent with those adopted in annual financial statements for the year ended 31 December 2012.

Under Amendments to HKFRS 11, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor has rather than the legal structure of the joint arrangement. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures.

The Group has applied the new accounting policy for interests in jointly controlled entities occurring on or after 1 January 2013. The Group recognised its interests in jointly controlled entities at the beginning of the earliest period presented, as the total of the carrying amounts of the assets and liabilities previously proportionately consolidated by the Group. This is the deemed cost of the Group’s interests in jointly controlled entities for applying equity accounting.

## 2. Application of new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) (continued)

Under the equity method of accounting, interests in jointly controlled entities are initially recognised at cost and adjusted thereafter to recognise the Group’s share of the post-acquisition of profits or losses and movements in other comprehensive income. When the Group’s share of losses in jointly controlled entities equal or exceeds its interests in jointly controlled entities (which includes any long-term interests that, in substance, form part of the Group’s net investment in the jointly controlled entities), the Group does not recognise further losses, unless it has incurred obligation or made payments on behalf of the jointly controlled entities.

Unrealised gains on transaction between the Group and its jointly controlled entities are eliminated to the extent of the Group’s interests in jointly controlled entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the jointly controlled entities have been changes where necessary to ensure consistency with the policies adopted by the Group.

The effects of the change in accounting policies on the Interim Financial Statements for the three months and six months ended 30 June 2013 and 2012 are summarised below. The change in accounting policies has had no impact on loss per share.

	For the three months ended		For the six months ended	
	30 June 2013 (Unaudited) HK\$'000	30 June 2012 (Unaudited) HK\$'000	30 June 2013 (Unaudited) HK\$'000	30 June 2012 (Unaudited) HK\$'000
Decrease in other revenue and other income	(13)	—	(35)	—
Decrease in administrative expenses	1	1	4	2
Increase/(decrease) in share of results of jointly controlled entities	12	(1)	31	(2)
Net effect in loss for the period attributable to owners of the Company	—	—	—	—



## 2. Application of new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) (continued)

The effects of the change in accounting policies described above on the financial position of the Group at the end of the immediately preceding financial year, i.e. 31 December 2012, is as follow:

	At 31 December 2012 (Audited) HK\$'000	Adjustments HK\$'000	At 31 December 2012 (Restated) HK\$'000
Film rights and films in progress	1,601	(413)	1,188
Interests in jointly controlled entities	—	28,639	28,639
Deposits, prepayments and other receivables	10,772	(809)	9,963
Amount due from jointly controlled entities	—	12	12
Cash and cash equivalents	80,968	(27,435)	53,533
Accruals and other payables	(2,826)	6	(2,820)
<b>Total effects on net assets</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Accumulated losses, total effects on equity</b>	<b>(358)</b>	<b>—</b>	<b>(358)</b>



## 2. Application of new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) (continued)

The effects of the change in accounting policies described above on the financial position of the Group at the beginning of the comparative period, i.e. 1 January 2012, is as follows:

	At 1 January 2012 (Audited) HK\$'000	Adjustments HK\$'000	At 1 January 2012 (Restated) HK\$'000
Film rights and films in progress	1,601	(413)	1,188
Interests in jointly controlled entities	—	28,656	28,656
Deposits, prepayments and other receivables	8,706	(808)	7,898
Amount due from jointly controlled entities	—	6	6
Cash and cash equivalents	97,558	(27,447)	70,111
Accruals and other payables	(3,740)	6	(3,734)
<b>Total effects on net assets</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Retained profits, total effects on equity</b>	<b>14,742</b>	<b>—</b>	<b>14,742</b>

## 3. Basis of preparation and consolidation

The Interim Financial Statements have been prepared in accordance with all applicable HKFRSs, which is a collective term that includes all applicable individual HKFRSs, HKASs and Interpretations (“Ints”) issued by the HKICPA. In addition, the Interim Financial Statements 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 Interim Financial Statements 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.



**3. Basis of preparation and consolidation (continued)**

The preparation of Interim Financial Statements 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.

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

The accounting policies and basis of preparation adopted in the preparation of the Interim Financial Statements are consistent with those adopted in annual financial statements for the year ended 31 December 2012.

**4. Segment information**

Segment information is presented by way of two formats: (a) the primary segment reporting format by business segment and (b) the secondary reporting format by geographical segment.

**a. Business segment**

For management purposes, the Group is currently organised into two operating divisions, namely, artist management, and film production and distribution. These divisions are the basis on which the Group reports its primary segment information.

Artist management:	Service income from provision of artist management
Film production and distribution:	Investment in, production of, sale and distribution of films

#### 4. Segment information (continued)

##### a. Business segment (continued)

An operating segment regarding infrared consultancy services was discontinued in the previous period. The segment information reported below does not include any amounts for this discontinued operation.

	Artist management For the six months ended 30 June		Film production and distribution For the six months ended 30 June		Total For the six months ended 30 June	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2012 (Unaudited) (Restated) HK\$'000	2013 (Unaudited) HK\$'000	2012 (Unaudited) (Restated) HK\$'000
<b>Turnover</b>						
Revenue from external customers	9,464	13,154	—	—	9,464	13,154
<b>Results</b>						
Segment profit/(loss)	476	1,570	(775)	(8)	(299)	1,562
Unallocated other revenue and other income					—	6
Unallocated expenses					(5,439)	(6,437)
Loss from operating activities					(5,738)	(4,869)
Share of results of jointly controlled entities					31	(2)
Finance costs					(378)	(331)
Loss before tax					(6,085)	(5,202)
Income tax expense					—	—
Loss for the period					(6,085)	(5,202)

	Artist management		Film production and distribution		Total	
	At 30 June 2013 (Unaudited) HK\$'000	At 31 December 2012 (Audited) HK\$'000	At 30 June 2013 (Unaudited) HK\$'000	At 31 December 2012 (Audited) (Restated) HK\$'000	At 30 June 2013 (Unaudited) HK\$'000	At 31 December 2012 (Audited) (Restated) HK\$'000
Segment assets	50,892	54,129	2,663	2,709	53,555	56,838
Unallocated assets					34,644	38,794
Total assets					88,199	95,632





#### 4. Segment information (continued)

##### b. Geographical segment

	Hong Kong		The PRC		Others		Total	
	For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) (Restated) HK\$'000	2013 (Unaudited) HK\$'000	2012 (Unaudited) (Restated) HK\$'000	2013 (Unaudited) HK\$'000	2012 (Unaudited) (Restated) HK\$'000	2013 (Unaudited) HK\$'000	2012 (Unaudited) (Restated) HK\$'000
Turnover	3,739	2,145	5,450	10,861	275	148	9,464	13,154
Capital expenditure	—	2,376	—	—	—	—	—	2,376
	At 30 June 2013 (Unaudited) HK\$'000	At 31 December 2012 (Audited) (Restated) HK\$'000	At 30 June 2013 (Unaudited) HK\$'000	At 31 December 2012 (Audited) (Restated) HK\$'000	At 30 June 2013 (Unaudited) HK\$'000	At 31 December 2012 (Audited) (Restated) HK\$'000	At 30 June 2013 (Unaudited) HK\$'000	At 31 December 2012 (Audited) (Restated) HK\$'000
Non-current assets	31,843	32,071	—	—	—	—	31,843	32,071

#### 5. Turnover

	For the three months ended 30 June		For the six months ended 30 June	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
	Continuing operations			
Artist management income	2,160	7,099	9,464	13,154

## 6. Other revenue and other income

	For the three months ended 30 June		For the six months ended 30 June	
	2013	2012	2013	2012
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
<b>Continuing operations</b>				
Bank interest income	47	3	60	7
Consultancy fee income	66	—	132	—
	<b>113</b>	<b>3</b>	<b>192</b>	<b>7</b>

## 7. Finance costs

	For the three months ended 30 June		For the six months ended 30 June	
	2013	2012	2013	2012
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
<b>Continuing operations</b>				
Effective interest expenses on convertible loan notes	192	168	378	331

## 8. Loss before tax

Loss from operations has been arrived at after charging:

	For the three months ended 30 June		For the six months ended 30 June	
	2013	2012	2013	2012
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
<b>Continuing operations</b>				
Depreciation of property, plant and equipment	130	87	261	99
Minimum lease payments under operating leases	1,157	1,110	2,305	1,224
Staff costs including directors' remuneration				
— Salaries and allowance	1,804	1,809	3,994	3,323
— Pension scheme contribution	35	20	83	38



## 9. 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. (2012: Nil).

## 10. 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 was solely carried out by the Infrared, had become a discontinued operation of the Group.

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

	For the three months ended 30 June		For the six months ended 30 June	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Other revenue and other income	—	60	—	120
Administrative expenses	—	(139)	—	(252)
Loss before tax	—	(79)	—	(132)
Income tax expense	—	—	—	—
Loss on disposal of Infrared	—	(2,960)	—	(2,960)
Loss for the period from discontinued operation	—	(3,039)	—	(3,092)



## 11. 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 June 2013 of approximately HK\$3.5 million (2012: loss attributable to owners of the Company of HK\$5.3 million) and loss attributable to owners of the Company for six months ended 30 June 2013 of approximately HK\$6.1 million (2012: loss attributable to owners of the Company of HK\$8.3 million) and weight average of 505,649,726 shares in issue during the three months ended 30 June 2013 and 2012 and the weighted average of 505,649,726 shares in issue during the six months ended 30 June 2013 and 2012.

### ***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 June 2013 of approximately HK\$3.5 million (2012: loss attributable to owners of the Company of HK\$2.3 million) and loss attributable to owners of the Company for six months ended 30 June 2013 of approximately HK\$6.1 million (2012: loss attributable to owners of the Company of HK\$5.2 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 June 2013 of nil (2012: loss attributable to owners of the Company of HK\$3.0 million) and loss attributable to owners of the Company for six months ended 30 June 2013 of nil (2012: loss attributable to owners of the Company of HK\$3.1 million).

For the three months and six months ended 30 June 2013 and 2012, 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.



## 12. Property, plant and equipment

	(Unaudited) HK\$'000
<b>Cost</b>	
At 1 January 2012	986
Additions	2,375
Disposal of subsidiary	(317)
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At 31 December 2012, 1 January 2013 and 30 June 2013	3,044
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<b>Accumulated depreciation</b>	
At 1 January 2012	622
Charged for the year	391
Disposal of subsidiary	(213)
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At 31 December 2012 and 1 January 2013	800
Charged for the period	261
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At 30 June 2013	1,061
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<b>Net book value</b>	
<b>At 30 June 2013</b>	<b>1,983</b>
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At 31 December 2012	2,244
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## 13. Goodwill

	(Unaudited) HK\$'000
<b>Cost</b>	
At 1 January 2012	18,044
Derecognition of disposal of subsidiary	(18,044)
<hr/>	
At 31 December 2012, 1 January 2013 and 30 June 2013	—
<hr/>	
<b>Accumulated impairment</b>	
At 1 January 2012	14,764
Derecognition of disposal of subsidiary	(14,764)
<hr/>	
At 31 December 2012, 1 January 2013 and 30 June 2013	—
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<b>Net book value</b>	
<b>At 30 June 2013</b>	<b>—</b>
<hr/> <hr/>	
At 31 December 2012	—
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#### 14. Trade receivables

An aged analysis of the trade receivables is as follows:

	At 30 June 2013 (Unaudited) HK\$'000	At 31 December 2012 (Audited) HK\$'000
0 — 90 days	—	53
91 — 180 days	5	—
	5	53

#### 15. Trade payables

An aged analysis of the trade payables is as follows:

	At 30 June 2013 (Unaudited) HK\$'000	At 31 December 2012 (Audited) HK\$'000
0 — 90 days	6	71

#### 16. Convertible loan notes

	At 30 June 2013 (Unaudited) HK\$'000	At 31 December 2012 (Audited) HK\$'000
Liability component at 1 January	5,637	4,951
Effective interest expenses	378	686
Liability component	6,015	5,637



## 17. Disposal of subsidiary

On 29 June 2012, the Company completed the disposal of its wholly owned in Infrared at aggregate consideration of HK\$1.

The net liabilities of Infrared at the date of disposal:

	<i>(Audited)</i> <i>HK\$'000</i>
Property, plant and equipment	104
Trade receivables	267
Deposits, prepayments and other receivables	76
Cash and cash equivalents	22
Accruals and other payables	(789)
<hr/>	
Net liabilities of Infrared	(320)
Goodwill	3,280
<hr/>	
Loss on disposal of Infrared	2,960
<hr/>	
Total cash consideration	—
<hr/>	
Net cash outflow in respect of the disposal of subsidiary	
Cash consideration	—
Cash and cash equivalents disposed of	(22)
<hr/>	
	(22)
<hr/>	

## 18. Share capital

	<i>Number of</i> <i>shares</i> <i>'000</i>	<i>(Unaudited)</i> <i>HK\$'000</i>
Authorised:		
At 1 January 2013 and 30 June 2013, ordinary shares of HK\$0.01 each	3,000,000	30,000
<hr/>		
Issued and fully paid:		
At 1 January 2013 and 30 June 2013, ordinary shares of HK\$0.01 each	505,649	5,056
<hr/>		

## 19. Operating lease arrangement

The Group leases office premises under operating lease arrangement. Leases for office premium are negotiated for the terms ranging from 1 to 2 years.

At the financial position date, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	At 30 June 2013 (Unaudited) HK\$'000	At 31 December 2012 (Audited) HK\$'000
Within one year	3,330	4,562
In the second to fifth years, inclusive	—	1,187
	3,330	5,749

## 20. Material related party transactions

In addition to the transactions and balances detailed elsewhere in financial statements, the Group had the following material transactions with related parties during the period.

During the period under review, the Group entered into the following transactions with its related companies:

	For the six months ended 30 June	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Sundry income received from related companies	—	120
Rental expenses paid to related company (Note)	1,376	1,224

Note:

Rental expense paid to the related company, in which is subsidiary of an entity and the Group is an associate of that entity. The transaction is a continuing connected transaction as defined under Chapter 20 of the GEM Listing Rules, details of which please refer to the announcement dated 30 April 2012.





## **INTERIM DIVIDEND**

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2013 (2012: Nil).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Business Review**

#### ***Artist Management***

During the period under review, the revenue contributed by such segment was approximately HK\$9.5 million (2012: HK\$13.2 million), representing a decrease of approximately 28.0% due to the tough business competition as compared with the period ended 30 June 2012.

The gross profit margin increased to approximately 25.2% (2012: 24.1%). 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 to claim against Tang's Workshop Limited ("Tang's Workshop") for the sum of HK\$127,500, being the fees charged for the services rendered and material supplied to Tang's Workshop. At the date of this report, the litigation has yet to be settled.

#### ***Share of Results of Jointly Controlled Entities***

The Group has applied the new accounting policy for interests in jointly controlled entities occurring on or after 1 January 2013. Under the equity method of accounting, interests in jointly controlled entities are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition of profits or losses and movements in other comprehensive income.



China Star Film Group Limited (“China Star Film Group”), a jointly controlled entity, is principally engaged in film production and distribution. During the period under review, China Star Film Group did not have any additional film rights and the share of its profits approximately HK\$31,000 was recorded (2012: loss of HK\$2,000). China Star Film Group has two films in the preproduction phase. Due to the scheduling of the film casts and revision to the scripts, shooting of these two films has been delayed, and its completion date and the release date of the said 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, became a substantial shareholder of the Company by acquiring an approximately 29% shareholding interest in the Company. Given that Eternity has engaged in film distribution business in the People’s Republic of China (“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 its expertise, network and connections in the film distribution industry in the PRC.

## **Financial Review**

For continuing operations, the revenue of the Group was approximately HK\$9.5 million for the period ended 30 June 2013 (2012: HK\$13.2 million) and the revenue was generated from the provision of artist management, representing a decrease of 28.0% as compared with the same period in 2012.

Administrative expenses were mainly the staff costs, operating leases and other general administrative expenses of the Group incurred during the period under review. Administrative expenses increased by 3.8% to approximately HK\$8.3 million from HK\$8.0 million in prior period.



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 (“Culture Landmark”), 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 of the Company. The details of the continuing connected transaction is more particularly set out in the announcement dated 30 April 2012.

During the period under review, finance costs were approximately HK\$378,000 which was mainly derived from the effective interest expenses on the convertible loan notes (2012: HK\$331,000).

Loss for the period attributable to owners of the Company was approximately HK\$6.1 million (2012: loss of HK\$8.3 million). Loss for the period from continuing operations was approximately HK\$6.1 million (2012: loss of HK\$5.2 million), which was mainly attributed from the expenses on operating leases amounted to approximately HK\$2.3 million (2012: HK\$1.2 million) and the staff cost amounted to approximately HK\$4.1 million (2012: HK\$3.4 million).

## **Future Plans**

We are still formulating the strategic plan for the Group with reference to the prevalent market trends. Regardless of the aforementioned, strengthening and developing the business of the Group are of almost importance so as to prepare ourselves for the upcoming challenges and opportunities. We will continue to identify other suitable investment opportunities in other business sectors which may generate a better return to the Group.



## **LIQUIDITY AND FINANCIAL RESOURCES**

At 30 June 2013, the Group had total assets of approximately HK\$88.2 million (31 December 2012: HK\$95.6 million), including cash and cash equivalents of approximately HK\$50.6 million (31 December 2012: HK\$53.5 million). During the period under review, the Group financed its operation with internally generated cash flows.

## **CAPITAL STRUCTURE**

There was no change with capital structure of the Group at 30 June 2013 as compared with that at 31 December 2012. At 30 June 2013, the borrowing of the Group amounted to approximately HK\$6.0 million (31 December 2012: HK\$5.6 million), in respect of the convertible loan notes with a principal amount of HK\$6.2 million issued by the Company which is unsecured, interest free and maturing in September 2013.

## **GEARING RATIO**

The gearing ratio, expressed as percentage of total liabilities over total assets, was approximately 13.1% (31 December 2012: 13.5%). The improvement in gearing ratio was mainly derived from the decrease of current liabilities in receipts in advance from approximately HK\$4.3 million to HK\$2.8 million as compared with that in prior year.

## **CHARGE ON THE GROUP'S ASSETS**

At 30 June 2013, the Group did not have any charge on its assets.

## **FOREIGN EXCHANGE RISKS**

The Group has not used any foreign currency derivative instruments to hedge its exposure to foreign exchange risk. However, the management monitors closely the exposures and will consider hedging the exposures should the need rise.



## **COMMITMENTS**

At 30 June 2013, the Group had no commitments (2012: Nil).

## **CONTINGENT LIABILITIES**

At 30 June 2013, the Group had no contingent liabilities (2012: Nil).

## **EMPLOYEES**

At 30 June 2013, the Group had 8 employees. Their remuneration, promotion and salary review are assessed based on job responsibilities, work performance, professional experiences and the prevailing industry practices. The employees in Hong Kong joined the mandatory provident fund scheme.

## **SIGNIFICANT INVESTMENT**

The Group did not hold any significant investment during the period ended 30 June 2013.

## **MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES**

The Group did not make any material acquisitions and disposal of subsidiaries and affiliated companies during the period ended 30 June 2013.

## **FUTURE PLAN FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS**

The Group does not have any concrete plan for material investments and capital assets for the coming quarters.



## CONNECTED TRANSACTIONS

### Continuing Connected Transaction

Golden Island, a wholly-owned subsidiary of Culture Landmark, as tenant entered into the tenancy agreement dated 30 March 2011 with China Resources Property Management Limited in respect of the lease of the premises (“Premises”) which located at rooms 2506-09, 25th Floor, China Resources Building, No. 26 Harbour Road, Wanchai, Hong Kong for a term of three years from 1 April 2011 to 31 March 2014.

On 30 April 2012, KH Investment Holdings Limited (formerly known as China Media and Films Holdings Limited), a wholly-owned subsidiary of the Company, entered into the facility sharing agreement (“Agreement”) with Golden Island in respect of sharing of the Premises and facilities thereof. Golden Island has also agreed to provide office supporting services, including provision of receptionist and such other services as may be requested by the Group.

Golden Island is a wholly-owned subsidiary of Culture Landmark and Culture Landmark is the controlling shareholder of the Company indirectly interested in approximately 74.95% of the issued share capital of the Company at 30 April 2012. Accordingly, Golden Island is a connected person of the Company and the Agreement constitutes a continuing connected transaction for the Company under Chapter 20 of the GEM Listing Rules.

As the annual cap fees under the Agreement for each of the two years ending 31 March 2014 is HK\$4,800,000, whose all applicable percentage ratios are less than 5% on an annual basis, the Agreement is subject to the reporting and announcement requirements under Rules 20.45 to 20.47, the annual review requirements set out in Rules 20.37 to 20.40 and the requirements set out in Rules 20.35(1) and 20.35(2) of the GEM Listing Rules, but is exempt from the circular and independent shareholders’ approval requirements under Rules 20.49 to 20.54 of the GEM Listing Rules.



Golden Island has agreed to provide use of office space and facilities at portion to the Group. The Premises will be used as offices by the Group. The Directors (including the independent non-executive directors) are of the opinion that the Agreement was entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms after arm's length negotiations between the parties with reference to the prevailing market rates for comparable office buildings in Wan Chai; and (iii) on terms that are fair and reasonable and in the interests of the Company and its shareholders as a whole. None of the Directors has a material interest in the Agreement.

For the details of the continuing connected transaction, please refer to the announcement dated 30 April 2012.

Save as disclosed above, during the period ended 30 June 2013, there were no connected transactions or continuing connected transactions under the GEM Listing Rules which are required to comply with any of the reporting, announcement or independent shareholders' approval requirements thereunder. The related party transactions set out in note 20 to the Interim Financial Statements of the Company constituted connected transactions but are exempted from the reporting, announcement and independent shareholder's approval requirements under Chapter 20 of the GEM Listing Rules.



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

At 30 June 2013, 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 at 30 June 2013)
Culture Landmark	Cheng Yang	Ordinary	Personal interest	89,300,000 (14.91%)
	Cheng Yang	Ordinary	Family interest	49,000 (0.01%)





## **SHARE OPTION SCHEMES**

The Company adopted a share option scheme (the “Scheme”) on 6 March 2002. The scheme expired on 5 March 2012 and the Company will consider adopting a new share option scheme when appropriate. There is no outstanding share options at 30 June 2013 and no share options had been granted during the period ended 30 June 2013. Particulars of the Company’s share option schemes are set out in note 29 to the consolidated financial statements in the annual report of the Company for the year ended 31 December 2012.

## **DIRECTORS’ AND CHIEF EXECUTIVE’S RIGHTS TO PURCHASE SHARES OR DEBENTURES**

Save as disclosed above, at 30 June 2013, neither the Company nor any of its subsidiaries was a party to any arrangements which enable the Directors and chief executive of the Company to obtain benefits by means of acquiring shares in, or debentures of the Company or any other body corporate. 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

At 30 June 2013, 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 (Note 1)	232,366,016	12,731,006	245,097,022	48.47%
New Asia Media Development Limited ("New Asia Media")	Beneficial owner (Note 1)	232,366,016	12,731,006	245,097,022	48.47%
Eternity Investment Limited	Interest of controlled corporation (Note 2)	146,640,000	—	146,640,000	29.00%
Riche (BVI) Limited	Interest of controlled corporation (Note 2)	146,640,000	—	146,640,000	29.00%
Riche Advertising Limited	Beneficial owner (Note 3)	146,640,000	—	146,640,000	29.00%
Mr. Lo Yuk Sui ("Mr. Lo")	Interest of controlled corporation (Note 4)	35,247,161	—	35,247,161	6.97%



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
Secure Way Technology Limited ("Secure Way")	Interest of controlled corporation (Note 4)	35,247,161	—	35,247,161	6.97%
Net Community Limited ("Net Community")	Interest of controlled corporation (Note 5)	35,247,161	—	35,247,161	6.97%
Century Digital Holdings Limited ("Century Digital")	Interest of controlled corporation (Note 6)	35,247,161	—	35,247,161	6.97%
Grand Modern Investments Limited ("Grand Modern")	Interest of controlled corporation (Note 7)	35,247,161	—	35,247,161	6.97%
Century City International Holdings Limited ("Century City International")	Interest of controlled corporation (Note 8)	35,247,161	—	35,247,161	6.97%
Century City BVI Holdings Limited ("Century City BVI")	Interest of controlled corporation (Note 9)	35,247,161	—	35,247,161	6.97%
Century City Holdings Limited ("Century City Holdings")	Interest of controlled corporation (Note 10)	35,247,161	—	35,247,161	6.97%
Aikford Financial Services Limited ("Aikford")	Beneficial owner (Note 11)	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 June 2013, 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 June 2013, 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 six months ended 30 June 2013, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

## CORPORATE GOVERNANCE

The corporate governance principles of the Company emphasise a quality Board, sound internal controls, transparency and accountability to all shareholders. By applying rigorous corporate governance practices, the Group believes that its accountability and transparency will be improved thereby instilling confidence to shareholders and the public.

The Company has complied with the code provisions in the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 15 of the GEM Listing Rules for the six months ended 30 June 2013, with the exception of CG Code Provisions A.2.1 (separation of roles of chairman and chief executives), A.4.1 (specific terms of non-executive Directors) and A.6.7 (Directors attending general meetings).

### a. Chairman and chief executive officer

Under the CG 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 CG Code provision A.4.1, all 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.

**c. Non-executive Directors attending general meeting**

Under the Code provision A.6.7 of CG Code, non-executive Directors should attend general meetings. Mr. Law Yiu Sang Jacky, being the independent non-executive Director, was unable to attend the annual general meeting of the Company held on 16 May 2013 due to other business commitment.

## **CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS**

During the six months ended 30 June 2013, 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 consists of 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. 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. 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 interim report and the results for the six months ended 30 June 2013 before proposing to the Board for approval.

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

Hong Kong, 14 August 2013

*As at the date of this report, 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.*