



Asian Union New Media (Group) Limited

華億新媒體(集團)有限公司

Stock Code : 0419

INTERIM REPORT **2007**

Contents

	<i>Pages</i>
Management discussion and analysis	2
Other Information	8
Condensed consolidated interim income statement	13
Condensed consolidated interim balance sheet	14
Condensed consolidated interim cash flow statement	16
Condensed consolidated interim statement of changes in equity	17
Notes to condensed consolidated interim financial information	18
Corporate Information	38

Management Discussion and Analysis

The board of directors presents the Group's interim report and condensed consolidated interim financial information for the six months ended 30th June 2007. The consolidated interim income statement, consolidated interim cash flow statement and consolidated interim statement of changes in equity for the Group for the six months ended 30th June 2007, and the consolidated interim balance sheet as at 30th June 2007 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 13 to 37 of this report.

MANAGEMENT DISCUSSION AND ANALYSIS

Results

For the six months ended 30th June 2007, the Group's sales were HK\$111,312,000 (2006: HK\$197,940,000). Loss attributable to shareholders was HK\$48,789,000 (2006: profit of HK\$250,755,000). Excluding the one-off fair value loss on investment in preference share and finance costs (mostly being non-cash notional interest accretion), profit attributable to shareholders would be approximately HK\$7,080,000 for the six months ended 30th June 2007.

The factors impacting the performance of the Group during the review period included (1) the absence of the \$185 million one-off fair value gain on financial assets made in the same period last fiscal year in relation to the ordinary shares of DVN (Holdings) Limited ("DVN") (Stock code: 0500) held by the Group at that time; (2) a fair value loss of \$31 million incurred from the disposal of DVN preference shares; and (3) a decrease in advertising revenue from classified advertisements (please refer to the "Business review — i) China media business" section for details).

Business Review

(i) China Media Business

During the period under review, the Group's media and advertising business in China remained as a substantial revenue source for the Group, reporting revenue amounted to HK\$103,800,000, representing 93% of the Group's total turnover.

Management Discussion and Analysis

The exclusive advertising agreement between the Group and 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”) was signed in the first half of 2006. During the review period, advertising revenue from the Travel Channel (the “Channel”) amounted to approximately HK\$65 million (2006: HK\$134 million), making up 58% of the Group’s total turnover.

The decrease in advertising revenue comparing to the same period in prior year is mainly attributed to lesser direct marketing and classified advertisements. The State Administration of Radio, Film and Television has announced and implemented the restriction of certain kind of direct marketing and classified advertisements from being broadcast through all TV channels. As a result, certain customers who had placed classified advertisements through the Channel in prior year have to adjust their advertising strategies abruptly in early 2007. This led to a significant reduction in the proportion of direct marketing and classified advertisements during the period as the Channel has to re-adjust the program schedules and at the same time trying to pull in advertising from direct advertising customers. Although the Channel suffered from reduced revenues during the period, management consider this is rather short term and is in fact beneficial to the Group in the long run because classified advertisements have a low rating and is no longer matching the profile of the Channel. By placing less reliance on classified advertisements, the overall rating of the Channel will be boosted and the Channel can be much differentiated and targeted to high-end direct customers. In fact, advertising revenue from selling commercial air time and embedded advertisements to direct customers during the period increased by more than 40% comparing to the same period in prior year. Management is confident that this trend will continue and will soon override the impact of reduced revenue from classified advertisements. In addition, as a result of the state policy adjustment, the Group is currently in negotiation with Hainan TV for a downward adjustment of the exclusive agency fee payable to Hainan TV. However, no concrete agreement has been reached up to the date of this interim report.

Management Discussion and Analysis

The Group also focused on building a quality and loyal customer base during the review period. Our customer base expanded quickly with the addition of reputable enterprises in different sectors including automobiles, consumer products, electronics, financial products, and travel and leisure products. World renowned brand names such as BMW, Honda, Peugeot, Lexus, Nokia, Sony Ericsson, Samsung, LG, Canon, HP, Intel, VISA, Red Bull, Neutrogena, L'oreal and National Geographic, just to name a few, are now using the Group's advertising platform. More importantly, many of them have signed long-term advertising contracts with the Group in forms of program title sponsorship, trailer/slogan sponsorship, all-round image promotion programs, etc. With these contracts lasting usually around a year, the Channel will bring in assured income to the Group and at the same time enjoy an improved profile.

The Group believes, by first improving the ratings of programs on the Travel Channel and then expanding the advertising customer base, it will be able to assure the long-term success of the Channel, and this tactic will give Travel Channel a competitive advantage over other satellite channels and in the long run strengthen the Channel as substantial revenue source of the Group.

As for the movie and TV drama business, it reported revenue of approximately HK\$39 million (2006: HK\$41 million), making up 35% of the Group's total turnover. During the period under review, the Group continued to distribute TV drama series and films in China and overseas. The Group shall continue to explore opportunities for investing in movies and TV programs that promise solid returns. Since mega projects require huge investments yet do not guarantee proportional returns, the Group will focus mainly on smaller scale investments.

With the Chinese economy and the advertising market prospering and the 2008 Beijing Olympics approaching, the Group, well-founded and guided by sound business strategies, will be able to effectively grasp opportunities in the market for its media and advertising business.

(ii) Communication and Home Audio Division

Seeing the need to focus on the China Media Business, management decided to phase out the business of the Communication and Home Audio Division which did not align with the Group's core business. The disposal of the division was completed during the period under review. The results of the division during the period and the impact of the disposal are immaterial to the Group.

Management Discussion and Analysis

(iii) Securities Trading

During the review period, the Group traded securities in the capital market and made profit of approximately HK\$2.9 million.

Prospects

The Group is optimistic about its prospects in the coming year especially with the Olympics to be held in Beijing, the PRC in about a year. The Group believes that the global sports event will give the media and advertising market a huge boost. The Travel Channel, in particular, will be an ideal platform for upscale advertisers targeting quality customers.

To better position itself for capturing the huge market potential in China, subsequent to the period end date, the Group has increased its share of future profits of Asian Union Film and Media ("AUFM", which major investment is the 49% equity interests in the operating company of Travel Channel) from 50% to 75%. Through its wholly-owned subsidiary, Beijing Hua Yi Hao Ge Media Culture Co., Ltd. ("HYHG"), the Group agreed with Poly Culture & Arts Co., Ltd. ("PCACL") on 3rd July 2007 to repay shareholders' loans on behalf of AUFM to PCACL, so as to acquire the additional 25% share of future profits of AUFM from PCACL. The transaction was completed by the date of this report.

Going ahead, advertising business will be the major focus of the Group's China Media Business. In the long run, the Group will seek to strengthen the premium image of Travel Channel for securing rating, making sure of its attractiveness as an advertising platform for advertisers of prominent brands to effectively appeal to those with higher spending power. Furthermore, the Group intends to enrich its programs with interactive segments to encourage direct audience participation and stimulate viewer interest. The Group also has its eyes on appropriate acquisition targets that can be integrated with and strengthen its China Media Business.

Liquidity and financial resources

As at 30th June 2007, the Group held cash deposits of approximately HK\$150,288,000, a 4-time increase compared to the balance as at 31st December 2006. The current ratio slightly decreased from 1.17 as at 31st December 2006 to 1.13 as at 30th June 2007. The gearing ratio, representing long term liabilities to net worth, decreased from 1.10 at 31st December 2006 to 0.81 at 30th June 2007.

Management Discussion and Analysis

The Group mainly operates in China and is exposed to foreign exchange risk arising from Renminbi currency exposures, primarily with respect to the Hong Kong dollars. All borrowings during the period were based on market interest rate. Other than an outstanding short-term borrowing of approximately HK\$30,695,000, the Group had no long-term bank loan and no bank overdrafts outstanding as at 30th June 2007. At 30th June 2007, the Group has pledged deposits of HK\$33,000,000 against its short-term bank borrowing.

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 2007, the Group had outstanding short-term borrowing of approximately HK\$30,695,000.

During the period under review, the Company has issued (i) 500,000,000 new ordinary shares at HK\$0.07 each upon a share placement; (ii) 2,202,234,673 new ordinary shares upon the conversion of a convertible notes; and (iii) 277,400,000 new ordinary shares at HK\$0.054 each upon the exercise of outstanding share options.

Significant subsequent events

- (1) On 3rd July 2007, the Group has entered into an agreement with Poly Culture and Arts Co., Ltd. ("PCACL") pursuant to which the Group has agreed to repay the shareholder's loans of approximately RMB150 million on behalf of AUFM to PCACL. On the other hand, PCACL has agreed to transfer to the Group its right to share 25% of the future dividends and other distribution of AUFM out of the retained distributable profits of AUFM. After the repayment of the abovementioned shareholder's loans by the Group, AUFM will continue to be a jointly controlled entity of the Group but the profit sharing ratio of the Group in AUFM will increase from 50% to 75%. For details of the transaction, please refer to the circular issued by the Company dated 27th July 2007. The Group has already fully repaid the abovementioned shareholder's loans on behalf of AUFM as of the date of this interim report.

Management Discussion and Analysis

- (2) In September 2007, the Company has issued 1,200,000,000 new ordinary shares through a placing to not less than six investors at a subscription price of HK\$0.16 each. After netting off related expenses, the Company has received net proceeds of approximately HK\$186 million. Approximately 1/3 of the net proceeds amounting to approximately HK\$62 million will be reserved as general working capital. It is the intention of the Company to use the remaining 2/3 of the net proceeds of approximately HK\$124 million for the development of core business of the Group, including potential acquisition and/or establishment of media-related business.

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

As at 30th June 2007, the Group employed a total of 7 full-time employees in Hong Kong and a work force of about 120 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 is 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.

Other Information

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities 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 2007, the interests of each director and chief executive in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO which have been 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 2007:

Names	Number of ordinary shares of HK\$0.01 each			Total	% of the issued share capital of the Company
	Personal interests	Family interests	Corporate interests		
Mr. Dong Ping	2,700,000,000	—	—	2,700,000,000	17.98%

Save as disclosed above, as at 30th June 2007, 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 or any of its associated corporations (within the meaning of the SFO).

At no time during the period was the Company, its subsidiaries, its associated companies, its fellow subsidiaries or its parent company a party to any arrangement to enable the directors and chief executives of the Company (including their spouse and children under 18 years of age) to hold any interests or short positions in the shares or underlying shares in, or debentures of, the Company or its associated corporation.

Other Information

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

The register of substantial shareholders required to be kept under section 336 of Part XV of the SFO shows that as at 30th June 2007, in addition to those disclosed under the section "Directors' and Chief Executives' interests in Shares, Underlying Shares and Debentures of the Company or any Associated Corporation" above, the Company had been notified of the following substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital:

- (i) Long positions in the Shares:

Names of the Shareholder	<i>Note</i>	Number of shares held	Approximate percentage of the Company's issued share capital
Milo Investments International Limited	1	1,502,234,673	10.00%
Speedy Swift Investments Limited ("Speedy Swift")	2	500,000,000	3.33%

- (ii) Long positions in the underlying Shares of the convertible notes of the Company:

Names of the holder of the warrants	<i>Note</i>	Amount of the convertible notes <i>HK\$</i>	Number of the total underlying shares
Speedy Swift	2	49,000,000	1,000,000,000

Other Information

(iii) Long positions in the underlying Shares of the warrants of the Company:

Names of the holder of the warrants	<i>Note</i>	Number of the warrants held	Number of the total underlying shares
Speedy Swift	2	1,900,000,000	1,900,000,000

Notes:

1. Milo Investments International Limited is a corporation controlled by Mr. Cheng Shiqing.
2. Speedy Swift Investments Limited ("Speedy Swift") is controlled by China Boardband Capital Partners, L.P.

As at 30 June 2007, save as disclosed under the section "Directors and Chief Executives" interests in Shares, Underlying Shares and Debentures of the Company or any Associated 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.

SHARE OPTIONS

Please refer to note 14 to the condensed interim financial information for details of the share options of the Company.

CORPORATE GOVERNANCE

Throughout the six months ended 30th June 2007, the Board has reviewed the Group's corporate governance practices and is satisfied that the Company has complied with the code provisions in the Code on Corporate Governance Practices ("the Code") set out in Appendix to the Listing Rules, except with the following deviation:

Code Provision A. 2. 1

There is no separation of the role of chairman ("Chairman") and chief executive officer ("CEO") as set out in the code provision A. 2. 1. Mr. Dong Ping currently assumes the role of both the Chairman and the CEO of the Company. The Company is actively seeking a candidate whose ability and experience is suitable for the position of Chief Executive Officer. While the Company is still seeking for such candidate, Mr. Dong who is also the Chairman is utilizing his extensive experience and network in the media industry to oversee the daily operation and business development of the Group. The Group considers that such arrangement is for the best interests of the shareholders.

MODEL CODE FOR SECURITIES TRANSACTIONS

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 2007.

AUDIT COMMITTEE

The Audit Committee comprises of three Independent Non-executive Directors, Mr. Kin Yuen, Dr. Wong Yau Kar David and Mr. Yin Dikun. Mr. Kin Yuen 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 interim financial information for the six months ended 30th June 2007 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.

Other Information

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

Condensed Consolidated Interim Income Statement

For the six months ended 30th June 2007

	Notes	Six months ended 30th June	
		2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Sales		111,312	197,940
Cost of sales		(101,723)	(95,532)
Gross profit		9,589	102,408
Other revenues	5	10,596	11,385
Marketing and selling expenses		(15,077)	(6,712)
Administrative expenses		(12,652)	(15,965)
Other operating expenses		—	(1,277)
Operating (loss)/profit	6	(7,544)	89,839
Finance costs	7	(25,161)	(26,053)
Fair value gain on financial assets at fair value through profit or loss		—	184,799
Fair value loss on investment in preference shares		(30,708)	—
Share of profit of jointly controlled entities ("JCE")		3,814	8,747
Share of profit of a former associated company		—	5,990
(Loss)/Profit before taxation		(59,599)	263,322
Taxation	8	10,810	(13,890)
(Loss)/Profit for the period		(48,789)	249,432
Attributable to:			
Equity holders of the Company		(48,789)	250,755
Minority interests		—	(1,323)
		(48,789)	249,432
Earnings per share for (loss)/profit attributable to the equity holders of the Company		HK Cents	HK Cents
— Basic	9	(0,364)	2.41
— Diluted	9	N/A	N/A

The notes on pages 18 to 37 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Interim Balance Sheet

At 30th June 2007

		30th June 2007 (Unaudited) HK\$'000	31st December 2006 (Audited) HK\$'000
	Notes		
NON-CURRENT ASSETS			
Property, plant and equipment	11	5,540	7,057
Intangible assets	11	1,347,270	1,414,069
Interest in jointly controlled entities and its subsidiaries	12	75,512	70,259
Available for sale financial asset		—	360
Deferred tax asset — non-current		12,589	12,171
		1,440,911	1,503,916
CURRENT ASSETS			
Trade receivables	13	114,154	85,034
Due from a jointly controlled entity and its subsidiaries	12	97,610	84,384
Financial asset at fair value through profit or loss		7,217	11,150
Investment in preference shares — current		—	97,895
Prepayments, deposits and other receivables		37,664	30,723
Deferred tax asset — current		10,853	—
Pledged bank deposit		33,000	17,000
Cash and bank balances		117,288	13,447
		417,786	339,633
CURRENT LIABILITIES			
Agency fee payable — current		255,765	181,836
Trade payables		—	283
Current income tax liabilities		25,406	24,769
Other payables and accrued liabilities		56,560	61,166
Loans		30,695	22,776
		368,426	290,830
NET CURRENT ASSETS		49,360	48,803
TOTAL ASSETS LESS CURRENT LIABILITIES		1,490,271	1,552,719

Condensed Consolidated Interim Balance Sheet

At 30th June 2007

	30th June 2007 (Unaudited) HK\$'000	31st December 2006 (Audited) HK\$'000
<i>Notes</i>		
NON-CURRENT LIABILITIES		
Agency fee payable — non-current	625,981	691,544
Convertible notes	39,348	121,230
	665,329	812,774
NET ASSETS	824,942	739,945
EQUITY		
Capital and reserves attributable to the equity holders of the Company		
Issued capital	150,182	120,386
Reserves	674,760	619,559
	824,942	739,945
Minority interests	—	—
TOTAL EQUITY	824,942	739,945

The notes on pages 18 to 37 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Interim Cash Flow Statement

For the six months ended 30th June 2007

	Six months ended 30th June	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Net cash inflow from operating activities	7,376	44,427
Net cash inflow/(outflow) from investing activities	54,435	(27,362)
Net cash inflow/(outflow) from financing activities	40,936	(8,699)
Increase in cash and cash equivalents	102,747	8,366
Cash and cash equivalents at 1st January	13,447	15,548
Exchange gain on cash and cash equivalents	1,094	—
Cash and cash equivalents at 30th June	117,288	23,914

The notes on pages 18 to 37 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Interim Statement of Changes in Equity

For the six months ended 30th June 2007

	Ordinary share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Available for sale investment HK\$'000	Convertible notes HK\$'000	Currency translation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1st January 2007	120,386	325,371	860,640	120	181,000	1,017	(748,589)	739,945
Issue of shares — placement	5,000	29,037	—	—	—	—	—	34,037
Conversion of convertible notes	22,022	187,597	—	—	(124,477)	—	—	85,142
Issue of shares — exercise of share options	2,774	12,206	—	—	—	—	—	14,980
Revaluation of available for sale investment	—	—	—	(120)	—	—	—	(120)
Currency translation differences	—	—	—	—	—	(253)	—	(253)
Net loss for the period	—	—	—	—	—	—	(48,789)	(48,789)
At 30th June 2007	150,182	554,211	860,640	—	56,523	764	(797,378)	824,942

	Ordinary share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Available for sale investment HK\$'000	Convertible notes HK\$'000	Currency translation reserve HK\$'000	Interests in a former associated company HK\$'000	Accumulated losses HK\$'000	Total 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
Currency translation differences	—	—	—	—	—	(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

The notes on pages 18 to 37 form an integral part of this condensed consolidated interim financial information.

Notes to Condensed Consolidated Interim Financial Information

1. GENERAL INFORMATION

Asian Union New Media (Group) 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 Company’s registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company is listed on The Stock Exchange of Hong Kong Limited.

This condensed consolidated interim financial information was approved for issue on 21st September 2007.

2. BASIS OF PREPARATION

The condensed consolidated interim financial information for the six months ended 30th June 2007 has been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and HKAS 34, “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants. The interim condensed financial information should be read in conjunction with the annual financial statements for the year ended 31st December 2006.

3. ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31st December 2006, as described in the annual financial statements for the year ended 31st December 2006.

The following new standards, amendments to standards and interpretations are mandatory for financial year ending 31st December 2007.

Notes to Condensed Consolidated Interim Financial Information

3. ACCOUNTING POLICIES *(Continued)*

- HK(IFRIC)-Int 7, “Applying the Restatement Approach under HKFRS 29”, effective for annual periods beginning on or after 1st March 2006. The interpretation has no 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. The interpretation has no 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. The interpretation has no material effect on the Group’s policy;
- 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; and
- HK(IFRIC)-Int 10, “Interim Financial Reporting and Impairment”, effective for annual periods beginning on or after 1st November 2006. HK(IFRIC)-Int 10 prohibits the impairment losses recognized in an interim period on goodwill, investments in equity instruments and investments in financial assets carried at cost to be reversed at a subsequent balance sheet date. The interpretation has no material effect on the Group’s financial statements.

4. SEGMENT INFORMATION

Primary reporting format — Business segment

At 30th June 2007, the Group is organized into two main business segments: (i) television advertising business; and (ii) film and TV dramas business. Other Group operations during the period mainly comprise the 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.

Notes to Condensed Consolidated Interim Financial Information

4. SEGMENT INFORMATION (Continued)

Primary reporting format — Business segment (Continued)

The segment results for the six months ended 30th June 2007 are as follows:

	Television Advertising HK\$'000	Film and TV Dramas HK\$'000	Others HK\$'000	Total HK\$'000
Revenues	64,580	39,220	7,512	111,312
Segment results	(41,281)	26,468	2,057	(12,756)
Interest income on loan from JCE				4,725
Exchange gain				4,511
Unallocated costs				(4,024)
Operating loss				(7,544)

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

	Television Advertising HK\$'000	Film and TV Dramas HK\$'000	Others HK\$'000	Total HK\$'000
Revenues	133,731	60,174	4,035	197,940
Segment results	50,289	41,229	424	91,942
Preference dividend income				3,683
Unrealized holding profit on short-term investment				3,145
Unallocated costs				(8,931)
Operating profit				89,839

Notes to Condensed Consolidated Interim Financial Information

4. SEGMENT INFORMATION (Continued)

Primary reporting format — Business segment (Continued)

Other segment terms included in the income statement and capital expenditures for the period are as follows:

	Six months ended 30th June 2007			
	Television Advertising HK\$'000	Film and TV Dramas HK\$'000	Others HK\$'000	Total HK\$'000
Capital expenditures				
— Allocated	140	8,222	15	8,377
— Unallocated				568
Depreciation				
— Allocated	331	151	13	495
— Unallocated				236
Amortization	84,869	7,992	—	92,861

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

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

Notes to Condensed Consolidated Interim Financial Information

4. SEGMENT INFORMATION *(Continued)*

Primary reporting format — Business segment *(Continued)*

The segment assets and liabilities at 30th June 2007 are as follows:

	Television Advertising <i>HK\$'000</i>	Film and TV Dramas <i>HK\$'000</i>	Others <i>HK\$'000</i>	Group <i>HK\$'000</i>
Segment assets	857,241	181,863	9,137	1,048,241
Investment in a jointly controlled entity				
— current				97,610
— non-current				75,512
Goodwill				496,164
Unallocated assets				141,170
Total assets				1,858,697
Segment liabilities	934,642	58,898	—	993,540
Unallocated liabilities				40,215
Total liabilities				1,033,755

Notes to Condensed Consolidated Interim Financial Information

4. SEGMENT INFORMATION (Continued)

Primary reporting format — Business segment (Continued)

The segment assets and liabilities at 31st December 2006 are as follows:

	Television Advertising HK\$'000	Film and TV Dramas HK\$'000	Others HK\$'000	Group HK\$'000
Segment Assets	919,129	129,918	15,748	1,064,795
Goodwill				496,084
Investment in a jointly controlled entities				
— current				84,384
— non-current				70,259
Unallocated assets				128,027
Total assets				1,843,549
Segment liabilities	929,652	48,949	649	979,250
Unallocated liabilities				124,354
Total liabilities				1,103,604

Segment assets consist primarily of tangible and intangible assets, other non-current assets, receivables and operating cash. They exclude 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 convertible note

Capital expenditure comprises additions to property plant and equipment and intangible assets, including additions resulting from acquisitions through business combination

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

Notes to Condensed Consolidated Interim Financial Information

5. OTHER REVENUES

	Six months ended 30th June	
	2007 HK\$'000	2006 HK\$'000
Preference dividend income	2,906	3,683
Unrealized gain on securities	2,073	3,145
Interest income	5,357	4,196
Miscellaneous	260	361
	10,596	11,385

6. OPERATING (LOSS)/PROFIT

Operating (loss)/profit is stated after charging the following:

	Six months ended 30th June	
	2007 HK\$'000	2006 HK\$'000
Depreciation	731	512
Amortization	92,861	94,945
Staff costs:		
Wages and salaries	6,486	8,205
Contributions to defined contribution pension schemes	408	172

Notes to Condensed Consolidated Interim Financial Information

7. FINANCE COSTS

	Six months ended 30th June	
	2007 HK\$'000	2006 HK\$'000
Interest expenses on:		
— Bank loans	509	—
— Other loans	—	348
	509	348
Notional non-cash interest accretion:		
— Convertible note	3,260	1,970
— Pre-agreed periodic payments on exclusive advertising agency right	21,392	23,735
	24,652	25,705
	25,161	26,053

8. TAXATION

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profit of the period. Taxation on profits outside Hong Kong has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the regions/countries in which the Group operates.

	Six months ended 30th June	
	2007 HK\$'000	2006 HK\$'000
Current income tax		
— Hong Kong profits tax	—	—
— Overseas taxation	149	18,728
Deferred income tax	(10,959)	(4,838)
	(10,810)	13,890

Notes to Condensed Consolidated Interim Financial Information

8. TAXATION (Continued)

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

	Six months ended 30th June	
	2007 HK\$'000	2006 HK\$'000
(Loss)/Profit before taxation	(59,599)	263,322
Calculated at a taxation rate of 17.5% (2006: 17.5%)	(10,430)	46,081
Effect of different rates in other countries	(9,629)	8,657
Income not subject to taxation	(509)	(42,411)
Expenses not deductible for taxation purposes	6,231	3,554
Utilization of previously unrecognised tax losses	(5,719)	(1,991)
Unrecognized tax losses	1,789	—
Effect on deferred taxation arising from change in statutory tax rate	7,457	—
Taxation charge	(10,810)	13,890

9. EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30th June 2007 is based on the net loss attributable to shareholders of HK\$48,789,000 (2006: net profit of HK\$250,755,000) and the weighted average number of 13,389,413,913 (2006: 10,423,428,885) ordinary shares deemed to have been in issue during the period.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. As at 30th June 2007, the Company has only one category of potential ordinary shares: convertible notes. The conversion of all potential ordinary shares arising from convertible notes as at 30th June 2007 would have an anti-dilutive effect on the earnings per share for the six-month ended 30th June 2007.

Notes to Condensed Consolidated Interim Financial Information

9. EARNINGS PER SHARE *(Continued)*

The conversion of all potential ordinary shares arising from outstanding share options granted by the Company would have an anti-dilutive effect on the earnings per share for the six months ended 30th June 2006.

10. DIVIDENDS

The directors do not recommend the payment of any dividend in respect of the six months ended 30th June 2007.

11. CAPITAL EXPENDITURE

(i) Property, plant and equipment

Six months ended 30th June 2007

	HK\$'000
Opening net book amount 1st January 2007	7,057
Additions	763
Disposal	(33)
Disposal of subsidiaries	(1,618)
Depreciation	(731)
Exchange difference	102
Closing net book amount 30th June 2007	5,540

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

Notes to Condensed Consolidated Interim Financial Information

11. CAPITAL EXPENDITURE (Continued)

(ii) Intangible assets

Six months ended 30th June 2007	Goodwill HK\$'000	Exclusive Advertising Agency Right HK\$'000	Programmes and film rights HK\$'000	Programmes and films production in progress HK\$'000	Total HK\$'000
Opening net book amount 1st January 2007	496,084	836,952	37,976	43,057	1,414,069
Addition	—	—	5,140	3,042	8,182
Amortization charge	—	(84,869)	(7,992)	—	(92,861)
Exchange difference	80	16,350	564	886	17,880
Closing net book amount 30th June 2007	496,164	768,433	35,688	46,985	1,347,270
At 30th June 2007					
Cost	496,164	1,024,577	61,676	46,985	1,629,402
Accumulated amortization and impairment	—	(256,144)	(25,988)	—	(282,132)
Net book amount	496,164	768,433	35,688	46,985	1,347,270

Notes to Condensed Consolidated Interim Financial Information

11. CAPITAL EXPENDITURE (Continued)

(ii) Intangible assets (Continued)

Six months ended 30th June 2006	Goodwill HK\$'000	Exclusive Advertising Agency Right HK\$'000	Programmes and film rights HK\$'000	Programmes and films production in progress HK\$'000	Total 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

29

12. INTERESTS IN JOINTLY CONTROLLED ENTITIES AND AMOUNT DUE FROM A JOINTLY CONTROLLED ENTITY AND ITS SUBSIDIARIES

	30th June 2007 HK\$'000	31st December 2006 HK\$'000
Share of net assets	3,299	(528)
Loan to a jointly controlled entity	72,213	70,787
	75,512	70,259

Notes to Condensed Consolidated Interim Financial Information

12. INTERESTS IN JOINTLY CONTROLLED ENTITIES AND AMOUNT DUE FROM A JOINTLY CONTROLLED ENTITY AND ITS SUBSIDIARIES *(Continued)*

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

The current portion of the amount due from a jointly controlled entity and its subsidiaries is unsecured, interest-bearing at prevailing market rates and has no fixed repayment terms.

The principal jointly controlled entity companies at 30th June 2007 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	Principal activities and place of operation
(1) AUFM Group				
Asia Union Film and Media (*)	The People's Republic of China, limited liability company	RMB120,000,000	50.00%	Investment in television drama, film production and advertising production in the PRC
Hai Nan Haishi Tourist Satellite TV Media Co., Ltd. (*)	The People's Republic of China, limited liability company	RMB115,963,100	24.50%	Production of television programmes (other than news) for the Travel Channel in the PRC
Beijing Ying Shi Film & Television Art Limited Liability Company (*)	The People's Republic of China, limited liability company	RMB500,000	30.00%	Television drama production in the PRC

Notes to Condensed Consolidated Interim Financial Information

12. INTERESTS IN JOINTLY CONTROLLED ENTITIES AND AMOUNT DUE FROM A JOINTLY CONTROLLED ENTITY AND ITS SUBSIDIARIES (Continued)

Name	Place of incorporation and kind of legal entity	Nominal value of issued ordinary share/preference share/registered capital	Effective Interest held	Principal activities and place of operation
(1) AUFM Group (Continued)				
Beijing Hua Yi Shan He Shui Advertising Company Limited (*)	The People's Republic of China, limited liability company	RMB1,020,000	25.50%	Advertisement production, the PRC
(2) 上海艾普華德廣告有限公司	The People's Republic of China, limited liability company	RMB1,000,000	50.00%	Advertising agency in the PRC

(*) The names of the companies referred to above represent management's best effort in translating the Chinese names of the companies as no English names for these companies have been registered.

The consolidated results and financial position of AUFM, of which the Group held 50% equity interests, were as follows:

	30th June 2007 HK\$'000	31st December 2006 HK\$'000
Assets:		
Non-current assets	334,363	308,402
Current assets	22,247	21,731
	356,610	330,133
Liabilities:		
Current liabilities	(290,700)	(274,048)
Long-term liabilities	(141,810)	(139,008)
	(432,510)	(413,056)
Net liabilities	(75,900)	(82,923)

Notes to Condensed Consolidated Interim Financial Information

12. INTERESTS IN JOINTLY CONTROLLED ENTITIES AND AMOUNT DUE FROM A JOINTLY CONTROLLED ENTITY AND ITS SUBSIDIARIES (Continued)

	Six months ended 30th June	
	2007 HK\$'000	2006 HK\$'000
Income	5,505	28,458
Share of profit of an associated company	20,212	8,747
Expenses	(17,076)	(19,713)
Profit for the period	8,641	17,492

13. TRADE RECEIVABLES

At 30th June 2007, the ageing analysis of the trade receivables is as follows:

	0-3 months HK\$'000	4-6 months HK\$'000	Over 6 months HK\$'000	Total HK\$'000
Balance at 30th June 2007	52,535	6,256	55,363	114,154
Balance at 31st December 2006	26,306	32,974	25,754	85,034

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

Included in the trade receivables was an amount due from a related party of approximately HK\$17,794,000 (31st December 2006: HK\$20,076,000).

Notes to Condensed Consolidated Interim Financial Information

14. SHARE CAPITAL

	Ordinary shares of HK\$0.01 each		Preference shares of HK\$0.01 each		Total Amount
	No. of shares (<i>'000</i>)	HK\$ <i>'000</i>	No. of shares (<i>'000</i>)	HK\$ <i>'000</i>	

Authorized:

At 30th June 2007/

31st December 2006	30,000,000	300,000	240,760	2,408	302,408
--------------------	------------	---------	---------	-------	---------

Issued and fully paid:

At 1st January 2007	12,038,611	120,386	—	—	120,386
---------------------	------------	---------	---	---	---------

Issue of shares — placement	500,000	5,000	—	—	5,000
-----------------------------	---------	-------	---	---	-------

Conversion of convertible notes	2,202,235	22,022	—	—	22,022
------------------------------------	-----------	--------	---	---	--------

Issue of shares — exercise of share options	277,400	2,774	—	—	2,774
--	---------	-------	---	---	-------

At 30th June 2007	15,018,246	150,182	—	—	150,182
-------------------	------------	---------	---	---	---------

Convertible Note

During the period, part of the Second Tranche Convertible Note issued in September 2006 has been converted into 2,202,234,673 ordinary shares at a conversion price of HK\$0.049 per share. The remaining part of the outstanding convertible note as at 30th June 2007 is convertible into 1,000,000,000 ordinary shares of the Company.

Notes to Condensed Consolidated Interim Financial Information

14. SHARE CAPITAL *(Continued)*

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 of 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. 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.

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. During the period, no share-based compensation is charged to the consolidated income statement (2006: Nil) since all share options granted were fully vested before 1st January 2005.

Notes to Condensed Consolidated Interim Financial Information

14. SHARE CAPITAL (Continued)

Share Option (Continued)

Movement of share options during the period is as follows:

Date of share options granted	Number of share options outstanding as at 1st January 2007	Number of share options granted during the period	Number of share options cancelled/lapsed during the period	Number of share options exercised during the period	Number of share options outstanding as at 30th June 2007	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)	—		

15. COMMITMENTS

At 30th June 2007, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	30th June 2007 HK\$'000	31st December 2006 HK\$'000
Land and building:		
Not later than one year	4,544	128
Later than one year and not later than five years	9,811	—
	14,355	128

Notes to Condensed Consolidated Interim Financial Information

16. RELATED PARTY TRANSACTIONS

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

	Six months ended 30th June	
	2007 HK\$'000	2006 HK\$'000
Purchase of film rights from a jointly controlled entity	—	1,000
Sale of advertising resources to an associated company of a jointly controlled entity	—	45,000
Interest income from a jointly controlled entity	4,725	4,171
Purchase of property, plant and equipment from a jointly controlled entity	—	2,021
Commission to a jointly controlled entity	146	—

Included in the prepayment, deposits and other receivables was an amount due from a related party of approximately HK\$5,939,000 (31st December 2006: HK\$5,710,000), which was unsecured, non-interest bearing and repayable on demand.

Notes to Condensed Consolidated Interim Financial Information

17. SIGNIFICANT SUBSEQUENT EVENTS

- (1) On 3rd July 2007, the Group has entered into an agreement with Poly Culture and Arts Co., Ltd. ("PCACL") pursuant to which the Group has agreed to repay the shareholder's loans of approximately RMB150 million on behalf of AUFM to PCACL. On the other hand, PCACL has agreed to transfer to the Group its right to share 25% of the future dividends and other distribution of AUFM out of the retained distributable profits of AUFM. After the repayment of the abovementioned shareholder's loans by the Group, AUFM will continue to be a jointly controlled entity of the Group but the profit sharing ratio of the Group in AUFM will increase from 50% to 75%. For details of the transaction, please refer to the circular issued by the Company dated 27th July 2007. The Group has already fully repaid the abovementioned shareholder's loans on behalf of AUFM as of the date of this interim report.
- (2) In September 2007, the Company has issued 1,200,000,000 new ordinary shares through a placing to not less than six investors at a subscription price of HK\$0.16 each. After netting off related expenses, the Company has received net proceeds of approximately HK\$186 million. Approximately 1/3 of the net proceeds amounting to approximately HK\$62 million will be reserved as general working capital. It is the intention of the Company to use the remaining 2/3 of the net proceeds of approximately HK\$124 million for the development of core business of the Group, including potential acquisition and/or establishment of media-related business.

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

Dr. Wong Yau Kar, David

Mr. Yuen Kin

Mr. Yin Dikun

COMPANY SECRETARY

Mr. Chan Kam Kwan, Jason

QUALIFIED ACCOUNTANT

Mr. Hau Wai Man, Raymond

AUDITORS

PricewaterhouseCoopers

Certified Public Accountants

PRINCIPAL BANKER

Hang Seng Bank

DBS Bank

SOLICITORS

Baker & McKenzie

REGISTERED OFFICE

Cricket Square, Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

PRINCIPAL OFFICE IN HONG KONG

Unit 3903, Far East Finance Centre

16 Harcourt Road

Admiralty, Hong Kong

SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Tengis Limited

26th Floor, Tesbury Centre

28 Queen's Road East

Wanchai, Hong Kong

WEBSITE

www.aunewmedia.com

www.irasia.com/listco/hk/asianunion