



**CMF**  
*CME*

中國傳媒影視控股有限公司\*

China Media and Films Holdings Limited  
(Formerly known as KH Investment Holdings Limited)

*(Incorporated in the Cayman Island and continued in Bermuda with limited liability)*

(Stock Code: 8172)

Interim Report 2012



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

**GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**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 report, 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 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.*



## INTERIM RESULTS

The board (the “Board”) of directors of China Media and Films Holdings Limited (formerly known as KH Investment Holdings Limited) (the “Company”) announces the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2012, together with the comparative unaudited figures for 2011 as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	For the three months ended		For the six months ended	
		30 June 2012 (Unaudited) HK'000	30 June 2011 (Unaudited) HK'000	30 June 2012 (Unaudited) HK'000	30 June 2011 (Unaudited) HK'000
<b>Continuing operations</b>					
Turnover	5	7,099	12,004	13,154	21,257
Costs of sales		(5,167)	(9,474)	(9,987)	(16,782)
Gross profit		1,932	2,530	3,167	4,475
Other revenue and income	6	3	65	7	87
Administrative expenses		(4,020)	(1,613)	(8,045)	(5,688)
Finance costs	7	(169)	(148)	(331)	(292)
(Loss)/profit before tax	8	(2,254)	834	(5,202)	(1,418)
Income tax expense	9	—	—	—	—
(Loss)/profit for the period from continuing operations		(2,254)	834	(5,202)	(1,418)
<b>Discontinued operation</b>					
Loss for the period from discontinued operation	10	(3,039)	(13)	(3,092)	(14)
<b>(Loss)/profit attributable to owners of the Company</b>		<b>(5,293)</b>	<b>821</b>	<b>(8,294)</b>	<b>(1,432)</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 2012 (Unaudited) HK'000	30 June 2011 (Unaudited) HK'000	30 June 2012 (Unaudited) HK'000	30 June 2011 (Unaudited) HK'000
<b>(Loss)/earnings per share</b>	11				
From continuing and discontinued operations					
— Basic and diluted		HK(1.05) cents	HK0.16 cent	HK(1.64) cents	HK(0.28) cent
From continuing operations					
— Basic and diluted		HK(0.45) cent	HK0.16 cent	HK(1.03) cents	HK(0.28) cent
From discontinued operation					
— Basic and diluted		HK(0.60) cent	N/A	HK(0.61) cent	N/A



## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the three months ended		For the six months ended	
	30 June 2012	30 June 2011	30 June 2012	30 June 2011
	(Unaudited) HK'000	(Unaudited) HK'000	(Unaudited) HK'000	(Unaudited) HK'000
(Loss)/profit for the period	(5,293)	821	(8,294)	(1,432)
Other comprehensive income for the period	—	—	—	—
<b>Total comprehensive (loss)/income for the period</b>	<b>(5,293)</b>	<b>821</b>	<b>(8,294)</b>	<b>(1,432)</b>
<b>Total comprehensive (loss)/income attributable to owners of the Company</b>	<b>(5,293)</b>	<b>821</b>	<b>(8,294)</b>	<b>(1,432)</b>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 30 June 2012	At 31 December 2011
	<i>Notes</i>	<i>(Unaudited) HK\$'000</i>	<i>(Audited) HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment	12	2,503	364
Film rights and films in progress		1,601	1,601
Goodwill	13	—	3,280
<b>Total non-current assets</b>		<b>4,104</b>	<b>5,245</b>
<b>Current assets</b>			
Trade receivables	14	207	1,300
Deposits, prepayments and other receivables		11,807	8,706
Cash and cash equivalents		89,032	97,558
<b>Total current assets</b>		<b>101,046</b>	<b>107,564</b>



		At 30 June 2012	At 31 December 2011
	<i>Notes</i>	(Unaudited) <i>HK\$'000</i>	(Audited) <i>HK\$'000</i>
<b>Current liabilities</b>			
Trade payables	15	6	11
Accruals and other payables		1,077	3,740
Receipts in advance		9,223	6,251
<b>Total current liabilities</b>		<b>10,306</b>	10,002
<b>Net current assets</b>		<b>90,740</b>	97,562
<b>Total assets less current liabilities</b>		<b>94,844</b>	102,807
<b>Non-current liability</b>			
Convertible loan notes	16	5,282	4,951
<b>Total non-current liability</b>		<b>5,282</b>	4,951
<b>Net assets</b>		<b>89,562</b>	97,856
<b>Equity</b>			
Share capital	18	5,056	5,056
Reserves		84,506	92,800
<b>Total equity</b>		<b>89,562</b>	97,856

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2012

	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	(Accumulated losses)/ 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	—	—	—	—	—	(1,432)	(1,432)
Other comprehensive income for the period	—	—	—	—	—	—	—
Total comprehensive loss for the period	—	—	—	—	—	(1,432)	(1,432)
Recognition of equity- settled share-based payments	—	—	—	—	2,409	—	2,409
Lapsed of share options	—	—	—	—	(1,240)	1,240	—
At 30 June 2011	5,056	47,383	28,294	2,381	2,536	31,025	116,675
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



## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the six months ended 30 June	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Net cash (used in)/generated from operating activities	(6,345)	38,502
Net cash used in investing activities	(2,180)	(24)
Net cash used in financing activity	(1)	(1)
Net (decrease)/increase in cash and cash equivalents	(8,526)	38,477
Cash and cash equivalents at beginning of period	97,558	66,738
Cash and cash equivalents at end of period	89,032	105,215
Analysis of balances of cash and cash equivalents		
Cash and cash equivalents	89,032	105,215
	89,032	105,215



## NOTE 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 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 artists management services, 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 2011, except for the impact of the adoption of the new and revised Hong Kong Accounting Standard (the "HKAS"), Hong Kong Financial Reporting Standards and interpretations described below.

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 2012.

HKAS 12 (Amendments)	Deferred Tax – Recovery of Underlying Assets
HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
HKFRS 7 (Amendments)	Disclosures – Transfer of Financial Assets

The adoption of the new and revised HKFRSs has no material effect on the Interim Financial Statements for the current or prior accounting period.



### **3. Basis of preparation and consolidation**

The unaudited condensed consolidated financial statements have been prepared in accordance with all applicable HKFRSs, which is a collective term that includes all applicable individual HKFRSs, Hong Kong Accounting Standards and Interpretations (“Ints”) issued by the HKICPA. In addition, the unaudited condensed consolidated 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 unaudited condensed consolidated financial statements is the historical cost convention, as modified for the revaluation of certain financial instruments which is stated at their fair values.

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

The preparation of unaudited condensed consolidated 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.

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

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



#### 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. One operation (infrared consultancy services) is discontinued in the current period. 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
Infrared consultancy services:	Providing infrared thermal imaging and thermograph solutions and consultancy services



**b. Geographical segment**

	Continuing operations						Discontinued operation					
	Hong Kong		The PRC		Others		Sub-total		Hong Kong		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		For the six months ended 30 June		For the six months ended 30 June	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	(Unaudited)	(Unaudited)										
	HK\$'000	HK\$'000										
Turnover	2,145	5,279	10,861	15,978	148	—	13,154	21,257	—	254	13,154	21,311
Capital expenditure	2,376	24	—	—	—	—	2,376	24	—	—	2,376	24
	At 30 June 2012	At 31 December 2011										
	(Unaudited)	(Audited)										
	HK\$'000	HK\$'000										
Non-current assets	4,104	1,828	—	—	—	—	4,104	1,828	—	3,417	4,104	5,265



## 5. Turnover

	For the three months ended 30 June		For the six months ended 30 June	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
<b>Continuing operations</b>				
Film distribution income	—	100	—	100
Artists management services	7,099	11,904	13,154	21,157
	7,099	12,004	13,154	21,257
<b>Discontinued operation</b>				
Infrared consultancy services	—	77	—	254
	—	77	—	254
	7,099	12,081	13,154	21,511



## 6. Other revenue and income

	For the three months ended 30 June		For the six months ended 30 June	
	2012	2011	2012	2011
	(Unaudited) HK'000	(Unaudited) HK\$'000	(Unaudited) HK'000	(Unaudited) HK\$'000
<b>Continuing operations</b>				
Bank interest income	3	56	7	73
Sundry income	—	9	—	14
	3	65	7	87
<b>Discontinued operation</b>				
Sundry income	60	2	120	3
	60	2	120	3
	63	67	127	90

## 7. Finance costs

	For the three months ended 30 June		For the six months ended 30 June	
	2012	2011	2012	2011
	(Unaudited) HK'000	(Unaudited) HK\$'000	(Unaudited) HK'000	(Unaudited) HK\$'000
<b>Continuing operations</b>				
Effective interest expenses on convertible loan notes	169	148	331	292



8. (Loss)/profit before tax

	For the three months ended 30 June		For the six months ended 30 June	
	2012 (Unaudited) HK'000	2011 (Unaudited) HK\$'000	2012 (Unaudited) HK'000	2011 (Unaudited) HK\$'000
<b>Continuing operations</b>				
Depreciation of property, plant and equipment	53	2	99	2
Minimum lease payments under operating leases on land and buildings	976	—	1,224	—
Staff costs including directors' remuneration	1,829	755	3,361	1,497
Equity-settled share option expenses	—	—	—	2,409
<b>Discontinued operation</b>				
Depreciation of property, plant and equipment	17	17	33	33
Minimum lease payments under operating leases on land and buildings	62	53	125	107
Staff costs including directors' remuneration	—	—	—	10



## 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. (2011: 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 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 30 June		For the six months ended 30 June	
	2012 (Unaudited) HK'000	2011 (Unaudited) HK\$'000	2012 (Unaudited) HK'000	2011 (Unaudited) HK\$'000
Turnover	—	77	—	254
Cost of sales	—	—	—	(67)
Gross profit	—	77	—	187
Other revenue and income	60	2	120	3
Administrative expenses	(139)	(92)	(252)	(204)
Finance costs	—	—	—	—
Loss before tax	(79)	(13)	(132)	(14)
Tax charge	—	—	—	—
Loss on disposal of Infrared ( <i>note 17</i> )	(79) (2,960)	(13) —	(132) (2,960)	(14) —
Loss for the period from discontinued operation	(3,039)	(13)	(3,092)	(14)



## 11. (Loss)/earnings per share

### ***For continuing and discontinued operations***

The calculation of the basic (loss)/earnings 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 2012 of approximately HK\$5.3 million (2011: profit attributable to owners of the Company of approximately HK\$0.8 million) and loss attributable to owners of the Company for six months ended 30 June 2012 of approximately HK\$8.3 million (2011: loss attributable to owners of the Company of approximately HK\$1.4 million) and weight average of 505,649,726 shares in issue during the three months ended 30 June 2012 and 2011 and the weighted average of 505,649,726 shares in issue during the six months ended 30 June 2012 and 2011.

### ***For continuing operations***

The calculation of the basic (loss)/earnings per share for continuing operations is based on the loss attributable to owners of the Company for three months ended 30 June 2012 of approximately HK\$2.3 million (2011: profit attributable to owners of the Company of approximately HK\$0.8 million) and loss attributable to owners of the Company for the six months ended 30 June 2012 of approximately HK\$5.2 million (2011: loss attributable to owners of the Company of approximately HK\$1.4 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 2012 of approximately HK\$3 million (2011: loss attributable to owners of the Company of approximately HK\$13,000) and loss attributable to owners of the Company for six months ended 30 June 2012 of approximately HK\$3.1 million (2011: loss attributable to owners of the Company of approximately HK\$14,000).

For the three months and six months ended 30 June 2012 and 2011, diluted (loss)/earnings per share of continuing and discontinued operations were not presented as the exercise of share option and 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 2011	745
Additions	241
<hr/>	
At 31 December 2011 and 1 January 2012	986
Additions	2,376
Disposal of subsidiary	(318)
<hr/>	
At 30 June 2012	3,044
<hr/>	
<b>Accumulated depreciation</b>	
At 1 January 2011	541
Charged for the year	81
<hr/>	
At 31 December 2011 and 1 January 2012	622
Disposal of subsidiary	(213)
Charged for the period	132
<hr/>	
At 30 June 2012	541
<hr/>	
<b>Net book value</b>	
<b>At 30 June 2012</b>	<b>2,503</b>
<hr/> <hr/>	
At 31 December 2011	364
<hr/> <hr/>	



### 13. Goodwill

	(Unaudited) HK\$'000
<b>Cost</b>	
At 1 January 2011, 31 December 2011 and 1 January 2012	18,044
Derecognition of disposal of subsidiary	(18,044)
At 30 June 2012	—
<b>Accumulated impairment</b>	
At 1 January 2011	3,844
Impairment losses recognised during the year	10,920
At 31 December 2011 and 1 January 2012	14,764
Derecognition of disposal of subsidiary	(14,764)
At 30 June 2012	—
<b>Net book value</b>	
<b>At 30 June 2012</b>	—
At 31 December 2011	3,280

### 14. Trade receivables

An aged analysis of the trade receivables is as follows:

	At 30 June 2012 (Unaudited) HK'000	At 31 December 2011 (Audited) HK\$'000
0 — 90 days	78	1,256
91 — 180 days	129	21
181 — 365 days	—	—
Over 365 days	—	23
	207	1,300



**15. Trade payables**

An aged analysis of the trade payables is as follows:

	At 30 June 2012 <i>(Unaudited)</i> <i>HK\$'000</i>	At 31 December 2011 <i>(Audited)</i> <i>HK\$'000</i>
0 — 90 days	6	11

**16. Convertible loan notes**

	At 30 June 2012 <i>(Unaudited)</i> <i>HK\$'000</i>	At 31 December 2011 <i>(Audited)</i> <i>HK\$'000</i>
Liability component at 1 January	4,951	4,348
Effective interest expenses	331	603
Liability component	5,282	4,951

**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.



**17. Disposal of subsidiary (continued)**

The net liabilities of Infrared at the date of disposal:

	(Unaudited) HK\$'000
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 shares '000</i>	(Unaudited) HK\$'000
Authorised:		
At 1 January 2012 and 30 June 2012, ordinary shares of HK\$0.01 each	3,000,000	30,000
<hr/>		
Issued and fully paid:		
At 1 January 2012 and 30 June 2012, ordinary shares of HK\$0.01 each	505,649	5,056
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## 19. Operating lease arrangement

The Group leases office premises under operating lease arrangement. Leases for office premium are negotiated for the term in 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 2012 (Unaudited) HK'000	At 31 December 2011 (Audited) HK\$'000
Within one year	4,440	286
In the second to fifth years, inclusive	3,330	262
	<b>7,770</b>	<b>548</b>

## 20. Material related party transactions

Save as disclosed elsewhere in Interim 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	
	2012 (Unaudited) HK'000	2011 (Unaudited) HK\$'000
Service income received from related company	—	147
Sundry income received from related companies	120	—
Rental expenses paid to shareholder	1,224	—



## **INTERIM DIVIDEND**

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2012 (2011: Nil).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Business Review**

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

During the period under review, the revenue contributed by such segment was approximately HK\$13.2 million (2011: approximately HK\$21.2 million), representing a decrease of 37.7% as compared with the period ended 30 June 2011. The gross profit margin increased to 24.1% (2011: 20.7%). The gross profit margin remains stable because the majority of the revenue was contributed by those artists with similar commission rate as compared with the period ended 30 June 2011.

#### ***Pending litigation***

On 30 May 2011, China Star Management Limited (“CSM”), an indirect wholly owned subsidiary of the Company, issued a Writ of Summons against Tang’s Workshop Limited (“Tang’s Workshop”). CSM claimed to recover the services rendered or work done and material supplied to Tang’s Workshop for the sum of HK\$127,500. As at the date of this report, 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.



### ***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\$13.2 million for the six months ended 30 June 2012 (2011: approximately HK\$21.2 million), and it was generated from provision of artist management, representing a decrease of 37.7% as compared with the period ended 30 June 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. 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\$0.3 million).

During the period under review, loss for the period attributable to owners of the Company was approximately HK\$8.3 million (2011: loss for the period attributable to owners of the Company was approximately HK\$1.4 million), which was mainly attributed from the expenses on operating leases amounted to HK\$1.2 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.



## **LIQUIDITY AND FINANCIAL RESOURCES**

At 30 June 2012, the Group had total assets of HK\$105.2 million (2011: HK\$112.8 million), including cash and bank balances of HK\$89.0 million (2011: HK\$97.6 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 2012 as compared with that at 31 December 2011.

At 30 June 2012, the total borrowings of the Group amounted to HK\$5.3 million (2011: HK\$5.0 million), comprising the liability component of HK\$5.3 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 14.8% (2011: 13.3%). The deterioration in gearing ratio was mainly derived from the decrease of current assets as compared with that in prior year.

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

At 30 June 2012, 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 arise.

## **COMMITMENTS**

At 30 June 2012, the Group had no commitments (2011: Nil).



## **CONTINGENT LIABILITIES**

At 30 June 2012, the Group had no contingent liabilities (2011: Nil).

## **EMPLOYEES**

At 30 June 2012, the Group had 7 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 2012.

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

On 29 June 2012, the Group disposed of its indirect wholly owned subsidiary of Infrared Engineering and Consultants Limited.

Save as above, the Group did not make any material acquisitions and disposal of subsidiaries and affiliated companies during the period ended 30 June 2012.

## **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.



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

As at 30 June 2012, the interests and short position 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**

<b>Name of associated corporation</b>	<b>Name of Director</b>	<b>Class of share held</b>	<b>Capacity</b>	<b>Number of shares held (Approximate percentage of the issued shares as at 30 June 2012)</b>
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 June 2012 and no share options had been granted during the period ended 30 June 2012.

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

Save as disclosed above, at 30 June 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 June 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 position 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	Beneficial owner	146,640,000	—	146,640,000	29.00%
Mr. Lo Yuk Sui ("Mr. Lo")	Interest of controlled corporation (Note 2)	35,247,161	—	35,247,161	6.97%
Secure Way Technology Limited ("Secure Way")	Interest of controlled corporation (Note 2)	35,247,161	—	35,247,161	6.97%
Net Community Limited ("Net Community")	Interest of controlled corporation (Note 3)	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
Century Digital Holdings Limited ("Century Digital")	Interest of controlled corporation (Note 4)	35,247,161	—	35,247,161	6.97%
Grand Modern Investments Limited ("Grand Modern")	Interest of controlled corporation (Note 5)	35,247,161	—	35,247,161	6.97%
Century City International Holdings Limited ("Century City International")	Interest of controlled corporation (Note 6)	35,247,161	—	35,247,161	6.97%
Century City BVI Holdings Limited ("Century City BVI")	Interest of controlled corporation (Note 7)	35,247,161	—	35,247,161	6.97%
Century City Holdings Limited ("Century City Holdings")	Interest of controlled corporation (Note 8)	35,247,161	—	35,247,161	6.97%
Aikford Financial Services Limited ("Aikford")	Beneficial owner (Note 9)	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) Secure Way is wholly and beneficially owned by Mr. Lo Yuk Sui.
- (3) Net Community is wholly and beneficially owned by Secure Way.
- (4) Century Digital is wholly and beneficially owned by Net Community.
- (5) Grand Modern is wholly and beneficially owned by Century Digital.
- (6) Grand Modern owns 50.38% interest in Century City International, a company listed on the Main Board of the Stock Exchange.
- (7) Century City BVI is wholly and beneficially owned by Century City International.
- (8) Century City Holdings is wholly and beneficially owned by Century City BVI.
- (9) 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 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 June 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 six months ended 30 June 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 six months ended 30 June 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 six months ended 30 June 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 resign 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 interim report for the six months ended 30 June 2012 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 2012

*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.*