Asian Union New Media (Group) Limited
華億新媒體（集團）有限公司
Stock Code: 0419

2006 Interim Report

CORPORATE INFORMATION

Board of Directors

Chairman
Mr. Dong Ping

Executive Directors
Mr. Ko Chun Shun, Johnson

Non-executive Directors
Mr. Tsoi Tong Hoo, Tony

Independent non-executive Directors
Mr. Wilton Timothy Carr Ingram
Dr. Wong Yau Kar, David
Mr. Yuen Kin

Company Secretary

Mr. Chan Kam Kwan, Jason

Auditors

PricewaterhouseCoopers
Certified Public Accountants

Principal Banker

Hang Seng Bank

Solicitors

Baker & McKenzie

Registered Office

Century Yard
Cricket Square
Hutchins Drive
P.O. Box 2681 GT
George Town
Grand Cayman
British West Indies
Cayman Islands

Principal Office in Hong Kong

Unit 4306-07, Far East Finance
Centre
16 Harcourt Road
Admiralty
Hong Kong

Share Registrar and Transfer Office in Hong Kong

Tengis Limited
26th Floor
Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

Website

www.aunewmedia.com

CONTENTS

The board of directors is pleased to present the Group's interim report and condensed accounts for the six-months ended 30th June 2006. The consolidated income statement, consolidated cash flow statement and consolidated statement of changes in equity for the Group for the six-months ended 30th June 2006, and the consolidated balance sheet as at 30th June 2006 of the Group, all of which are unaudited and condensed but were reviewed by the Audit Committee of the Company, along with selected explanatory notes, are set out on pages 10 to 40 of this report.

MANAGEMENT DISCUSSION AND ANALYSIS

Results

For the six months ended 30th June 2006, the Group's sales increased by 6.8 times to HK$197,940,000 from HK$25,519,000 in the same period in 2005. Profit attributable to shareholders increased to HK$250,755,000 from HK$5,763,000 recorded in the last corresponding period. The performance during the review period was mainly driven by the encouraging results of the Media and Advertising Business in China, plus a one-off fair value gain on financial assets at fair value through profit or loss, representing mainly the ordinary shares of DVN (Holdings) Limited ("DVN") (Stock code: 0500) held by the Group.

Business overview

During the six months ended 30th June 2006, the Group's results strongly indicated that its business was continuously developing, and a platform for material growth had been established to set for its future expansion in China's media market.

Following the Group's acquisition of Anglo Alliance Co., Ltd. ("Anglo Alliance"), which principal asset is an indirect 50% interest in Asian Union Film and Media ("AUFM"), in May 2005, the Media and Advertising Business in China has seen full contribution to the Group's performance for the six months ended 30th June 2006. As one of the largest players in China's media industry, AUFM is engaged in various media related businesses, including production of television drama, investment in movie production, advertising agency as well as content production for a satellite TV channel in China.

In view of the Group's change in major business and to better focus its growth directions, Mr. Dong Ping, an Executive Director of the Group, has been appointed as the Chairman of the Board. Mr. Dong was the one of the founders of AUFM who possesses profound experience, knowledge and connections in the media industry in China. With Mr. Dong's knowledge and expertise, the Group believes that he will be able to lead its business to break new grounds in the media industry in China.

To focus on expanding its high-growth media business in China and to reward the shareholders for their support, the Group has also distributed to its shareholders all the DVN ordinary shares it held during the period.

Media and Advertising Business in China

During the period under review, the Group's new business focus, Media and Advertising Business in China, has become the major contributor to the Group. The Group was involved in two major business segments here — Television Advertising and Films & TV Dramas — with respective revenue amounted to HK$133,731,000 and HK$60,174,000 during the period under the review, representing 68% and 30% of the Group's total sales.

Capitalizing on exponential growth in the TV advertising industry, the "Travel Channel" has become a highlight of the Group's operations. Being one of 31 provincial satellite TV channels with nationwide access, the Travel Channel is well positioned to capture the ever-growing demand by mainland viewers for thematic programs specializing in travel, lifestyle and entertainment. The Travel Channel coverage covers 90% of major cities in China with total available audience of over 300 million. To better satisfy viewers' diverse needs, the Travel Channel has undergone a major revamp as of 9th January 2006. With fresh, comprehensive content comprising of four categories, namely, reality, variety, fashion and travel, as well as a total of 35 specialized programs, the revamp format has attracted and captivated audiences. The Travel Channel is also seeing its audience profile shifting towards higher education, income and consumption. Thanks to its unique positioning and distinctive programmes, the Travel Channel was awarded as one of the "Seven most eye-catching satellite TV Channels in China" by Variety Magazine in June 2006. During the period under review, the Travel Channel has successfully acquired the right to broadcast a number of programs from Discovery Channel and ESPN, which further expanded the viewers' profile and diversity of the channel.

All the above revamp effort has contributed to the improved performance of the Travel Channel. According to CVSC-TNS Research statistics, the Travel Channel is among the top 20 out of all satellite TV channels throughout China in terms of viewership. Average number of viewers has seen an increasing trend to over 200,000 for the first half of 2006 from an average of 100,000 and 120,000 in year 2004 and 2005 respectively. In addition, the Travel Channel is ranked 15 out of all satellite TV channels throughout China in terms of audience appreciation in the second quarter of 2006, a great leap from the ranking of 22 in the first quarter.

During the first half of 2006, the Group has entered into an exclusive advertising agreement with Hai Nan Haishi Tourist Satellite TV Media Co., Ltd ("Hainan TV") through its wholly owned subsidiary Beijing Hua Yi Qian Si Advertising Company Limited ("Qiansi"), wherein Qiansi will be the exclusive advertising agent of all commercials on the Travel Channel operated by Hainan TV for a six-year period up to 31st December 2011 and is entitled to all revenue derived. The Group believes that the advertising agreement will serve as a stable and recurring income source in the future, and is an important channel for the Group to tap into the exponential growth in the TV advertising industry. Qiansi has realized advertising revenue of HK$133,731,000 during the first half of 2006, with customers gained from multinational companies in different business areas such as automotives, high-end consumer products, telecommunications, fashion, etc.

According to the statistics of the State Administration of Radio, Film and Television of the PRC, the total television advertising income in China jumped from approximately RMB32.6 billion in 2003 to approximately RMB39.4 billion in 2004 and approximately RMB46.9 billion in 2005, representing a CAGR of 20%. Estimates from ACNielsen also forecasts that China's advertising market will expand by 29.7% in 2006 versus 19.4% in 2005. Advertising spending in China is still relatively low as a percentage to the overall gross domestic products as compared with other developed countries. The Group thus believes that the advertising industry in China has enormous growth potential, and it will have additional boost from upcoming major events such as the 2008 Beijing Olympics.

In addition, the Group is also continuously seeking opportunities arising from the production and distribution of TV drama series and films in China and overseas markets. Accordingly, during the period under review, the Group has engaged in the production and distribution of "Jasmine Women" featuring world-renowned actress Ms. Zhang Ziyi, and distribution of other films and TV dramas in China and overseas, contributing total revenue of approximately HK$60,174,000 to the Group. Going forward, the Group will continue to explore opportunities to invest in blockbuster movies and popular TV programs.

In view of the agreement the Group entered into with Mr. Ko Chun Shun, Johnson ("Mr. Ko") to acquire Anglo Alliance in February 2005, a further consideration of an amount up to approximately HK$183.3 million may be payable by the Group to Mr. Ko depending on the audited net profit of Anglo Alliance for the twelve months following the completion of the acquisition. As Anglo Alliance has seen full year contribution following acquisition and the audited net profit multiplied by 9.167 (which is the price-to-earnings ratio adopted under the price adjustment mechanism under the agreement) has exceeded the basic consideration of approximately HK$366.7 million, the Group has agreed to pay the additional consideration of approximately HK$156.9 million to Mr. Ko by means of issuance of convertible bonds which can be converted into 3,202,234,673 ordinary shares of the Company at a conversion price of HK$0.049 per share. The Directors commented the successful acquisition is in interest of the Group and shareholders as a whole.

Anticipating prosperous growth for the media sector as well as China's economy, the Group sees a bright future for its Media and Advertising Business.

Digital broadcasting investment

To focus on expanding its high-growth Media and Advertising Business in China and to reward the shareholders for their support, the directors decided to distribute all the DVN ordinary shares it held to the shareholders of the Company. In view of the deviation of DVN's digital broadcasting business from the Group's core Media and Advertising Business in China, the decision to distribute its DVN shares is a strategic move of the Group to focus our resources to develop our Media and Advertising Business in China with enormous opportunity. The Group believes that this move would not only substantiated its position in the media industry in China and facilitated the investor community to better understand its business model, but also allow the Group to realize its investment with a reasonable return and enhance its working capital position.

Securities trading

The Hong Kong economy continued to gain growth momentum in the first half of the year 2006. Leveraging the improved business environment and market sentiment, the performance of securities trading continued to improve. During the period under review, profits generated from securities trading amounted to approximately HK$3.7 million.

Communication and home audio division

Seeing the need to direct its strategic focus in the China media market, management is reviewing the business operation with the aim of mapping out long-term strategy for it in alignment with the Group's new core business. There was minimum contribution from this segment to the Group during the period under review.

Prospects

In July 2006, the Group officially changed its name to Asian Union New Media (Group) Limited. Looking ahead, the Group sees the Travel Channel advertising income derived from the exclusive advertising agreement with Hainan TV as a major contributor to its business. The Travel Channel will serve as an ideal platform for attracting upscale advertisers with niche positioning.

Apart from advertising income, the Group is also actively seeking opportunities for business diversification. It is actively exploring the opportunities to expand its business to interactive television and media entertainment value-added services, such as interactive SMS service, interactive game programme and interactive shopping, etc. The Group believes that such potential developments will propel growth for its Media and Advertising Business in China and further act as additional income streams to the Group.

Boasting a comprehensive business structure, a rich content portfolio and extensive business footprint, the Group is poised to ride on opportunities creating by impending international events to be held in China — including the 2008 Olympics in Beijing and 2011 World Expo in Shanghai.

Last but not least, the Group will also seek to diversify its business on the strong core media business foundation by establishing a balanced portfolio with film and television production, so as to strengthen its revenue and asset base.

FINANCIAL REVIEW

For the six months ended 30th June 2006, the Group achieved sales of approximately HK$197,940,000 (2005: HK$25,519,000), a 6.8 times increase compared with the same period of last year. Gross profit increased by 65 times to approximately HK$102,408,000 (2005: HK$1,553,000).

The Group achieved an operating profit of approximately HK$89,839,000 (2005: HK$11,339,000), a 6.9 times increase compared with the same period of last year. Profit attributable to shareholders of the Company for the current period was approximately HK$250,755,000 (2005: HK$5,763,000). Excluding the one-off fair value gain on financial assets at fair value through profit or loss of approximately HK$184,799,000 in the current period, profit attributable to shareholders of the Company increased by 10 times as compared with the same period of last year.

Liquidity and financial resources

As at 30th June 2006, the Group held cash deposits of approximately HK$23,914,000, an increase of 54% compared to 31st December 2005, mainly due to the strong performance of the Media and Advertising Business in China during the period. The current ratio decreased from 4.46 as at 31st December 2005 to 1.00 as at 30th June 2006. The gearing ratio, representing long term liabilities to net worth, increased from 0.18 at 31st December 2005 to 1.36 at 30th June 2006.

The Group mainly operates in China and is exposed to foreign exchange risk arising from Renminbi currency exposures, primarily with respect to the HK dollars. All borrowings during the period were based on market interest rate. Other than an outstanding short-term borrowing of approximately HK$6,407,000, the Group had no long-term bank loan and no bank overdrafts outstanding as at 30th June 2006. The Group did not have any assets pledged or charged as at 30th June 2006.

Significant investments held

In May 2005, the Group has acquired 100% equity interest in Anglo Alliance. Anglo Alliance indirectly holds approximately 50% of the registered capital in AUFM. AUFM is engaged in various media related businesses, including production of television drama, investment in movie production, advertising agency as well as content production for a satellite TV channel in PRC.

The total consideration for this acquisition is finalized at approximately HK$524 million. Details of this acquisition are disclosed in the Company's circular dated 13th May 2005.

Save as disclosed in note 21 to the condensed consolidated accounts, the Group has not made any material acquisition or disposal during the period under review.

Capital structure

The Group has mainly relied on its internally generated cash flow and short-term borrowing to finance its operations. As at 30th June 2006, the Group had outstanding short-term borrowing of approximately HK$6,407,000.

During the period under review, the Company has issued 2,122,136,612 new ordinary shares upon the conversion of a convertible note held by Mr. Ko.

Number and remuneration of employees, remuneration policies, bonus and share option schemes and training schemes

As at 30th June 2006, the Group employed a total of 11 full-time employees in Hong Kong and a work force of about 129 in the PRC. The Group operates different remuneration schemes for sales and non-sales employees. Sales personnel are remunerated on the basis of on-target-earning packages comprising salary and sales commission. Non-sales personnel are remunerated by monthly salary which are reviewed by the Group from time to time and adjusted based on performance. In addition to salaries, the Group provides staff benefits including medical insurance, contribution to staff provident fund and discretionary training subsidies. Share options and bonuses are also available at the discretion of the Group and depending on the performance of the Group.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th June 2006

		Six months ended 30th June	
		2006 (Unaudited)	2005 (Unaudited)
	Notes	***HK$'000***	*HK$'000*
Sales		**197,940**	25,519
Cost of sales		**(95,532)**	(23,966)
Gross profit		**102,408**	1,553
Other revenues		**8,240**	3,765
Distribution expenses		**(6,712)**	(701)
Administrative expenses		**(15,965)**	(8,556)
Unrealized holding profit on short-term investment		**3,145**	2,500
Net gain on dilution of interest in an associated company		**—**	12,744
Other operating (expenses)/income		**(1,277)**	34
Operating profit	*5*	**89,839**	11,339
Finance costs	*7*	**(26,053)**	(517)
Fair value gain on financial assets at fair value through profit or loss		**184,799**	—
Share of profit of a jointly controlled entity		**8,747**	—
Share of profit/(loss) of associated companies		**5,990**	(4,370)
Profit before taxation		**263,322**	6,452
Taxation	*8*	**(13,890)**	(650)
Profit for the period		**249,432**	5,802
Attributable to:			
Equity holders of the Company		**250,755**	5,763
Minority interests		**(1,323)**	39
		249,432	5,802
Earnings per share for profit attributable to the equity holders of the Company, expressed in cents per share			
— Basic	*9*	**HK Cents 2.41**	HK Cents 0.12
— Diluted	*9*	**N/A**	HK Cents 0.08

The notes on pages 15 to 40 form an integral part of this condensed interim financial information.

CONDENSED CONSOLIDATED BALANCE SHEET

At 30th June 2006

	Notes	30th June 2006 (Unaudited) HK$'000	31st December 2005 (Audited) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	11	5,837	622
Intangible assets	11	1,158,508	247,957
Interest in associated companies	12	—	19,663
Interest in a jointly controlled entity	13	65,703	56,130
Available for sale financial asset		360	360
Preference dividends receivable — non-current portion	14	—	14,896
Investment in preference shares	14	57,440	63,578
		1,287,848	403,206
CURRENTS ASSETS			
Inventories		223	10
Trade receivables	15	107,853	1,177
Due from a jointly controlled entity and its subsidiaries	13	67,380	67,691
Preference dividends receivable — current portion	14	25,516	7,680
Financial asset at fair value through profit or loss		13,345	12,000
Prepayments, deposits and other receivables		67,268	25,706
Deferred tax asset		4,838	—
Cash and cash equivalents		23,914	15,548
		310,337	129,812

	Notes	30th June 2006 (Unaudited) HK$'000	31st December 2005 (Audited) HK$'000
CURRENT LIABILITIES			
Trade payables	16	830	34
Tax liabilities		23,866	1,968
Other payables and accrued liabilities		61,027	12,340
Agency fee payable — current	11	217,802	—
Loans		6,407	14,758
		309,932	29,100
NET CURRENT ASSETS		405	100,712
TOTAL ASSETS LESS CURRENT LIABILITIES		1,288,253	503,918
NON-CURRENT LIABILITIES			
Agency fee payable — non-current	11	743,142	—
Convertible note	17	—	77,070
		743,142	77,070
NET ASSETS		545,111	426,848
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Issued capital	18	120,386	99,165
Reserves		424,675	327,683
Total shareholders' equity		545,061	426,848
Minority interests		50	—
TOTAL EQUITY		545,111	426,848

The notes on pages 15 to 40 form an integral part of this condensed interim financial information.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th June 2006

	Six months ended 30th June	
	2006	2005
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Net cash inflow/(outflow) from operating activities	**44,427**	(48,146)
Net cash outflow from investing activities	**(27,362)**	(7,141)
Net cash (outflow)/inflow from financing activities	**(8,699)**	71,187
Increase in cash and cash equivalents	**8,366**	15,900
Cash and cash equivalents at 1st January	**15,548**	14,152
Cash and cash equivalents at 30th June	**23,914**	30,052

The notes on pages 15 to 40 form an integral part of this condensed interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June 2006

	Ordinary share capital	Share premium	Merger reserve	Fair value revaluation reserve	Capital reserve	Currency translation	Interests in associated company	Accumulated deficits	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1st January 2006	99,165	447,208	860,640	120	29,984	1,358	1,566	(1,013,193)	426,848
Dividend in specimen									
— interests in ordinary shares									
in DVN Holdings Limited	–	(209,640)	–	–	–	–	(1,566)	–	(211,206)
Conversion of convertible notes	21,221	87,803	–	–	(29,984)	–	–	–	79,040
Translation exchange	–	–	–	–	–	(376)	–	–	(376)
Net profit for the period	–	–	–	–	–	–	–	250,755	250,755
At 30th June 2006	120,386	325,371	860,640	120	–	982	–	(762,438)	545,061

	Ordinary share capital	Preference share capital	Share premium	Merger reserve	Currency translation	Accumulated deficits	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1st January 2005	32,743	2,408	172,353	860,640	(171)	(1,014,064)	53,909
Issue of share	64,014	—	274,855	—	—	—	338,869
Conversion of shares	2,408	(2,408)	—	—	—	—	—
Net profit for the period	—	—	—	—	—	5,763	5,763
At 30th June 2005	99,165	—	447,208	860,640	(171)	(1,008,301)	398,541

The notes on pages 15 to 40 form an integral part of this condensed interim financial information.

NOTES TO CONDENSED INTERIM ACCOUNTS

1. General information

Asian Union New Media (Group) Limited (formerly known as Universal Holdings Limited) ("the Company") and its subsidiaries (together, "the Group") were principally engaged in the television advertising business and film and TV dramas business. The Group has operations mainly in the People's Republic of China (the "PRC") and Hong Kong.

The Company is incorporated in the Cayman Islands as an exempted company with limited liability on 27th May 2002 under the Company Law (2002 Revision) (Cap. 22) of the Cayman Islands. The address of its registered office is Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681 GT, George Town, Grand Cayman, British West Indies, Cayman Islands.

The Company has its primary listing on The Stock Exchange of Hong Kong Limited.

This condensed consolidated interim financial information was approved for issue on 25th September 2006.

2. Basis of preparation

The condensed consolidated interim financial information for the six months ended 30th June 2006 has been prepared in accordance with HKAS 34, "Interim financial reporting". The interim condensed financial report should be read in conjunction with the annual financial statements for the year ended 31st December 2005.

3. Accounting policies

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31st December 2005, as described in the annual financial statements for the year ended 31st December 2005.

The following new standards, amendments to standards and interpretations are mandatory for financial year ending 31st December 2006.

— Amendment to HKAS 19, "Actuarial gains and losses, group plans and disclosures", effective for annual periods beginning on or after 1st January 2006. The amendment has no material effect on the Group's policy;

— Amendment to HKAS 39, Amendment "The fair value option", effective for annual periods beginning on or after 1st January 2006. The amendment has no material effect on the Group's policy;

— Amendment to HKAS 21, Amendment "Net investment in a foreign operation", effective for annual periods beginning on or after 1st January 2006. The amendment has no material effect on the Group's policy;

— Amendment to HKAS 39, Amendment "Cash flow hedge accounting of forecast intragroup transactions", effective for annual periods beginning on or after 1st January 2006. The amendment has no material effect on the Group's policy;

— Amendment to HKAS 39 and HKFRS 4, Amendment "Financial guarantee contracts", effective for annual periods beginning on or after 1st January 2006. The amendment has no material effect on the Group's policy;

— HKFRS 6, "Exploration for and evaluation of mineral resources", effective for annual periods beginning on or after 1st January 2006. This standard is not relevant for the Group;

— HK(IFRIC)-Int 4, "Determining whether an arrangement contains a lease", effective for annual periods beginning on or after 1st January 2006. The Group has reviewed its contracts. This interpretation has no material effect on the Group's policy;

3. Accounting policies *(Continued)*

— HK(IFRIC)-Int 5, "Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds", effective for annual periods beginning on or after 1st January 2006. This interpretation is not relevant for the Group; and

— HK(IFRIC)-Int 6, "Liabilities arising from participating in a specific market — waste electrical and electronic equipment", effective for annual periods beginning on or after 1st December 2005. This interpretation is not relevant for the Group.

The following new standards, amendments to standards and interpretations have been issued but are not effective for 2006 and have not been early adopted:

— HK(IFRIC)-Int 7, "Applying the Restatement Approach under HKFRS 29", effective for annual periods beginning on or after 1st March 2006. Management do not expect the interpretation to have material effect on the Group's policy;

— HK(IFRIC)-Int 8, "Scope of HKFRS 2", effective for annual periods beginning on or after 1st May 2006. Management do not expect the interpretation to have material effect on the Group's policy;

— HK(IFRIC)-Int 9, "Reassessment of Embedded Derivatives", effective for annual periods beginning on or after 1st June 2006. Management do not expect the interpretation to have material effect on the Group's policy; and

— HKFRS 7, "Financial instruments: Disclosures", effective for annual periods beginning on or after 1st January 2007, and HKAS 1, "Amendments to capital disclosures", effective for annual periods beginning on or after 1st January 2007. The Group assessed the impact of HKFRS 7 and the amendment to HKAS 1 and concluded that the main additional disclosures will be the sensitivity analysis to market risk and capital disclosures required by the amendment of HKAS 1. The Group will apply HKFRS 7 and the amendment to HKAS 1 from annual periods beginning 1st January 2007.

4. Segment information

Primary reporting format — Business Segment

At 30th June 2006, the Group is organized into two main business segments: (i) television advertising business; and (ii) film and TV dramas business. Other Group operations mainly comprise the retail and distribution of home audio and video equipment and components; provision of IP Telephony and related services; and trading of investment securities. Neither of these constitutes a separately reportable segment for the period under review.

The segment results for the six months ended 30th June 2006 are as follows:

	Television Advertising	Film and TV Dramas	Others	Unallocated Expenses	Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenues	133,731	60,174	4,035	–	197,940
Segment results	50,289	41,229	424	(8,931)	83,011
Preference dividend income					3,683
Unrealized holding profit on short-term investment					3,145
Operating profit					89,839

4. Segment information *(Continued)*

Primary reporting format — Business Segment (Continued)

The segment results for the six months ended 30th June 2005 are as follows:

	Television Advertising	Film and TV Dramas	Others	Unallocated Expenses	Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenues	19,384	1,387	262	4,486	25,519
Segment results	(1,215)	(43)	(1,062)	(4,491)	(6,811)
Preference dividend income					2,906
Unrealized holding profit on short-term investment					2,500
Net gain on dilution of interest in an associated company					12,744
Operating profit					11,339

4. Segment information *(Continued)*

Primary reporting format — Business Segment (Continued)

Other segment terms included in the income statement are as follows:

	Six months ended 30th June 2006			
	Television Advertising	**Film and TV Dramas**	**Others**	**Group**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Depreciation	**213**	**143**	**156**	**512**
Amortization	**13,596**	**81,349**	**—**	**94,945**

	Six months ended 30th June 2005			
	Television Advertising	Film and TV Dramas	Others	Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Depreciation	—	—	154	154

There are no sales or other transactions between the business segments. Unallocated costs represent corporate expenses.

The segment assets and liabilities at 30th June 2006 and capital expenditure for the six months then ended are as follows:

	Television Advertising	**Film and TV Dramas**	**Others**	**Unallocated**	**Group**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Assets	**1,036,844**	**306,607**	**17,557**	**104,094**	**1,465,102**
Investment in a jointly controlled entity					
— current					**67,380**
— non-current					**65,703**
Total assets					**1,598,185**
Total liabilities	**(992,985)**	**(55,162)**	**(640)**	**(4,287)**	**(1,053,074)**

4. Segment information *(Continued)*

Primary reporting format — Business Segment (Continued)

The segment assets and liabilities at 31st December 2005 and capital expenditure for the six months ended 30th June 2006 are as follows:

	Television Advertising	Film and TV Dramas	Others	Unallocated	Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets	—	277,852	21,098	90,584	389,534
Investment in a jointly controlled entity					
— current					67,691
— non-current					56,130
Investment in associated companies					19,663
Total assets					533,018
Total liabilities	—	(23,440)	(727)	(82,003)	(106,170)

Segment assets consist primarily of tangible and intangible assets, other non-current assets, inventories, receivables and operating cash. They exclude deferred taxation, financial asset available for sale, investment in preference shares and preference dividend receivable, financial assets at fair value through profit and loss, and cash and cash equivalents for the corporate use.

Segment liabilities comprise operating liabilities including payable and accrued liabilities. They exclude items such as taxation and corporate borrowings.

Capital expenditure comprises additions to property plant and equipment and intangible assets, including additions resulting from acquisitions through business combination *(Note 21)*.

The Group's two business segments both operate in the PRC. No geographical segmental information is presented.

5. Operating profit

Operating profit is stated after charging the following:

	Six months ended 30th June	
	2006	2005
	HK$'000	*HK$'000*
Depreciation	**512**	154
Amortization	**94,945**	—

6. Staff costs

	Six months ended 30th June	
	2006	2005
	HK$'000	*HK$'000*
Wages and salaries	**8,205**	2,968
Contributions to defined contribution pension schemes	**172**	47
	8,377	3,015

7. Finance costs

	Six months ended 30th June	
	2006	2005
	HK$'000	*HK$'000*
Interest expenses on:		
— Other loans	**348**	—
— Amount due to a fellow subsidiary		
— repayable within one year	—	517
	348	517
Notional non-cash interest accretion:		
— Convertible note	**1,970**	—
— Present value of pre-agreed periodic payments on exclusive advertising agency right *(Note 11)*	**23,735**	—
	25,705	—
	26,053	517

8. Taxation

Hong Kong and overseas profits tax has been provided at the rate of 17.5% (2005: 17.5%) and at the rates of taxation prevailing in the countries in which the Group operates respectively.

	Six months ended 30th June	
	2006	2005
	HK$'000	*HK$'000*
Current income tax		
— Hong Kong profits tax	—	—
— Overseas taxation	**18,728**	650
Deferred income tax	**(4,838)**	—
	13,890	650

The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the taxation rate of the Hong Kong as follows:

	Six months ended 30th June	
	2006	2005
	HK$'000	*HK$'000*
Profit before taxation	**263,322**	6,452
Calculated at a taxation rate of 17.5% (2005: 17.5%)	**46,081**	1,129
Effect of different rates in other countries	**8,657**	141
Income not subject to taxation	**(42,411)**	(3,407)
Expenses not deductible for taxation purposes	**3,554**	1,421
Utilization of previously unrecognised tax losses	**(1,991)**	—
Unrecognized tax losses	**—**	1,366
Taxation charge	**13,890**	650

9. Earnings per share

The calculation of basic earnings per share for the six months ended 30th June 2006 is based on the net profit attributable to shareholders of HK$250,755,000 (2005: net profit of HK$5,763,000) and the weighted average number of 10,423,428,885 (2005: 4,751,779,549) ordinary shares deemed to have been in issue during the period.

No diluted earnings per share for the current period under review was presented as there were no dilutive potential ordinary shares as at 30th June 2006. The diluted earnings per share for the six months ended 30th June 2005 was calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The amount for the six months ended 30th June 2005 was arrived at based on 4,751,779,549 ordinary shares which was the weighted average number of ordinary shares in issue during the period plus the weighted average number of 2,122,136,612 ordinary shares deemed to be issued if all outstanding convertible note had been converted into shares as at 1st January 2006.

10. Dividends

The directors do not recommend the payment of any dividend in respect of the six months ended 30th June 2006 (2005: nil).

11. Capital expenditure

(i) Property, plant and equipment

Six months ended 30th June 2006

	HK$'000
Opening net book amount 1st January 2006	**622**
Additions	**5,004**
Acquisition of subsidiary	**723**
Depreciation	**(512)**
Closing net book amount 30th June 2006	**5,837**

Six months ended 30th June 2005

	HK$'000
Opening net book amount 1st January 2005	2,520
Additions	186
Disposals	(1,960)
Depreciation	(154)
Closing net book amount 30th June 2005	592

11. Capital expenditure *(Continued)*

(ii) Intangible assets

Six months ended 30th June 2006	Goodwill	Exclusive Advertising Agency Right	TV Programmes and film rights	TV Programmes and films production in progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Opening net book amount 1st January 2006	189,798	–	45,297	12,862	247,957
Addition	3,846	976,180	9,519	15,951	1,005,496
Amortization charge	–	(81,349)	(13,596)	–	(94,945)
Closing net book amount 30th June 2006	193,644	894,831	41,220	28,813	1,158,508
At 30th June 2006					
Cost	193,644	976,180	60,081	28,813	1,258,718
Accumulated amortization and impairment	–	(81,349)	(18,861)	–	(100,210)
Net book amount	193,644	894,831	41,220	28,813	1,158,508

11. Capital expenditure *(Continued)*

(ii) Intangible assets (Continued)

Six months ended 30th June 2005	Goodwill	Exclusive Advertising Agency Right	TV Programmes and film rights	TV Programmes and films production in progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Opening net book amount 1st January 2005	—	—	—	—	—
Addition	153,204	—	4,187	—	157,391
Closing net book amount 30th June 2005	153,204	—	4,187	—	157,391
At 30th June 2005					
Cost	153,204	—	4,187	—	157,391
Accumulated amortization and impairment	—	—	—	—	—
Net book amount	153,204	—	4,187	—	157,391

11. Capital expenditure *(Continued)*

(ii) Intangible assets (Continued)

During the first half of 2006, Beijing Hua Yi Qian Si Advertising Company Limited* ("Qiansi"), a wholly-owned subsidiary of the Group, has entered into an exclusive advertising agency agreement ("Agreement") with Hai Nan Haishi Tourist Satellite TV Media Co., Ltd.* ("Travel TV"), an associated company of a jointly controlled entity of the Group. Under the Agreement, Qiansi has been granted an exclusive right to sell all of the advertising resources of Travel TV in the period of up to six years since 1st January 2006. In return Qiansi has agreed to make pre-agreed monthly payments to Travel TV during the same period. Pre-agreed annual payment under the Agreement ranged from RMB180 million to RMB207 million.

The Group considers the exclusive advertising agency right to be an intangible asset representing the right to sell Travel TV's advertising resources. The capitalized present value of pre-agreed periodic payments to be made in subsequent years are capitalised and disclosed as intangible assets in the consolidated balance sheet, and those pre-agreed periodic payments constitute a contractual obligation to deliver cash and hence are considered a financial liability. The exclusive advertising agency right is amortised on a straight-line basis from the effective date of the right over the remaining licence period and are stated net of accumulated amortization. Interest accrued on the present value of pre-agreed periodic payments is charged to interest expense in the consolidated income statement.

(*) Chinese name translated to English is for identification purpose only.

12. Interests in associated companies

The Group's interests in the ordinary shares of DVN (Holdings) Limited were reclassified as financial assets at fair value through profit or loss during the period under review. These ordinary shares were distributed to the Company's shareholders during the period *(see Note 10)*.

Particulars of the Group's significant associated companies as of 30th June 2006 are as follows:

Name	Place of incorporation and kind of legal entity	Nominal value of issued ordinary share/ preference share/ registered capital	Effective Interest held indirectly	Principal activities and place of operation
北京電發網博科技有限公司	People's Republic of China	RMB5,000,000	35.00%	Provision of IP telephone services

13. Interests in a jointly controlled entity and amount due from a jointly controlled entity and its subsidiaries

The Company has a 50% interest in a jointly controlled entity, Asia Union Film and Media, an unlisted company incorporated in the PRC, which provides investment in television programmes and film rights in the PRC.

	30th June 2006	31st December 2005
	HK$'000	*HK$'000*
Share of net assets	**(3,098)**	(11,672)
Loan to a jointly controlled entity	**68,801**	67,802
	65,703	56,130

The loan to a jointly controlled entity is unsecured, interest bearing at prevailing market rates and not repayable in the coming twelve months.

The amount due from a jointly controlled entity and its subsidiaries is unsecured, interest bearing at prevailing market rates and repayable on demand.

13. Interests in a jointly controlled entity and amount due from a jointly controlled entity and its subsidiaries *(Continued)*

The consolidated accounts of the jointly controlled entity were as follows:

	30th June 2006	31st December 2005
	HK$'000	*HK$'000*
Assets:		
Non-current assets	**281,781**	280,444
Current assets	**40,769**	66,541
	322,550	346,985
Liabilities:		
Current liabilities	**(194,078)**	(303,935)
Long-term liabilities	**(212,613)**	(143,329)
	(406,691)	(447,264)
Net liabilities	**(84,141)**	(100,279)

	Six months ended 30th June	
	2006	2005
	HK$'000	*HK$'000*
Income	**37,205**	10,960
Expenses	**(19,713)**	(12,565)
Profit/(loss) for the period	**17,492**	(1,605)

13. Interests in a jointly controlled entity and amount due from a jointly controlled entity and its subsidiaries *(Continued)*

The principal jointly controlled entity companies at 30th June 2006 are as follows:

Name	Place of incorporation and kind of legal entity	Nominal value of issued ordinary share/ preference share/ registered capital	Effective Interest held indirectly	Principal activities and place of operation
AUFM Group				
Asia Union Film and Media *(*)*	People's Republic of China, limited liability company	RMB120,000,000	50%	Investment in Television drama and film production and advertising production, in the PRC
Hai Nan Haishi Tourist Satellite TV Media Co., Ltd. *(*)*	People's Republic of China, limited liability company	RMB115,963,100	24.01%	Production of television programmes (other than news) for a satellite television channel in Hainan province of the PRC
Beijing Ying Shi Film & Television Art Limited Liability Company *(*)*	People's Republic of China, limited liability company	RMB500,000	29.40%	Television drama production, the PRC
Beijing Hua Yi Shan He Shui Advertising Company Limited *(*)*	People's Republic of China, limited liability company	RMB1,020,000	24.99%	Advertisement production, the PRC

(*) Chinese name translated to English is for identification purpose only.

14. Investment in preference shares and preference dividends receivable

At 30th June 2006, the Group held 15,000,000 non-voting exchangeable preference shares of DVN (Group) Limited. These preference shares are exchangeable, after adjustment, to approximately 28,147,700 ordinary shares of DVN (Holdings) Limited, a listed company, at an adjusted conversion price of HK$4.13 per share, and are subject to adjustment. Fixed cumulative cash dividend on preference shares is receivable at a rate of 5% per annum on the nominal value amount of each preference share for each year.

	30th June 2006	31st December 2005
	HK$'000	*HK$'000*
Investment in preference shares are split into:		
— Available-for-sale portion	**47,449**	48,750
— Derivative portion	**9,991**	14,828
	57,440	63,578

Dividends receivable represents cumulative preference shares dividend outstanding from DVN (Group) Limited.

15. Trade receivables

At 30th June 2006, the ageing analysis of the trade receivables is as follows:

	0-3 months	**4-6 months**	**Over 6 months**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 30th June 2006	**105,921**	**1,932**	**—**	**107,853**
Balance at 31st December 2005	1,091	86	—	1,177

15. Trade receivables *(Continued)*

The Group generally requires customers to pay in advance, but grants a credit period of 30 days to 90 days to some customers.

Included in the trade receivables were:

(i) an amount due from an associated company of a jointly controlled entity of approximately HK$42,972,000, which arose from the sale of advertising resources to the associated company of the jointly controlled entity.

(ii) an amount due from a related party of approximately HK$20,556,000, which arose from the sale of TV dramas to the related party.

There is no concentration of credit risk with respect to trade receivables because the Group has a large number of customers.

16. Trade payables

At 30th June 2006, the ageing analysis of the trade payables is as follows:

	0-3 months	4-6 months	Over 6 months	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 30th June 2006	**344**	**—**	**486**	**830**
Balance at 31st December 2005	—	1	33	34

17. Convertible note

	30th June 2006	31st December 2005
	HK$'000	*HK$'000*
Liability portion of issued convertible note		
— Principal amounts	74,001	74,001
— Accumulated interest accretion	5,039	3,069
	79,040	77,070
Equity portion of issued convertible note	29,984	29,984
	109,024	107,054
Conversion of convertible note	(109,024)	—
	—	107,054

The convertible note is redeemable and interest bearing at the Hong Kong prime lending rate after 5 years from the date of issue. The convertible note has a conversion rate of HK$0.049 per share and is fully convertible in whole or in part. Further detail of the convertible note is set out in the Company's circular dated 13th May 2005.

The convertible note has been fully converted into 2,122,136,612 ordinary shares of the Company on 18th May 2006.

In September 2006, it was determined that the audited net profit of Anglo Alliance Co., Ltd and its subsidiaries ("Anglo Alliance Group") for the 12-month period commencing from the completion date (i.e. 31st May 2005) was approximately HK$57,115,000. Accordingly, the total consideration for the acquisition of Anglo Alliance Group shall be approximately HK$524 million. The unsatisfied portion of approximately HK$157 million will be satisfied by issuing a Second Tranche Convertible Note which could be converted into 3,202,234,673 ordinary shares at a conversion price of $0.049 per share on the date of issue.

18. Share capital

	Number of ordinary shares of HK$0.01 each		Number of preference shares of HK$0.01 each		Amount
	No. of shares		No. of shares		
	'000	*HK$'000*	*'000*	*HK$'000*	*HK$'000*
Authorized:					
At 30th June 2006/ 31st December 2005	30,000,000	300,000	240,760	2,408	302,408
Issued and fully paid:					
At 1st January 2006	9,916,474	99,165	—	—	99,165
Conversion of convertible note	2,122,137	21,221	—	—	21,221
At 30th June 2006	12,038,611	120,386	—	—	120,386

Ordinary Shares/Convertible Note

The convertible note was redeemable and interest bearing at the Hong Kong prime lending rate after 5 years from the date of issue. The convertible note had a conversion rate of HK$0.049 per share and could be fully convertible in whole or in part.

On 18th May 2006, the convertible note was fully converted into 2,122,136,612 ordinary shares of the Company.

Share Option

Pursuant to the 10-year term share option scheme ("Option Scheme") adopted by the Company on 30th July 2002, the Company can grant options to Qualified Persons (as defined in the Option Scheme) for a consideration of HK$1.00 for each grant payable by the Qualified Persons to the Company. The total number of the shares issued and to be issued upon exercise options granted to each Qualified Person (including exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the shares then in issue.

18. Share capital *(Continued)*

Share Option (Continued)

Subscription price in relation to each option pursuant to the Option Scheme shall not be less than the higher of (i) the closing price of the shares as stated in Stock Exchange's daily quotation sheets on the date on which the option is offered to a Qualified Person; or (ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the 5 trading days immediately preceding the date of offer; or (iii) the nominal value of the shares of the Company. There shall be no minimum holding period for the vesting or exercise of the options and the options are exercisable within the option period as determined by the Board of directors of the Company.

Share options as at 30th June 2006:

Date of share options granted	Number of share options outstanding as at 1st January 2006	Number of share options granted during the period	Number of share options cancelled/ lapsed during the period	Number of share options outstanding as at 30th June 2006	Exercise period	Exercise price per share
						HK$
1/12/2004	277,400,000	—	—	277,400,000	1/1/2005 to 31/12/2009	0.054
	277,400,000	—	—	277,400,000		

There were no share options granted under the Option Scheme during the period. As at 30th June 2006, there were 277,400,000 share option granted to employees (excluding directors) remained outstanding and yet been exercised. Such share options were granted on 1st December 2004 and have an exercised price of HK$0.054. These options can be exercised during the period from 1st January 2005 to 31st December 2009. Pursuant to a resolution passed on the annual general meeting of the Company, dated 30th June 2005, the Company can grant up to 991,647,402 share options to the Qualified Persons.

19. Commitments

At 30th June 2006, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	30th June 2006	31st December 2005
	HK$'000	*HK$'000*
Land and building:		
Not later than one year	**342**	577
Later than one year and not later than five years	**—**	50
	342	627
Equipment:		
Not later than one year	**14**	14
Later than one year and not later than five years	**49**	56
	63	70

20. Related party transactions

Saved as disclosed elsewhere in this condensed consolidated accounts, significant transactions with related parties during the period are as follows:

	Six months ended 30th June	
	2006	2005
	HK$'000	*HK$'000*
Dividend income from an associated company	**3,683**	2,906
Purchase of film rights from a jointly controlled entity	**1,000**	4,486
Sale of advertising resources to an associated company of a jointly controlled entity	**45,000**	—
Interest income from a jointly controlled entity	**4,171**	—
Purchase of property plant and equipment from a jointly controlled entity	**2,021**	—

Included in the prepayment, deposits and other receivables was an amount due from a related party of approximately HK$6,317,000, which was unsecured, non-interest bearing and repayable on demand.

21. Business combination

On 1st January 2006, the Group has acquired 100% equity interest in Qiansi, a company that principally engaged in the sale of television advertisements, for a cash consideration of approximately HK$2,673,000. Qiansi was 60% owned by a jointly controlled entity of the Group prior to the acquisition.

Details of net assets acquired and goodwill are as follows:

Purchase consideration — cash paid	2,673
Fair value of net identifiable liabilities acquired (see below)	(1,173)
Goodwill *(Note 11)*	3,846

The goodwill is attributable to the future expected profitability of the acquired business and the significant synergies expected to arise after the reorganisation.

21. Business combination *(Continued)*

The assets and liabilities arising from the acquisition are as follows:

	Acquiree's carrying amount	**Preliminary fair value**
Cash and cash equivalents	**1,589**	1,589
Property, plant and equipment	**723**	723
Receivables	**36,914**	36,914
Payables	**(40,399)**	(40,399)
Net identifiable liabilities acquired	**(1,173)**	(1,173)
Outflow of cash to acquire business, net of cash acquired:		
— cash consideration		2,673
— cash and cash equivalents in subsidiary acquired		(1,589)
Cash outflow on acquisition		1,084

SUPPLEMENTARY INFORMATION

Purchase, sale or redemption of shares

During the period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the period.

Directors' and chief executives' interests in the shares, underlying shares and debentures of the company or any associated corporation

At 30th June 2006, the interests of the directors and chief executive in the shares, warrants and options of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register maintained by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"), were as follows:

Long positions in ordinary shares of the Company as at 30th June 2006:

		Number of ordinary shares of HK$0.01 each		
Names	*Notes*	**Personal interests**	**Family interests**	**Corporate interests**
Mr. Ko Chun Shun, Johnson ("Mr. Ko")	*(i), (ii)*	5,187,347,483	—	1,000,437,150
Mr. Dong Ping		2,700,000,000	—	—

Notes:

(i) Kwan Wing Holdings Limited ("Kwan Wing") and Techral Holdings Limited ("Techral"), a subsidiary of Kwan Wing, beneficially owned 360,399,000 and 640,038,150 ordinary shares in the Company, respectively. Mr. Ko has 100% direct interest in Kwan Wing and approximately 96% beneficial interest in Techral.

(ii) Mr. Ko also holds derivative interests of a maximum of 3,741,496,591 ordinary shares of the Company, upon the conversion of the Second Tranche Convertible Note (as defined in the Circular of the Company dated 13th May 2005 ("Circular")) to be issued upon certain conditions are fulfilled (please refer to the Circular for details).

Save as disclosed above and other than certain nominee shares in subsidiaries held by Mr. Ko in trust for the Company, as at 30th June 2006, none of the directors, the chief executives (including their spouses and children under 18 years of age) or their associates had any other beneficial interests in the shares of the Company and any of its associated corporations (within the meaning of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code).

Substantial shareholders' interests and short positions in the shares and underlying shares of the company

As at 30th June 2006, save as disclosed under the section "Directors' and Chief Executives' interests in Shares, Underlying Shares and Debentures of the Company or any Associate Corporation" above, no other person had registered any substantial shareholders' interests, being 5% or more of the Company's issued share capital under Section 336 of the SFO.

Directors' right to acquire shares

As at 30th June 2006, save as disclosed under the section "Directors' and Chief Executives' interests in Shares, Underlying Shares and Debentures of the Company or any Associate Corporation" above and in the section "Share Options" below, at no time during the period were rights to acquire benefits by means of acquisition of shares in the Company granted to any director, or his of her respective spouse or minor children, or were any such rights exercised by them; or was the Company, or any of its holding companies, subsidiaries or fellow subsidiaries, a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

Share options

Please refer to note 18 to the condensed consolidated accounts for details of the share options of the Company.

Corporate governance

None of the directors of the Company is aware of any information which would reasonably indicate that the Group is not, or was not, in compliance with the Code of Corporate Governance Practice (the "CG Code") as set out in Appendix 14 of the Listing Rules at any time during the six-month period ended 30th June 2006.

Model code for securities transactions by directors

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules. Upon enquiry by the Company, all Directors of the Company have confirmed that they have complied with the required standards set out in the Model Code throughout the six months ended 30th June, 2006.

Audit committee

The Audit Committee comprises of three Independent Non-executive Directors, Mr. Wilton Timothy Carr Ingram, Mr. Kin Yuen and Dr. Wong Yau Kar. Mr. Ingram is the chairman of the Audit Committee. The Audit Committee has adopted terms of reference which are in line with the Code of Best Practice and the Corporate Governance Code. The Group's unaudited condensed consolidated accounts for the six months ended 30th June 2006 have been reviewed by the Audit Committee, who is of the opinion that such statements comply with the applicable accounting standard and legal requirements, and that adequate disclosures have been made.

APPRECIATION

On behalf of the Board of Directors, I would like to take this opportunity to express our gratitude and appreciation to all management and staff members for their dedication, contributions and hard work for the period.

By Order of the Board
Dong Ping
Chairman