

mediachina

C O R P O R A T I O N L I M I T E D

華 億 傳 媒 有 限 公 司

Media China Corporation Limited

華億傳媒有限公司

(incorporated in the Cayman Islands with limited liability)

(於開曼群島註冊成立之有限公司)

(Stock Code 股份代號 : 419)



Interim Report 2009

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MANAGEMENT DISCUSSION AND ANALYSIS

The board of directors is pleased to present the Group's interim report and condensed consolidated interim financial information for the six months ended 30 June 2009. The consolidated interim income statement, consolidated interim statement of comprehensive income, consolidated interim cash flow statement and consolidated interim statement of changes in equity for the Group for the six months ended 30 June 2009, and the consolidated interim balance sheet as at 30 June 2009 of the Group, along with selected explanatory notes, are set out on pages 17 to 45 of this report.

The unaudited condensed consolidated financial information for the six months ended 30 June 2009 has been reviewed by the Company's Audit Committee and the Company's independent auditor in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. The comparative condensed consolidated interim income statement, condensed consolidated interim statement of comprehensive income, condensed consolidated interim statement of changes in equity and condensed consolidated interim cash flow statement for the six months ended 30 June 2008 were not reviewed or audited.

BUSINESS REVIEW AND PROSPECTS

Financial Performance

The major results indicators for the six months ended 30 June 2009 are summarized in the table below:

	Six months ended 30 June		
	2009 HK\$'000	2008 HK\$'000	
From continuing operations:			
Total sales revenue	108,462	81,180	↑ 34%
Gross profit/(loss)	1,527	(18,377)	
Profit/(loss) before tax, finance cost and share-based payment expenses	82	(13,366)	
Loss before taxation	(26,957)	(56,155)	↓ 52%
Loss for the period	(33,232)	(47,408)	↓ 30%
From discontinued operation:			
Loss for the period from discontinued operation	(41,795)	—	

The loss from discontinued operation for the period is solely attributable to the non-cash impairment of relevant intangible assets. All cash investments will be recovered upon completion of the disposal of the discontinued operation. Excluding the loss from discontinued operation, the total loss and loss before taxation from continuing operations for the period narrowed down by 30% and 52% compared to the prior period, to HK\$33,232,000 and HK\$26,957,000, respectively.

Certain stock options were granted in 2008 according to the Company's share option scheme, and thus non-cash share-based payment expense of HK\$10,224,000 (six months ended 30 June 2008: HK\$20,876,000) was recorded in the period according to the vesting schedule of the granted share options. Although the Group has no outstanding bank borrowing, notional non-cash interest accretion on convertible notes and pre-agreed periodic payments on exclusive advertising agency rights of HK\$16,815,000 (six months ended 30 June 2008: HK\$20,837,000) are included in the finance costs, according to the relevant financial reporting requirements. Excluding these items, the Group achieved a breakeven performance for the period under review, with earnings before tax, finance cost and share-based payment expenses amounting to HK\$82,000, compared to a loss before tax, finance cost and share-based payment expenses of HK\$13,366,000 in the prior period.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

	Sales revenues Six months ended 30 June		Segment results Six months ended 30 June	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Continuing operations:				
Television advertising	107,740	80,654	(16,439)	(38,036)
Content production	722	526	950	(248)
Others	—	—	8,110	(1,943)
Total continuing operations	108,462	81,180	(7,379)	(40,227)
Discontinued operation	155,825	—	(24,578)	—

The media industry encountered some obstacles and challenges against the backdrop of a global financial crisis and a weakened macro economy during the first half of 2009. However, China's economy is expected to maintain stable growth as the government continued to expand its macro economic policies to stimulate domestic consumption. Demand for TV and cross media platforms advertising continued to increase at a steady pace. Nevertheless as consumer sentiment was adversely impacted by lingering uncertainty, the Group has adopted a proactive but prudent approach. The Group strives to seize new and existing business opportunities and to reposition itself on to a growth track.

Revenue from television advertising segment reached HK\$107,740,000 for the six months ended 30 June 2009, an increase of 34% compared to the same period in the prior year. During the period under review, revenue was mainly derived from the provision of media resources procurement services to international advertising agencies and direct customers, and from being the exclusive advertising agency for the Travel Channel.

Business Review (Continued)

For the six months ended 30 June 2009, media resources procurement services were provided through our wholly-owned subsidiary, Sinofocus Media Company Limited (“Sinofocus”), which was acquired in the last quarter of 2008. Through centralized procurement of media resources from regional TV stations across the nation, Sinofocus provides customers with one-stop solutions ranging from planning, broadcasting and monitoring of advertising to payment logistics. While maintaining strategic partnerships with international advertising agencies, Sinofocus has successfully expanded its customer base and developed business relationships with direct customers such as Platinum Guild International and Budweiser. Management believes that the extension of media resources procurement services to the direct customer sector will be one of the key growth drivers of Sinofocus going forward. For the six months ended 30 June 2009, media resources procurement services accounted for approximately only 11% of television advertising segment revenue. In line with the plan to develop direct customer business, we expect this percentage will further increase in the second half of the year.

Another major contributor to the Group’s television advertising segment is the exclusive advertising agency business for the Travel Channel. For the six months ended 30 June 2009, the Travel Channel’s advertising revenue accounted for approximately 89% of the Group’s television advertising segment revenue. Compared to the same period last year, the Travel Channel’s advertising revenue grew 19% during the six months ended 30th June 2009. This remarkable revenue growth was mainly attributable to the Group’s strategy of further broadening advertising revenue sources through organizing nationwide reality shows and competitions (similar to Super Girl, Superstar). Furthermore, the Group was able to extend its advertising coverage by leveraging media resources from sponsors in addition to the Travel Channel air time. For example, with the title sponsorship from the Min Seng Bank, the Travel Channel launched a four-month programme named “My Dream 2009” (我的夢想2009). This programme consists of an opening and closing ceremony, a series of TV shows, and web forums, etc., with frequent interaction with the audience. Three similar programmes with different themes and title sponsorships were launched in the first half of the year.

After organizational restructuring and detailed planning, the Group re-launched its content production business during the period under review. The Group’s maiden investment in film production was the blockbuster for the year “Bodyguards and Assassins”. Leading domestic film production houses and satellite channels jointly invested in this domestically produced action movie that had an estimated total production cost of US\$23 million. The production of the movie commenced on 13 April 2009 in Shanghai and was directed by renowned director Teddy Chan and co-produced by Huang Jiangxin and Peter Chan. Pooling together nine top-tier actors from Cross-straits, it boasts an all-star cast and is scheduled to be released on 18 December 2009. The Group is also considering of investment in certain TV dramas that are expected to be finalized in the second half of the year. However, as the business cycle of the content production business is relatively long, no significant revenue from these new productions is expected to be generated in 2009.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review (Continued)

Results from other segments during the period are mainly attributed to gains on the disposal of certain investment securities.

During the period under review, management decided to dispose of its exclusive advertising agency business for the Guangdong Satellite TV Channel conducted through Guangzhou Zhanshi Advertising Company Limited (“Guangzhou Zhanshi”), and to recover all working capital advances in cash. The loss attributable to Guangzhou Zhanshi was HK\$41,795,000 during the period, and the profitability and prospects for Guangzhou ZhanShi were not promising. Moreover, the Group would have to inject additional financial resources to support this operation. As a result, the Group decided to discontinue the operation. Management firmly believes such move enables it to create greater returns for our shareholders by focusing on other businesses with higher growth potential.

Business Outlook

The outlook for the consumer market as well as the advertising industry in China in the second half of the year remains positive as the economy gradually recovers from the recession.

The scale of the Group’s media resources procurement service business is expected to double in the second half of the year with broadening revenue from the direct customer sector. In addition, revenue from international advertising agencies is also expected to increase in the second half of the year with the stabilizing economic environment. The Group is optimistic about the growth and financial performance of this operation.

The Travel Channel’s advertising business will enjoy revenue growth from organizing large-scaled reality shows and TV serials. Based on committed contracts, we expect advertising revenue for the year will exceed HK\$200 million. Another key factor to potential improvement in performance is the possibility of reducing the exclusive agency fee payable to Hainan Haishi that is still under negotiation.

Due to its business nature, the content production business is considered to be involved in prudent investments and needs a longer-term to realize material returns. Following the investment approach adopted for the “Bodyguards and Assassins” project, the Group will implement stringent measures during the project selection process and will partner with strong industry players in order to minimize business risks. Significant revenue from new content productions is expected to be realized next year.

FINANCIAL REVIEW

Continuing Operations

Sales revenue for the 6 months ended 30 June 2009 amounted to HK\$108,462,000, being a 34% increase comparing to the same period in prior year. The significant growth was mainly driven by the increase in sales from television advertising segment of HK\$27,086,000 or 34% during the period. Due to our strategy for the extension of advertising revenue sources to organization of large-scale activities and reality shows through which we could make use of media resources in addition to the Travel Channel air time, the Travel Channel's advertising revenue grew by 19% during the period. In addition, Sinofocus also contributed sales revenue of HK\$11,570,000 through the media resources procurement services.

Cost of sales mainly represented the average agency fees payable for the exclusive advertising agency right and the production costs for certain advertisements and activities. The percentage increase in cost of sales is much less than the percentage increase in sales revenue, leading to a gross profit of HK\$1,527,000 in current period comparing to a gross loss of HK\$18,377,000 in the prior period.

Other revenues mainly comprised interest income from loans to a jointly controlled entity, bank interest income and fair value gain on financial assets at fair value through profit or loss. Other revenues doubled during the period because there was a fair value gain on investment securities of HK\$8,176,000 in the current period, comparing to a fair value loss of HK\$2,184,000 in the prior period.

Marketing and selling expenses mainly attributed to the television advertising segment. Although sales revenue from the television advertising segment for the period increased by 34% comparing to prior period, marketing and selling expenses for the period dropped to HK\$12,527,000 (2008: HK\$13,540,000) or by 7% comparing to the prior period due to the effective cost control especially through regular revisit of commission policy.

Total administrative expenses for the period amounted to HK\$26,537,000 (2008: HK\$18,516,000), being a 43% increase comparing to the prior period. However, if the exchange gain (mainly resulting from the appreciation of RMB against HK\$) of HK\$231,000 (2008: HK\$23,637,000) and non-cash share-based payments of HK\$10,224,000 (2008: HK\$20,876,000) are excluded, the remaining administrative expenses for the period in fact decreased to HK\$16,544,000 (2008: HK\$21,277,000) or by 22% comparing to the prior period due to our continued effort in cost control.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (Continued)

Continuing Operations (Continued)

Share of profits of jointly controlled entities, which mainly represents the share of profit of Asian Union Film and Media ("AUFM") whose major asset is the 49% interests in Hainan Haishi (the operating entity of the Travel Channel), increased to HK\$10,183,000 (2008: HK\$7,731,000) or by 32% during the period. Management considered that this share of profit shall be included as part of the television advertising business segment as it is mainly driven by the operating results of the Travel Channel.

Finance costs for the period, which mainly represents notional non-cash interest accretion on convertible notes and pre-agreed periodic payments on exclusive advertising agency right, reduced to HK\$16,815,000 (2008: HK\$21,913,000) or by 23% comparing to the prior period. The amounts are recorded in accordance to the relevant financial reporting standards but there were in fact no cash interest payments. The finance costs decreased by 23% during the period and it is expected that the relevant costs will continue to decrease.

Profit from operations (which represents loss before taxation less finance costs and non-cash share-based payments) for the period amounted to HK\$82,000, while there was a loss from operations (based on the same definition) in the prior period amounting to HK\$13,366,000. The turnaround during the period was mainly attributed to the increase in sales revenue and effective control over the marketing and selling expenses and administrative expenses.

There was a taxation charge for the period of HK\$6,275,000 (2008: taxation credit of HK\$8,747,000). The taxation charge for the period mainly resulted from the write-off of certain deferred tax assets in accordance to the relevant financial reporting requirements.

Discontinued Operation

The loss for the period from discontinued operation of HK\$41,795,000 is related to the exclusive advertising agency business for the Guangdong Satellite TV Channel conducted through Guangzhou Zhanshi Advertising Company Limited ("Guangzhou Zhanshi"), of which management has entered into an agreement to dispose. Upon the completion of the disposal, all prior investment and working capital advance to Guangzhou Zhanshi will be fully recovered. Therefore, the loss from discontinued operation only represents non-cash write off of relevant intangible assets.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity and Treasury Management

We have adopted prudent treasury management objectives aimed at principal protection and maintaining sufficient liquidity to meet our various funding requirements in accordance with the strategic plans and policies. As at 30 June 2009, the Group held cash and cash equivalents of approximately HK\$216,590,000, which remained at a similar level comparing to the balance as at 31 December 2008.

The Group is at net current liability position as at 30 June 2009 and 31 December 2008. The agency fee payables for the Travel Channel for the future twelve months were included as current liabilities in accordance to the relevant financial reporting standards, although they are not yet due and the relevant advertising sales (and thus the relevant cash inflows and receivables) were not yet incurred. This leads to higher than normal current liability amount and thus leads to the net current liability position. Excluding such undue agency fee payables for the Travel Channel, the Group is at net current asset position of HK\$173,545,000 as at 30 June 2009 (31 December 2008: HK\$217,471,000). The adjusted current ratio, representing the total current assets to the total current liabilities excluding the undue agency fees payable for the Travel Channel, slightly increased from 1.31 as at 31 December 2008 to 1.33 as at 30 June 2009.

The debt to equity ratio, representing the sum of borrowings and convertible notes to total equity, slightly increased from 0.05 as at 31 December 2008 to 0.06 as at 30 June 2009 but is still remained at a very low level. Except for the convertible notes, the Group had no outstanding borrowing as at 30 June 2009 and 31 December 2008.

Foreign Currency Exchange Exposure

The Group mainly operates in China and is only exposed to foreign exchange risk arising from Chinese Renminbi currency exposures, primarily with respect to the Hong Kong dollars. Accordingly, the exchange rate risk of the Group is considered to be relatively low.

Capital Structure

The Group has mainly relied on its equity and internally generated cash flow to finance its operations. As at 30 June 2009, the Group had no outstanding borrowing except for the convertible notes.

During the period under review, the Company has not issued any new ordinary shares.

MANAGEMENT DISCUSSION AND ANALYSIS

PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

As at 30 June 2009, none of our assets was pledged and we did not have any material contingent liabilities or guarantees.

HUMAN RESOURCES

As at 30 June 2009, the Group employed a total of approximately 80 full-time employees in Hong Kong and 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.

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

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

SHARE OPTIONS

As set out in note 16 to the condensed consolidated interim financial information, the Company adopted a share option scheme on 30 July 2002 (the "Option Scheme"). The purpose of the Option Scheme is to recognize and acknowledge the contributions of the Qualified Persons (as defined in the Option Scheme, including but not limit to, the directors, employees, partners and associates of the Group) to the Group.

Details of the share option movements during the period were as follows:

Name or Category of Grantees	Exercise price per share (HK\$)	No. of share options				Outstanding as at 30 June 2009	% of total issued share capital of the Company	Notes
		Outstanding as at 1 January 2009	Granted during the period	Exercised during the period	Lapsed during the period			
Directors								
Edward TIAN Suning	0.134	20,000,000	—	—	—	20,000,000	0.11	(3)
	0.044	40,000,000	—	—	—	40,000,000	0.21	(3)
ZHANG Changsheng	0.134	10,000,000	—	—	—	10,000,000	0.05	(3)
	0.044	20,000,000	—	—	—	20,000,000	0.11	(3)
ZHAO Anjian	0.134	60,000,000	—	—	—	60,000,000	0.32	(3)
	0.044	20,000,000	—	—	—	20,000,000	0.11	(3)
JIANG Jianning	0.134	10,000,000	—	—	—	10,000,000	0.05	(3)
	0.044	20,000,000	—	—	—	20,000,000	0.11	(3)
LI Ruigang	0.134	10,000,000	—	—	—	10,000,000	0.05	(3)
	0.044	20,000,000	—	—	—	20,000,000	0.11	(3)
WONG Yau Kar, David	0.134	10,000,000	—	—	—	10,000,000	0.05	(3)
	0.044	20,000,000	—	—	—	20,000,000	0.11	(3)
YUEN Kin	0.134	10,000,000	—	—	—	10,000,000	0.05	(3)
	0.044	20,000,000	—	—	—	20,000,000	0.11	(3)
Continuous Contract employee in aggregate								
Others	0.154	155,000,000	—	—	—	155,000,000	0.83	(1)
	0.044	250,000,000	—	—	—	250,000,000	1.34	(4)
Others	0.154	643,000,000	—	—	(3,000,000)	640,000,000	3.42	(2)
	0.044	470,000,000	—	—	—	470,000,000	2.51	(5)
Total for all categories		1,808,000,000	—	—	(3,000,000)	1,805,000,000		

OTHER INFORMATION

Details of the share option movements during the period are as follows: *(Continued)*

Notes:-

1. These options can be exercised in 5 instalments from 1 April 2009, 1 October 2009, 1 March 2010, 1 October 2010, 1 March 2011 respectively to 31 December 2012.
2. These options can be (i) fully exercised from 1 April 2008 to 31 December 2012 or (ii) exercised in 5 instalments from 1 April 2009, 1 October 2009, 1 March 2010, 1 October 2010, 1 March 2011 respectively to 31 December 2012.
3. These options can be fully exercised from 1 April 2009 to 31 December 2015.
4. These options can be exercised in 5 instalments from 8 March 2009, 8 October 2009, 8 March 2010, 8 October 2010, 8 March 2011 respectively to 31 December 2015.
5. These options can be fully exercised from 8 March 2009 to 31 December 2015.
6. During the period, no share options were cancelled.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

At 30 June 2009, the interests and short positions of the Director and Chief Executive in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV 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, 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:

(i) Long positions in the shares of the Company:

Name of Director	Capacity	Number of shares held	% of total issue share capital of the Company
Edward TIAN Suning (Note)	Interest held by controlled corporation	3,553,700,000	19.01

(ii) Long positions in the underlying shares of the Company – convertible notes:

Name of Director	Capacity	Amount of the convertible notes	Number of the total underlying shares	% of total issued share capital of the Company
Edward TIAN Suning (Note)	Interest held by controlled corporation	HK\$49,000,000	1,000,000,000	5.35

(iii) Long positions in the underlying shares of the Company – share options:

Share options were granted to Directors pursuant to the Company's Share Option Scheme. Details of the Directors' interests in share options granted by the Company are set out under the section headed "Share Options" of this report.

Note: CBC China Media Limited is controlled by China Broadband Capital Partners, L.P., and Mr. Edward TIAN Suning is the Chairman and Non-executive Director of the Company and the director of CBC China Media Limited. Mr. Tian is deemed to be interested in CBC China Media Limited. As at 30 June 2009, through CBC China Media Limited, Mr. Tian held (i) 3,553,700,000 shares and (ii) convertible notes of the Company due 2010 with a principal amount of HK\$49,000,000 which were convertible into 1,000,000,000 shares (subject to adjustments).

Save as disclosed above, as at 30 June 2009, none of the Directors, Chief Executives nor their associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

OTHER INFORMATION

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

As at 30 June 2009, the interests and short positions of other persons (other than Directors or Chief Executives of the Company) in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange were as follows:-

(i) Long positions in the shares of the Company:

Name of the Shareholders	Capacity	Note	Number of shares held	% of total issue share capital of the Company
CBC China Media Limited	Beneficial owner	1	3,553,700,000	19.01
Selamead Holdings Limited	Beneficial owner	2	2,100,000,000	11.23

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

Names of the holder of the convertible notes	Note	Amount of the convertible notes	Number of the total underlying shares	% of total issue share capital of the Company
CBC China Media Limited	1	HK\$49,000,000	1,000,000,000	5.35

Notes:

- As at 30 June 2009, CBC China Media Limited held (i) 3,553,700,000 shares; and (ii) convertible notes of the Company due 2010 with a principal amount of HK\$49,000,000 which were convertible into 1,000,000,000 shares (subject to adjustments).
- The 1,400,000,000 Shares of which is the maximum number of Shares to be issued by the Company to Selamead Holdings Limited pursuant to the share purchase agreement dated 31 March 2008.

Save as disclosed above, as at 30 June 2009, no other persons had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2009.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct for securities transactions and dealings (the “Code of Conduct”) on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules. The Code of Conduct applies to all the relevant persons as defined in the Model Code, including Directors of the Company, any employee of the Company, or director or employee of a subsidiary or holding company of the Company who, because of such office or employment, are likely to be in possession of unpublished price sensitive information in relation to the Company or its securities. Having made specific enquiry, all Directors confirmed that they have fully complied with the required standard set out in the Model Code throughout the six months ended 30 June 2009.

REVIEW OF INTERIM REPORT

The Audit Committee consists of the three Independent Non-executive Directors, namely Mr. Yuen Kin (Chairman), Mr. Li Ruigang and Dr. Wong Yau Kar, David. The Group’s unaudited interim report for the six months ended 30 June 2009 has been reviewed by the Audit Committee together with the Company’s independent auditor.

OTHER INFORMATION

OTHER CHANGES IN DIRECTORS' INFORMATION

Other changes in Directors' information since the date of the 2008 Annual Report are set out below.

	Appointment (effective)
<hr/>	
Li Ruigang	
• China Media Capital - chairman	18 February 2009
Wong Yau Kar, David	
• CIAM Group Limited (listed on the Stock Exchange) - non-executive director	15 July 2009
Yuen Kin	
• Varitronix International Limited (listed on the Stock Exchange) - executive director and chief financial officer	1 July 2009

Save for the information disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B (1) of the Main Board Listing Rules.

By Order of the Board
Edward TIAN Suning
 Chairman

Hong Kong, 7 September 2009

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

For the six months ended 30 June 2009

		Six months ended 30 June	
		2009	2008
		(Unaudited)	(Unaudited)
Note		HK\$'000	HK\$'000
Continuing Operations			
		108,462	81,180
		(106,935)	(99,557)
		1,527	(18,377)
	5	17,212	8,460
		(12,527)	(13,540)
		(26,537)	(18,516)
		(20,325)	(41,973)
		10,183	7,731
	6	(16,815)	(21,913)
	7	(26,957)	(56,155)
	8	(6,275)	8,747
		(33,232)	(47,408)
Discontinued Operation			
	9	(41,795)	—
		(75,027)	(47,408)
Attributable to:			
		(74,892)	(47,408)
		(135)	—
		(75,027)	(47,408)

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT*For the six months ended 30 June 2009*

		Six months ended 30 June	
		2009	2008
		(Unaudited)	(Unaudited)
		HK Cents	HK Cents
<hr/>		<hr/>	
Loss per share for loss attributable to the equity holders of the Company	10		
Basic loss per share			
- From continuing operations		(0.177)	(0.278)
- From discontinued operation		(0.224)	—
		<hr/> (0.401) <hr/>	<hr/> (0.278) <hr/>
Diluted loss per share			
- From continuing operations		N/A	N/A
- From discontinued operation		N/A	N/A

The notes on pages 24 to 45 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME*For the six months ended 30 June 2009*

	Six months ended 30 June	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
Loss for the period	(75,027)	(47,408)
Other comprehensive income:		
Share-based payments	10,224	20,876
Currency translation differences	(1,237)	(6,715)
Other comprehensive income for the period, net of tax	8,987	14,161
Total comprehensive income for the period	(66,040)	(33,247)
Total comprehensive income attributable to:		
Equity holders of the company	(65,905)	(33,247)
Minority interests	(135)	—
	(66,040)	(33,247)

The notes on pages 24 to 45 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

At 30 June 2009

	Note	30 June 2009 (Unaudited) HK\$'000	31 December 2008 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	6,176	7,489
Intangible assets	12	853,104	978,060
Interests in jointly controlled entities	13	277,935	267,639
Deferred tax assets		30,357	35,794
		1,167,572	1,288,982
CURRENTS ASSETS			
Exclusive advertising agency right	12	—	401,911
Trade receivables	14	86,708	55,248
Amounts due from a jointly controlled entity and its subsidiaries	13	101,588	106,798
Financial assets at fair value through profit or loss		—	11,130
Prepayments, deposits and other receivables		45,365	121,196
Cash and cash equivalents		216,590	216,511
		450,251	912,794
Assets of disposal group held for sale	9	250,207	—
		700,458	912,794
CURRENT LIABILITIES			
Agency fee payables - current		430,428	785,367
Trade payables	15	38,250	24,880
Receipt in advance, other payables and accrued liabilities		38,242	79,532
Current income tax liabilities		31,831	30,062
		538,751	919,841
Liabilities of disposal group held for sale	9	217,877	—
		756,628	919,841

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

At 30 June 2009

	Note	30 June 2009 (Unaudited) HK\$'000	31 December 2008 (Audited) HK\$'000
NET CURRENT LIABILITIES		(56,170)	(7,047)
TOTAL ASSETS LESS CURRENT LIABILITIES		1,111,402	1,281,935
NON-CURRENT LIABILITIES			
Agency fee payables - non-current		316,040	418,209
Convertible notes		46,023	44,271
Deferred tax liabilities		—	4,076
		362,063	466,556
NET ASSETS		749,339	815,379
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	16	186,976	186,976
Reserves		561,857	627,762
		748,833	814,738
Minority interests		506	641
TOTAL EQUITY		749,339	815,379

The notes on pages 24 to 45 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT*For the six months ended 30 June 2009*

	Note	Six months ended 30 June	
		2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
Continuing operations:			
Net cash inflow/(outflow) from operating activities		185	(39,751)
Net cash inflow from investing activities		675	9,939
Net cash inflow from financing activities		—	186,781
Increase in cash and cash equivalents		860	156,969
Discontinued operation:			
Decrease in cash and cash equivalents from discontinued operation	9	(720)	—
Cash and cash equivalents at 1st January		216,511	131,305
Exchange gain on cash and cash equivalents		—	1,073
Reclassification to assets of disposal group held for sale	9	(61)	—
Cash and cash equivalents at 30th June		216,590	289,347

The notes on pages 24 to 45 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2009

	(Unaudited)										Minority interests	Total
	Attributable to equity holders of the Company											
	Share capital	Share premium	Merger reserve	Share option reserve	Equity component of convertible notes	Statutory reserve	Capital redemption reserve	Currency translation reserve	Accumulated losses	Sub-total		
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2009	186,976	916,039	860,640	77,135	56,523	47	1,206	(11,589)	(1,272,239)	814,738	641	815,379
Share-based payments	—	—	—	10,224	—	—	—	—	—	10,224	—	10,224
Currency translation differences	—	—	—	—	—	—	—	(1,237)	—	(1,237)	—	(1,237)
Loss for the period	—	—	—	—	—	—	—	—	(74,892)	(74,892)	(135)	(75,027)
At 30 June 2009	186,976	916,039	860,640	87,359	56,523	47	1,206	(12,826)	(1,347,131)	748,833	506	749,339

	(Unaudited)										Minority interests	Total
	Attributable to equity holders of the Company											
	Share capital	Share premium	Merger reserve	Share option reserve	Equity component of convertible notes	Currency translation reserve	Accumulated losses	Sub-total	HK\$'000	HK\$'000		
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2008	162,182	727,752	860,640	—	56,523	(1,310)	(829,869)	975,918	—	975,918	—	975,918
Issue of shares upon exercise of warrants	19,000	169,291	—	—	—	—	—	188,291	—	188,291	—	188,291
Share-based payments	—	—	—	20,876	—	—	—	20,876	—	20,876	—	20,876
Acquisition of subsidiaries	—	—	—	—	—	—	—	—	—	—	579	579
Currency translation differences	—	—	—	—	—	—	(6,715)	—	(6,715)	—	—	(6,715)
Loss for the period	—	—	—	—	—	—	(47,408)	(47,408)	—	(47,408)	—	(47,408)
At 30 June 2008	181,182	897,043	860,640	20,876	56,523	(8,025)	(877,277)	1,130,962	579	1,131,541	—	1,131,541

The notes on pages 24 to 45 form an integral part of this condensed consolidated interim financial information.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**1. General information**

Media China Corporation Limited (“the Company”) and its subsidiaries (together, “the Group”) were principally engaged in the television advertising business and content production 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 27 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 7 September 2009.

2. Basis of preparation

The condensed consolidated interim financial information for the six months ended 30 June 2009 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 (“HKICPA”). The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2008 which have been prepared in accordance with Hong Kong Financial Reporting Standards.

3. Accounting policies

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2008, as described in the annual financial statements for the year ended 31 December 2008.

The HKICPA has issued a number of new and revised HKFRSs that are first effective or available for early adoption for accounting periods beginning on or after 1 January 2009. The adoption of these new HKFRSs would not have a significant impact on the Group’s financial position and results of operations, except for the adoption of HKAS 1 (revised) “Presentation of Financial Statements” and HKFRS 8 “Operating Segments”. According to HKAS 1 (revised), the Group has elected to present two statements: an income statement and a statement of comprehensive income. According to HKFRS 8, it replaces HKAS 14 “Segment Reporting” and aligns segment reporting with the requirements of the US standard SFAS 131, ‘Disclosures about Segments of an Enterprise and Related Information’. HKFRS 8 requires a ‘management approach’, under which segment information is presented on the same basis as that used for internal reporting purposes. The condensed consolidated interim financial information has been prepared under the revised disclosure requirements.

In prior years/periods, the directors regarded Hong Kong dollar as the functional currency of the Company. During the year ended 31 December 2008, the directors reassessed the Company’s functional currency after the acquisition of subsidiaries in October 2008 (for details, please refer to note 31 to the 2008 consolidated financial statements). The directors considered that the functional currency of the Company should be changed from Hong Kong dollar to Renminbi starting from 31 December 2008. The change of functional currency is applied prospectively from the date of change in accordance with HKAS 21 ‘The Effect of Changes in Foreign Exchange Rates’. As the Company is listed on the Main Board of the Stock Exchanges of Hong Kong, the directors considers that it will be more appropriate to adopt Hong Kong dollar as the Group’s and the Company’s presentation currency.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

4. Segment information

The chief operating decision-maker has been identified as the management committee which comprises the chief executive officer and the chief financial officer of the Group. The management committee reviews the Group's internal reporting in order to assess performance and allocate resources. The management committee has determined the operating segments based on these reports.

At 30 June 2009, the management committee has determined that the Group is organized into two main business segments: (i) television advertising business; and (ii) content production business. Other Group operations mainly comprise the trading of investment securities which does not constitute a separately reportable segment for the period under review. The management committee measures the performance of the segments based on their respective segment results.

The segment results for the six months ended 30 June 2009 are as follows:

	Television advertising HK\$'000	Content production HK\$'000	Others HK\$'000	Total continuing operations HK\$'000	Discontinued operation HK\$'000	Total HK\$'000
Sales	107,740	722	—	108,462	155,825	264,287
Segment results	(16,439)	950	8,110	(7,379)	(24,578)	(31,957)
Interest income on loan from a jointly controlled entity				8,244	—	8,244
Exchange gain				231	—	231
Share-based payments				(10,224)	—	(10,224)
Provision for impairment of intangible assets				—	(21,173)	(21,173)
Unallocated costs, net				(11,197)	—	(11,197)
				(20,325)	(45,751)	(66,076)
Share of profits of jointly controlled entities				10,183	—	10,183
Finance costs				(16,815)	—	(16,815)
Loss before taxation				(26,957)	(45,751)	(72,708)
Taxation				(6,275)	3,956	(2,319)
Loss for the period				(33,232)	(41,795)	(75,027)

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

4. Segment information (Continued)

The segment results for the six months ended 30 June 2008 are as follows:

	Television advertising HK\$'000	Content production HK\$'000	Others HK\$'000	Total continuing operations HK\$'000	Discontinued operation HK\$'000	Total HK\$'000
Sales	80,654	526	—	81,180	—	81,180
Segment results	(38,036)	(248)	(1,943)	(40,227)	—	(40,227)
Interest income on loan from a jointly controlled entity				9,652	—	9,652
Exchange gain				23,637	—	23,637
Share-based payments				(20,876)	—	(20,876)
Unallocated costs, net				(14,159)	—	(14,159)
				(41,973)	—	(41,973)
Share of profits of jointly controlled entities				7,731	—	7,731
Finance costs				(21,913)	—	(21,913)
Loss before taxation				(56,155)	—	(56,155)
Taxation				8,747	—	8,747
Loss for the period				(47,408)	—	(47,408)

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

4. Segment information (Continued)

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

	Six months ended 30 June 2009					Total HK\$'000
	Television advertising HK\$'000	Content production HK\$'000	Others HK\$'000	Total continuing operations HK\$'000	Discontinued operation HK\$'000	
Capital expenditures						
– Allocated	61	58	—	119	5	124
– Unallocated				—	—	—
Depreciation						
– Allocated	330	118	—	448	36	484
– Unallocated				701	—	701
Amortization	95,257	—	—	95,257	179,317	274,574

	Six months ended 30 June 2008					Total HK\$'000
	Television advertising HK\$'000	Content production HK\$'000	Others HK\$'000	Total continuing operations HK\$'000	Discontinued operation HK\$'000	
Capital expenditures						
– Allocated	71	2,165	—	2,236	—	2,236
– Unallocated				568	—	568
Depreciation						
– Allocated	323	173	—	496	—	496
– Unallocated				605	—	605
Amortization	92,198	—	—	92,198	—	92,198

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)

The segment assets and liabilities at 30 June 2009 are as follows:

	Television advertising HK\$'000	Content production HK\$'000	Others HK\$'000	Total continuing operations HK\$'000	Discontinued operation HK\$'000	Total HK\$'000
Segment assets	612,774	81,244	—	694,018	225,394	919,412
Interests in jointly controlled entities						
- current				101,588	—	101,588
- non-current				277,935	—	277,935
Goodwill	367,518	—	—	367,518	24,813	392,331
Unallocated assets				176,764	—	176,764
Total assets				1,617,823	250,207	1,868,030
Segment liabilities	812,737	8,886	—	821,623	217,877	1,039,500
Unallocated liabilities				79,191	—	79,191
Total liabilities				900,814	217,877	1,118,691

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

4. Segment information (Continued)

The segment assets and liabilities at 31 December 2008 are as follows:

	Television advertising HK\$'000	Content production HK\$'000	Others HK\$'000	Total continuing operations HK\$'000	Discontinued operation HK\$'000	Total HK\$'000
Segment assets	666,468	90,580	11,196	768,244	448,503	1,216,747
Goodwill	367,516	—	—	367,516	29,917	397,433
Interests in jointly controlled entities						
- current				106,798	—	106,798
- non-current				267,639	—	267,639
Unallocated assets				213,108	51	213,159
Total assets				1,723,305	478,471	2,201,776
Segment liabilities	895,766	4,649	—	900,415	403,739	1,304,154
Unallocated liabilities				78,226	4,017	82,243
Total liabilities				978,641	407,756	1,386,397

Segment assets consist primarily of tangible and intangible assets, other non-current assets, receivables and operating cash. They exclude interests in jointly controlled entities, financial assets at fair value through profit or loss, deferred tax assets, amounts due from a jointly controlled entity and its subsidiaries 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, current income tax liabilities and deferred tax liabilities.

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 segment information is presented.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

5. Other revenues

	Six months ended 30 June	
	2009 HK\$'000	2008 HK\$'000
Interest income	9,036	10,398
Dividend income	—	246
Fair value gain/(loss) on financial assets at fair value through profit or loss	8,176	(2,184)
	17,212	8,460

6. Finance costs

	Six months ended 30 June	
	2009 HK\$'000	2008 HK\$'000
Interest expenses on bank loans wholly repayable within 5 years	—	1,076
Notional non-cash interest accretion on:		
- Convertible notes	1,752	1,629
- Pre-agreed periodic payments on exclusive advertising agency right	15,063	19,208
	16,815	20,837
	16,815	21,913

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

7. Loss before taxation

Loss before taxation is stated after charging the following:

	Six months ended 30 June	
	2009 HK\$'000	2008 HK\$'000
Depreciation of property, plant and equipment	1,149	1,101
Amortization of intangible assets	95,257	92,198
Share-based payments (excluding those disclosed in staff costs below)	—	16,410
Staff costs:		
Directors' fees	360	360
Wages and salaries	9,169	8,204
Share-based payments	10,224	4,466
Contributions to defined contribution pension schemes	460	255
	20,213	13,285

8. Taxation

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 16.5%) 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 30 June	
	2009 HK\$'000	2008 HK\$'000
Current income tax		
– Hong Kong profits tax	—	—
– PRC corporate income tax	2,094	—
Deferred income tax	4,181	(8,747)
Tax charge/(credit)	6,275	(8,747)

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

8. Taxation (Continued)

The taxation on the Group's loss before taxation differs from the theoretical amount that would arise using the domestic tax rate applicable to the profit or loss before taxation of the consolidated entities in the respective regions/countries as follows:

	Six months ended 30 June	
	2009 HK\$'000	2008 HK\$'000
Loss before taxation	(26,957)	(56,155)
Tax calculated at domestic tax rates applicable to profit or loss in the respective regions/countries	(7,061)	(11,645)
Income not subject to tax	(2,546)	(1,934)
Expenses not deductible for tax purposes	89	182
Utilization of previously unrecognized tax losses	(6)	—
Unrecognized tax losses	12,901	4,650
Net write-off of deferred tax assets and liabilities	2,898	—
Tax charge/(credit)	6,275	(8,747)

The weighted average applicable tax rate was 26.19% (2008: 20.74%).

9. Discontinued operation

On 25 June 2009, the Group has entered into an agreement to dispose of its 100% equity interests in Guangzhou Zhanshi Advertising Company Limited ("Guangzhou Zhanshi") to independent third parties. Guangzhou Zhanshi is principally engaged in advertising agency and has been appointed as the exclusive advertising agency for Guangdong Provincial Satellite Television for the period from 1 January 2009 to 31 December 2011. For details, please refer to the announcement issued by the Company on 25 June 2009.

As the operation of Guangzhou Zhanshi is considered as a separate major line of business during the period, it is accounted for as a discontinued operation. The comparative financial information for the six-month period ended 30 June 2008 has been reclassified to conform with current period presentation in accordance with HKFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations". The disposal was not yet completed as at 30 June 2009.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

9. Discontinued operation (Continued)

- (a) Results of the operation of Guangzhou Zhanshi during the period have been included in the condensed consolidated interim income statement as follows:

	Six months ended 30 June	
	2009 HK\$'000	2008 HK\$'000
Sales	155,825	—
Cost of sales (note 12)	(179,317)	—
Gross loss	(23,492)	—
Other revenues	2	—
Marketing and selling expenses	(534)	—
Administrative expenses	(554)	—
Provision for impairment of intangible assets (note 12)	(21,173)	—
Loss before taxation	(45,751)	—
Taxation	3,956	—
Loss from discontinued operation	(41,795)	—
Loss attributable to the equity holders of the Company	(41,795)	—

- (b) An analysis of the cash flows of the discontinued operation is as follows:

	Six months ended 30 June	
	2009 HK\$'000	2008 HK\$'000
Net cash outflow from operating activities	(715)	—
Net cash outflow from investing activities	(5)	—
Decrease in cash and cash equivalents	(720)	—

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

9. Discontinued operation (Continued)

(c) Assets of disposal group held for sale

	30 June 2009 HK\$'000
Property, plant and equipment	255
Intangible asset - goodwill	24,813
Exclusive advertising agency right	207,180
Trade receivables	10,654
Prepayments, deposits and other receivables	7,244
Cash and cash equivalents	61
	250,207

(d) Liabilities of disposal group held for sale

	30 June 2009 HK\$'000
Agency fee payables - current	178,820
Trade payables	185
Receipt in advance, other payables and accrued liabilities	38,872
	217,877

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

10. Loss per share

(a) Basic loss per share

Basic loss per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	Six months ended 30 June	
	2009	2008
Weighted average number of ordinary shares in issue (thousands)	18,697,646	17,053,410
Loss from continuing operations attributable to equity holders of the Company (HK\$'000)	(33,097)	(47,408)
Basic loss per share from continuing operations attributable to equity holders of the Company (HK cents per share)	(0.177)	(0.278)
Loss from discontinued operation attributable to equity holders of the Company (HK\$'000)	(41,795)	—
Basic loss per share from discontinued operation attributable to equity holders of the Company (HK cents per share)	(0.224)	—

(b) Diluted loss per share

Diluted loss 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 30 June 2009, the Company has only two categories of potential ordinary shares: share options and convertible notes (2008: same). The convertible notes are assumed to have been converted into ordinary shares, and the net loss is adjusted to eliminate the interest expense less the tax effect. For the share options, a calculation is performed to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's share during the period) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

Diluted loss per share has not been disclosed since the conversion of all potential ordinary shares arising from convertible notes and share options would have an anti-dilutive effect on the basic loss per share for the period ended 30 June 2009 (2008: same).

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

11. Dividends

The directors do not recommend the payment of any dividend in respect of the six months ended 30 June 2009 (2008: nil).

12. Capital expenditure

(i) Property, plant and equipment

Six months ended 30 June 2009

	HK\$'000
Opening net book amount 1 January 2009	7,489
Additions - continuing operations	119
Additions - discontinued operation	5
Depreciation for the period - continuing operations	(1,149)
Depreciation for the period - discontinued operation	(36)
Exchange difference	3
Reclassification to assets of disposal group held for sale	(255)
Closing net book amount 30 June 2009	<u>6,176</u>
Six months ended 30 June 2008	
Opening net book amount 1st January 2008	8,759
Additions - continuing operations	696
Disposal - continuing operations	(477)
Depreciation for the period - continuing operations	(1,101)
Exchange difference	284
Closing net book amount 30 June 2008	<u>8,161</u>

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

12. Capital expenditure (Continued)

(ii) Intangible assets

Six months ended 30 June 2009	Non-current assets					Current assets	
	Goodwill HK\$'000	Exclusive advertising agency right HK\$'000	Programme and film rights HK\$'000	Programme and films production in progress HK\$'000	Others HK\$'000	Total HK\$'000	Exclusive advertising agency right HK\$'000
Opening net book amount 1 January 2009	397,433	569,427	7,012	3,855	333	978,060	401,911
Amortization for the period - continuing operations	—	(94,924)	—	—	(333)	(95,257)	—
Amortization for the period - discontinued operation	—	—	—	—	—	—	(179,317)
Impairment for the period - discontinued operation	(5,104)	—	—	—	—	(5,104)	(16,069)
Exchange difference	2	212	2	2	—	218	655
Reclassification to assets of disposal group held for sale	(24,813)	—	—	—	—	(24,813)	(207,180)
Closing net book amount 30 June 2009	367,518	474,715	7,014	3,857	—	853,104	—
At 30 June 2009							
Cost	367,518	1,139,317	82,860	17,447	1,284	1,608,426	—
Accumulated amortization and impairment	—	(664,602)	(75,846)	(13,590)	(1,284)	(755,322)	—
Net book amount	367,518	474,715	7,014	3,857	—	853,104	—

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

12. Capital expenditure (Continued)

(ii) Intangible assets (Continued)

Six months ended 30 June 2008	Goodwill HK\$'000	Exclusive advertising agency right HK\$'000	Programme and film rights HK\$'000	Programme and films production in progress HK\$'000	Total HK\$'000
Opening net book amount 1 January 2008	496,379	719,263	49,656	31,024	1,296,322
Additions - continuing operations	746	—	2,108	—	2,854
Disposal - continuing operations	—	—	—	(11,016)	(11,016)
Amortization for the period - continuing operations	—	(92,198)	—	—	(92,198)
Exchange difference	250	39,321	2,341	1,467	43,379
Closing net book amount 30 June 2008	497,375	666,386	54,105	21,475	1,239,341
At 30th June 2008					
Cost	497,375	1,142,376	84,181	21,475	1,745,407
Accumulated amortization and impairment	—	(475,990)	(30,076)	—	(506,066)
Net book amount	497,375	666,386	54,105	21,475	1,239,341

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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

	30th June 2009 HK\$'000	31st December 2008 HK\$'000
Share of net assets	27,696	17,503
Loan to a jointly controlled entity	250,239	250,136
	277,935	267,639

As at 30 June 2009 and 31 December 2008, 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 amounts due from a jointly controlled entity and its subsidiaries are unsecured, interest-bearing at prevailing market rates and repayable on demand.

The principal jointly controlled entities and its subsidiaries as at 30 June 2009 are as follows:

Name	Place of incorporation and kind of legal entity	Registered capital	Interest held indirectly	Principal activities and place of operation
(1) AUFM Group				
Asian Union Film and Media (*) (#)	The PRC, limited liability company	RMB120,000,000	50%	Investment in television drama, film production and advertising production in the PRC
Hai Nan Haishi Travel Satellite TV Media Co., Ltd. (*)	The PRC, limited liability company	RMB115,963,100	24.50%	Production of television programmes (other than news) for the Travel Channel in the PRC

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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

Name	Place of incorporation and kind of legal entity	Registered capital	Interest held indirectly	Principal activities and place of operation
Beijing Ying Shi Film & Television Art Limited Liability Company (*)	The PRC, limited liability company	RMB500,000	30%	Television drama production in the PRC
Beijing Hua Yi Shan He Shui Advertising Company Limited (*)	The PRC, limited liability company	RMB1,020,000	25.50%	Advertisement production in the PRC
(2) 上海艾普華德廣告有限公司	The PRC, limited liability company	RMB1,000,000	50%	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.

(#) On 3 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 27 July 2007. The Group has already fully repaid the abovementioned shareholder's loans on behalf of AUFM in 2007.

On 10 May 2009, the shareholders of AUFM have passed a resolution, pursuant to which PCACL has agreed to transfer to the Group its right to share the remaining 25% of the dividends and other distribution of AUFM out of the retained distributable profits of AUFM for the future three years in return for an annual receipt of a fixed consideration of RMB3,000,000. Accordingly, AUFM will continue to be a jointly controlled entity of the Group but the profit sharing ratio of the Group in AUFM will be 100% during the three-year period. The additional 25% share of results of AUFM net of the consideration has been included in "share of profits of jointly controlled entities" on the condensed consolidated interim income statement.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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

The consolidated results and financial position of the AUFM at 30 June 2009 were as follows:

	30 June 2009 HK\$'000	31 December 2008 HK\$'000
Assets:		
Non-current assets	376,333	414,775
Current assets	36,475	25,518
	412,808	440,293
Liabilities:		
Current liabilities	(388,244)	(426,301)
Long-term liabilities	(80,353)	(80,818)
	(468,597)	(507,119)
Net liabilities	(55,789)	(66,826)
	Six months ended 30 June	
	2009 HK\$'000	2008 HK\$'000
Income	2,863	5,769
Share of profit of an associated company	20,800	20,724
Expenses	(12,601)	(16,185)
Profit for the period	11,062	10,308

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

14. Trade receivables

At 30 June 2009, the aging analysis of the trade receivables were as follows:

	30 June 2009 HK\$'000	31 December 2008 HK\$'000
0 - 3 months	60,831	47,943
4 - 6 months	21,621	6,326
Over 6 months	33,926	30,638
	116,378	84,907
Provision for doubtful debts	(29,670)	(29,659)
	86,708	55,248

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

15. Trade payables

At 30 June 2009, the aging analysis of the trade payables were as follows:

	30 June 2009 HK\$'000	31 December 2008 HK\$'000
0 - 3 months	37,274	20,170
4 - 6 months	81	4,710
Over 6 months	895	—
	38,250	24,880

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

16. Share capital

	Ordinary shares of HK\$0.01 each		Preference shares of HK\$0.01 each		Total HK\$'000
	No. of shares '000	HK\$'000	No. of shares '000	HK\$'000	
Authorized:					
At 30 June 2009 and 31 December 2008	30,000,000	300,000	240,760	2,408	302,408
Issued and fully paid:					
At 1 January 2009 and 30 June 2009	18,697,646	186,976	—	—	186,976
At 1 January 2008	16,218,246	162,182	—	—	162,182
Issue of shares upon exercise of warrants	1,900,000	19,000	—	—	19,000
At 30 June 2008	18,118,246	181,182	—	—	181,182

Convertible Note

There was no conversion of the Second Tranche Convertible Note during the period. The remaining part of the outstanding convertible note as at 30 June 2009 is convertible into 1,000,000,000 ordinary shares of the Company.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

16. Share capital

Share Option

Pursuant to the 10-year term share option scheme ("Option Scheme") adopted by the Company on 30 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 10 June 2008, the Company can grant up to 1,811,824,531 share options to the Qualified Persons. Subsequent to that 880,000,000 share options has been granted 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, share-based payment expense of approximately HK\$10,224,000 is charged to the consolidated income statement (2008: HK\$20,876,000).

Movement of share options during the period is as follows:

Tranche	Date of share options granted	Number of share options					Vesting date	Expiry date
		Outstanding as at 1 January 2009	Granted during the period	Cancelled/lapsed during the period	Outstanding as at 30 June 2009	Exercisable as at 30 June 2009		
1	7 March 2008	798,000,000	—	(3,000,000)	795,000,000	670,400,000	From 1 April 2008 to 1 March 2011	31 December 2012
2	5 May 2008	130,000,000	—	—	130,000,000	130,000,000	From 1 April 2009	31 December 2015
3	4 November 2008	880,000,000	—	—	880,000,000	680,000,000	From 8 March 2009 to 8 March 2011	31 December 2015
		1,808,000,000	—	(3,000,000)	1,805,000,000	1,480,400,000		

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

17. Commitments

At 30 June 2009, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Land and buildings	
	30 June 2009 HK\$'000	31 December 2008 HK\$'000
Not later than one year	4,692	5,119
Later than one year and not later than five years	—	2,133
	4,692	7,252

18. Related party transactions

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

	Six months ended 30 June	
	2009 HK\$'000	2008 HK\$'000
Interest income from a jointly controlled entity	8,244	9,652
Consulting fee and advertising production fee charged by a jointly controlled entity	(2,019)	—

CORPORATE INFORMATION

BOARD OF DIRECTORS

CHAIRMAN

Mr. Edward Tian Suning
(Non-executive Director)

VICE CHAIRMAN

Mr. Zhang Changsheng
(Independent Non-executive Director)

EXECUTIVE DIRECTOR

Mr. Zhao Anjian

Independent non-executive Directors

Mr. Jiang Jianning
Mr. Li Ruigang
Dr. Wong Yau Kar, David
Mr. Yuen Kin

COMPANY SECRETARY

Mr. Hau Wai Man, Raymond

QUALIFIED ACCOUNTANT

Mr. Hau Wai Man, Raymond

INDEPENDENT AUDITOR

PricewaterhouseCoopers
Certified Public Accountants

PRINCIPAL BANKER

Hang Seng Bank
DBS Bank

SOLICITORS

The Linklaters
Commerce & Finance Law Offices

REGISTERED OFFICE

Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL OFFICE IN HONG KONG

Room 1516, 15th Floor, Citic Tower,
1 Tim Mei Avenue,
Central, 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.mediachina-corp.com