

2010 中期報告



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

(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)

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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 2010. 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 2010, and the consolidated interim balance sheet as at 30 June 2010 of the Group, along with selected explanatory notes, are set out on pages 17 to 53 of this report.

The unaudited condensed consolidated financial information for the six months ended 30 June 2010 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.

BUSINESS REVIEW AND PROSPECTS

Financial Performance

The major results for the six months ended 30 June 2010 are summarized in the table below:

	Six months ended 30 June		
	2010 HK\$'000	2009 HK\$'000	
From continuing operations:			
Total sales revenue	72,585	110,491	↓34%
Gross profit	15,620	3,031	↑115%
Profit/(loss) before taxation	9,191	(27,332)	
Profit/(loss) attributable to equity holders of the Company for the period	9,668	(33,097)	
From discontinued operations:			
Loss for the period from discontinued operation	—	(41,795)	

MANAGEMENT DISCUSSION AND ANALYSIS

The Group returned to profitability and achieved profit attributable to equity holders of the Company of HK\$9,668,000 for the period under review. This was a significant improvement as compared to a loss attributable to equity holders of the Company of HK\$74,892,000 in the prior period. In light of poor profitability and a weak outlook, management disposed of its interest in Guangzhou ZhanShi Advertising Company Ltd. (“Guangzhou ZhanShi”) in order to focus on developing other media businesses with higher growth potential. This allowed the Group to achieve an encouraging performance on continuing operations for the six months ended 30 June 2010 as it recorded profits in all business segments, which was an important milestone for the Group.

During the period under review, the Group recorded sales revenue of HK\$72,585,000, a decrease of 34% compared to the same period in the prior year. However, gross profit surged over four times to HK\$15,620,000. A key driver for the four-fold increase of the Group’s gross profit was the Group’s new joint venture with Hainan Television Broadcasting Station (“Hainan TV”). This joint venture became the exclusive advertising agent for the Travel Channel since 1 January 2010. After the restructuring, both Media China and Hainan TV owned approximately 50% of the economic interests in the operation of the Travel Channel. During the review period, advertising revenue of the Travel Channel increased over 30% which led to a four-fold increase of the Group’s gross profit. However, the Group only recorded 50% of the relative revenue and cost according to the proportionate consolidation accounting method, which led to a decrease in its sales revenue.

Market Review

China’s economy slowly regained its strength after the financial crisis as the government continued to expand its macroeconomic policies to stimulate domestic consumption. For the first half of 2010, China’s GDP achieved a growth of 11.1%, reverting to the level before the financial crisis. Media and advertising markets recovered at a healthy pace during the first six months of this year. Customers were keen to put resources into marketing activities, leading to a strong rebound in the China advertising market. According to statistics from CTR Market Research, advertising expenses soared 22% year-on-year and reached RMB130 billion for the first quarter of 2010. Furthermore, TV remained the primary medium for domestic advertisers. TV advertising expenses increased 20% year-on-year and accounted for 79% of total advertising expenses in China.

MANAGEMENT DISCUSSION AND ANALYSIS

At the same time, the government launched a series of policies to support the cultural industries. The State Council's plan for boosting the Chinese cultural industries includes the accelerated development of key cultural sectors such as filmmaking, advertising and digital content. Cultural projects and spending and export of cultural products are being encouraged to promote the development of China's cultural industries. The 2010 annual report on development of China's cultural industries released by the Chinese Academy of Social Sciences also points out that the market size of the China's cultural industries reached RMB800 billion in 2009. Expenditures were concentrated in education, new media, film, tourism and performance sectors. The box office revenue was approximately RMB4.8 billion in China for the first half of 2010, among which RMB2.1 billion came from domestically produced films.

Furthermore, the policy of promoting the convergence of telecommunications, broadcasting and Internet networks in China boosted the development of these sectors. The first phase, which involves telecommunications and broadcasting, will start between 2010 and 2012. Meanwhile, the convergence of all three sectors will start between 2013 and 2015. This will be advantageous to current cross-media partnerships and will enhance market demand of media content.

Business Review

	Sales revenues		Segment results	
	Six months ended 30 June		Six months ended 30 June	
	2010	2009	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Continuing operations:				
Television advertising	71,344	107,740	15,954	(839)
Content production	1,241	2,751	319	1,341
Others	—	—	—	8,110
Total continuing operations	72,585	110,491	16,273	8,612

The Group adjusted and optimized its business structure in respond to market conditions. The Group formed a new joint venture with Hainan TV to operate as the advertising agent for the Travel Channel after disposing its Guangdong Satellite TV advertising agency business. The effect was gradually reflected in the Group's positive segment operating results.

MANAGEMENT DISCUSSION AND ANALYSIS

The television advertising segment remained the biggest revenue contributor of the Group. Its revenue totaled HK\$71,344,000 in the first half year and segment profit was HK\$15,954,000. The television advertising business includes the provision of media resources procurement services to international advertising agencies and direct customers, as well as to be the exclusive advertising agency for the Travel Channel through a joint venture with Hainan TV. Revenue from the content production segment was HK\$1,241,000, and segment profit was HK\$319,000.

Television Advertising Business

The Group formed a new joint venture with Hainan TV to exclusively operate the advertising business of the Travel Channel effective from 1 January 2010. After the restructuring, each party owned approximately 50% of the economic interests in the operation of the Travel Channel. The Group and Hainan TV's business development have been tied together through their common interest in the Travel Channel.

The aforementioned restructuring has an immediate effect. In the first half of 2010, advertising revenue for the Travel Channel increased over 30% year-on-year, which was the key driver for the four-fold increase in the Group's gross profit, as well as its return to profitability. Year to date, the dollar amount of advertising contracts signed by the Travel Channel has already surpassed that signed in 2009.

Promoted by policies to stimulate domestic consumption and development of tourism, the advertising market grew consistently, especially in marketing of automobile and luxury goods. The Chinese government energetically promoted the development of tourism and has approved the strategic plan for the development of Hainan province as "Hainan International Tourism Island". The Travel Channel, with its base in Hainan province, will definitely benefit. In addition, the Travel Channel actively strengthened its cooperation with local governments and tourism administrations. Currently partnering provinces and cities included Beijing, Guangdong and Shanxi. The Group also strived to expand cooperation to speed up its business development.

The Group will continue to develop the media resources procurement services and extensive relationships with international advertising agencies. The Group helps the agencies to procure media resources from local TV stations in China and offer them one-stop solutions ranging from planning, broadcasting and monitoring of advertising to payment logistics.

MANAGEMENT DISCUSSION AND ANALYSIS

Content Production Business

The Group received an enthusiastic response in the market for its film “Bodyguards and Assassins”, a blockbuster that was honored the “Best Picture” of the 29th Hong Kong Film Awards.

The “Cultural Industry Promotion Plan” and the “Guidelines on Promoting the Prosperous Development of Movie Industry” issued by the State Council clearly put forward a 20% annual growth rate for the Chinese movie economy, which shows its determination in promoting the development of the movie industry. The Group’s film production business will benefit from supportive policies and industry growth that should result in huge business potential. The Group has invested in the production of several TV dramas and films including, “Snow Flower and the Secret Fan” starring Jun Ji-hyun and Li Bingbing and “The Love of the Hawthorn Tree” directed by Zhang Yi-mou. In the first half of 2010, the Group invested more than HK\$50 million in the content production business.

Business Outlook

Looking ahead into the second half, media and advertising markets in China will continue to grow steadily. The Group expects the advertising revenue from the Travel Channel to maintain its momentum from that in the first half of 2010. In the medium and long term, management has set clear targets for the Travel Channel: to break through advertising revenue of RMB700 million in four-year’s time.

In addition, the policy of promoting the convergence of telecommunications, broadcasting and Internet networks in China will create ample opportunities for new media. Cross-media cooperation will further increase, driving demand of media content in the market. Meanwhile, the Group’s content production business will benefit from ample opportunities created by the surge in demand. Lastly, television advertising business will benefit from the rising popularity of cross-media platforms and will ultimately enhance the Group’s advertising sales.

For the second half of 2010, the Group will continue to seek competent partners for joint investment in the production of premier films and TV programs under effective risk control.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Sales revenue for the six months ended 30 June 2010 amounted to HK\$72,585,000, being a 34% decrease comparing to the same period in prior year. The Group has adopted proportionate consolidation method to account for the operations of the Travel Channel during the period and only 50% of the Travel Channel's advertising revenue during the period has been included in the Group's sales revenue. In fact, Travel Channel's advertising revenue for the period increased by more than 30% comparing to the same period in the prior year. The significant growth was mainly attributed to the strong recovery of the economy especially in the consumption and tourism sectors from which most of the Travel Channel's advertising revenue come, and the further diversification of revenue sources such as provincial tourism administrations.

Cost of sales mainly represented the agency fees payable for the exclusive advertising agency right and the production costs for certain advertisements and activities. As the Group only accounts for 50% of such costs during the period, cost of sales for the period decreased by 47% comparing to the same period in the prior year. As the percentage decrease in cost of sales is much more than the percentage decrease in sales revenue, the gross profit increased significantly to HK\$15,620,000 in current period comparing to the gross profit of HK\$3,031,000 in the prior period.

Other gains, net mainly comprised bank interest income and fair value gain on financial assets at fair value through profit or loss. Other gains, net decreased by 43% during the period because there was a fair value gain on trading of investment securities of HK\$8,176,000 in the prior period, whereas in the current period the gain amounted to only HK\$198,000.

Marketing and selling expenses mainly attributed to the television advertising segment. As the Group only accounts for 50% of marketing and selling expenses in relation to Travel Channel operation during the period, marketing and selling expenses for the period decreased by 47% comparing to the same period in the prior year.

Total administrative expenses for the period amounted to HK\$15,886,000 (2009: HK\$27,649,000), being a 43% decrease comparing to the prior period. Excluding the exchange gain (mainly resulting from the appreciation of RMB against HK\$) of HK\$3,997,000 (2009: HK\$231,000) and non-cash share-based payments of HK\$1,868,000 (2009: HK\$10,224,000), the remaining administrative expenses for the period slightly increased to HK\$18,015,000 (2009: HK\$17,656,000) or by 2% comparing to the prior period.

MANAGEMENT DISCUSSION AND ANALYSIS

Share of profit of an associated company, which mainly represents the share of profit of Hainan Haishi, the operating entity of the Travel Channel, decreased to HK\$10,900,000 (2009: HK\$15,600,000) or by 30% 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, reduced to HK\$1,125,000 (2009: HK\$16,815,000) or by 93% comparing to the prior period. The significant decrease is because there was no notional interest expense on exclusive advertising agency right during the period upon the termination of the relevant agreement by end of year 2009.

Profit attributable to equity holders of the Company for the period amounted to HK\$9,668,000 while in the prior period there was a loss attributable to equity holders of the Company from continued operations of HK\$33,097,000. The turnaround during the period was mainly attributed to the increase in Travel Channel's advertising revenue and continued effort in effective cost control.

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 2010, the Group held cash and cash equivalents of approximately HK\$535,740,000, being a 17% decrease comparing to the balance as at 31 December 2009.

The Group is at net current asset position of HK\$453,973,000 as at 30 June 2010 (31 December 2009: HK\$508,525,000). The current ratio, representing the total current assets to the total current liabilities, increased from 2.49 as at 31 December 2009 to 2.75 as at 30 June 2010.

The debt to equity ratio, representing the sum of borrowings and convertible notes to total equity, decreased from 0.04 as at 31 December 2009 to zero as at 30 June 2010. The Group had no outstanding borrowing as at 30 June 2010.

MANAGEMENT DISCUSSION AND ANALYSIS

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 2010, the Group had no outstanding borrowing.

During the period under review, the Company has issued (i) 1,065,217,391 new ordinary shares upon conversion of convertible notes at a conversion price of HK\$0.046 per share; and (ii) 49,995 new ordinary shares upon exercise of share options.

PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

As at 30 June 2010, none of our assets was pledged and we did not have any material contingent liabilities or guarantees.

HUMAN RESOURCES

As at 30 June 2010, 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.

OTHER INFORMATION

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 17 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	Date of grant	Exercise price per share (HK\$)	No. of share options		Outstanding as at 30 June 2010	% of total issued share capital of the Company	Note
			Outstanding as at 1 January 2010	Exercised during the period			
Directors							
Edward TIAN Suning	5.5.2008	0.130	20,625,000	—	20,625,000	0.07	(3)
	4.11.2008	0.043	41,250,000	—	41,250,000	0.14	(3)
ZHANG Changsheng	5.5.2008	0.130	10,312,500	—	10,312,500	0.04	(3)
	4.11.2008	0.043	20,625,000	—	20,625,000	0.07	(3)
ZHAO Anjian	5.5.2008	0.130	61,875,000	—	61,875,000	0.21	(3)
	4.11.2008	0.043	20,625,000	—	20,625,000	0.07	(3)
JIANG Jianning	5.5.2008	0.130	10,312,500	—	10,312,500	0.04	(3)
	4.11.2008	0.043	20,625,000	—	20,625,000	0.07	(3)
LI Ruigang	5.5.2008	0.130	10,312,500	—	10,312,500	0.04	(3)
	4.11.2008	0.043	20,625,000	—	20,625,000	0.07	(3)
WONG Yau Kar, David	5.5.2008	0.130	10,312,500	—	10,312,500	0.04	(3)
	4.11.2008	0.043	20,625,000	—	20,625,000	0.07	(3)
YUEN Kin	5.5.2008	0.130	10,312,500	—	10,312,500	0.04	(3)
	4.11.2008	0.043	20,625,000	—	20,625,000	0.07	(3)
Continuous contract employee in aggregate	7.3.2008	0.149	128,906,250	—	128,906,250	0.45	(1)
	4.11.2008	0.043	257,812,500	(49,995)	257,762,505	0.90	(4)
Others	7.3.2008	0.149	660,000,000	—	660,000,000	2.29	(2)
	4.11.2008	0.043	484,687,500	—	484,687,500	1.68	(5)
Total for all categories			1,830,468,750	(49,995)	1,830,418,755		

OTHER INFORMATION

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, granted or lapsed.

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

As at 30 June 2010, 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 ordinary 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	5,951,554,891	20.67

OTHER INFORMATION

(ii) 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: 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 2010, through CBC China Media Limited, Mr. TIAN held 5,951,554,891 Shares.

Save as disclosed above, as at 30 June 2010, 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.

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

As at 30 June 2010, the interests and short positions of the following 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:

OTHER INFORMATION

Long positions in ordinary shares of the Company:

Name of Shareholders	Capacity	Nature of interests	Number of shares held	% of total issue share capital of the Company
CBC China Media Limited	Beneficial owner	Beneficial interest	5,951,554,891	20.67
IDG-Accel China Growth Fund II L.P. <i>(Note)</i>	Beneficial owner	Beneficial interest	1,867,288,000	6.48
IDG-Accel China Growth Fund II Associates L.P. <i>(Note)</i>	Interest of controlled corporation	Corporate interest	1,867,288,000	6.48
IDG-Accel China Growth Fund GP II Associated Ltd. <i>(Note)</i>	Interest of controlled corporation	Corporate interest	2,020,000,000	7.02
Patrick J McGovern <i>(Note)</i>	Interest of controlled corporation	Corporate interest	2,020,000,000	7.02
Zhou Quan <i>(Note)</i>	Interest of controlled corporation	Corporate interest	2,020,000,000	7.02

Note: IDG-Accel China Growth Fund II L.P., and IDG-Accel China Investors II L.P. respectively held 1,867,288,000 Shares and 152,712,000 Shares. Patrick J McGovern and Zhou Quan through certain companies, namely IDG-Accel China Growth Fund II Associates Ltd. and IDG-Accel China Growth Fund II Associates L.P., held more than one-third of the issued share capital of IDG-Accel China Growth Fund II L.P., and IDG-Accel China Investors II L.P..

Save as disclosed above, as at 30 June 2010, 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 applied the principles in and complied with the code provisions on the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2010.

OTHER INFORMATION

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 Code on Corporate Governance Practices, 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 have fully complied with the required standard set out in the Model Code throughout the six months ended 30 June 2010.

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 2010 has been reviewed by the Audit Committee.

The Group’s unaudited interim report for the six months ended 30 June 2010 has been reviewed by the Company’s independent auditor.

OTHER CHANGES IN DIRECTORS’ INFORMATION

Other changes in Directors’ information since the date of the 2009 Annual Report are set out below.

1. Mr. ZHANG Changsheng was re-designated as an Executive Director of the Company with effect from 20 July 2010. His annual remuneration was revised to HK\$1,150,000 accordingly.
2. Dr. WONG Yau Kar, David was appointed as Justices of the Peace with effect from 1 July 2010.

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

By Order of the Board
Edward TIAN Suning
Chairman

Hong Kong, 16 August 2010

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

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TO THE BOARD OF DIRECTORS OF
MEDIA CHINA CORPORATION LIMITED
(incorporated in Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 17 to 53, which comprises the condensed consolidated balance sheet of Media China Corporation Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2010 and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

SCOPE OF REVIEW

We conducted our review 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. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 23 August 2010

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT*For the six months ended 30 June 2010*

		Six months ended 30 June	
		2010	2009
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
			(Restated)
			(Note 3)
Continuing operations			
Sales	4	72,585	110,491
Cost of sales		(56,965)	(107,460)
Gross profit		15,620	3,031
Other gains, net	5	6,330	11,028
Marketing and selling expenses		(6,648)	(12,527)
Administrative expenses		(15,886)	(27,649)
Share of profit of an associated company		10,900	15,600
Finance costs	6	(1,125)	(16,815)
Profit/(Loss) before taxation	7	9,191	(27,332)
Taxation	8	266	(6,275)
Profit/(Loss) for the period from continuing operations		9,457	(33,607)
Discontinued operation			
Loss for the period from discontinued operation	9	—	(41,795)
Profit/(Loss) for the period		9,457	(75,402)
Attributable to:			
Equity holders of the Company		9,668	(74,892)
Non-controlling interests		(211)	(510)
		9,457	(75,402)

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT*For the six months ended 30 June 2010*

		Six months ended 30 June	
	Note	2010 (Unaudited) HK Cents	2009 (Unaudited) HK Cents (Restated) (Note 3)
<hr/>			
Earnings/(Loss) per share for profit/(loss) attributable to equity holders of the Company during the period	10		
Basic earnings/(loss) per share			
— From continuing operations		0.035	(0.177)
— From discontinued operation		—	(0.224)
		0.035	(0.401)
<hr/>			
Diluted earnings/(loss) per share			
— From continuing operations		0.034	(0.177)
— From discontinued operation		—	(0.224)
		0.034	(0.401)
<hr/>			

The notes on pages 24 to 53 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 2010***Six months ended 30 June**

	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000 (Restated) (Note 3)
Profit/(Loss) for the period	9,457	(75,402)
Other comprehensive income:		
Currency translation differences	3,560	(1,237)
Other comprehensive income/(loss) for the period, net of tax	3,560	(1,237)
Total comprehensive income/(loss) for the period	13,017	(76,639)
Total comprehensive income/(loss) attributable to:		
Equity holders of the Company	13,219	(76,129)
Non-controlling interests	(202)	(510)
	13,017	(76,639)

The notes on pages 24 to 53 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

At 30 June 2010

	Note	30 June 2010 (Unaudited) HK\$'000	31 December 2009 (Audited) HK\$'000 (Restated) (Note 3)
NON-CURRENT ASSETS			
Property, plant and equipment	12	3,622	3,816
Intangible assets	12	567,474	511,141
Interest in an associated company	13	266,442	253,144
Loan to a jointly controlled entity — non-current	14	63,215	62,634
Deferred tax assets		19,082	18,468
Other non-current assets		1,784	1,852
		921,619	851,055
CURRENTS ASSETS			
Trade receivables	15	86,153	127,882
Amounts due from a jointly controlled entity and its subsidiaries — current	14	26,791	32,495
Prepayments, deposits and other receivables		64,729	40,587
Cash and cash equivalents		535,740	648,072
		713,413	849,036
CURRENT LIABILITIES			
Agency fee payables		124,160	167,117
Trade payables	16	11,224	36,089
Receipt in advance, other payables and accrued liabilities		79,493	92,689
Amount due to an associated company	13	31,172	30,619
Current income tax liabilities		13,391	13,997
		259,440	340,511

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

At 30 June 2010

	Note	30 June 2010 (Unaudited) HK\$'000	31 December 2009 (Audited) HK\$'000 (Restated) (Note 3)
NET CURRENT ASSETS		453,973	508,525
TOTAL ASSETS LESS CURRENT LIABILITIES		1,375,592	1,359,580
NON-CURRENT LIABILITIES			
Convertible notes	17	—	47,875
NET ASSETS		1,375,592	1,311,705
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	17	287,945	277,293
Reserves		1,086,840	1,033,403
		1,374,785	1,310,696
Non-controlling interests		807	1,009
TOTAL EQUITY		1,375,592	1,311,705

The notes on pages 24 to 53 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT*For the six months ended 30 June 2010*

	Note	Six months ended 30 June	
		2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000 (Restated) (Note 3)
Continuing operations:			
Net cash outflow from operating activities		(56,066)	(1,649)
Net cash (outflow)/inflow from investing activities		(52,784)	673
Net cash inflow from financing activities		2	—
Decrease in cash and cash equivalents		(108,848)	(976)
Discontinued operation:			
Decrease in cash and cash equivalents from discontinued operation	9	—	(720)
Cash and cash equivalents at 1 January		648,072	226,894
Exchange difference on cash and cash equivalents		(3,484)	—
Reclassification to assets of disposal group held for sale		—	(61)
Cash and cash equivalents at 30 June		535,740	225,137

The notes on pages 24 to 53 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 2010

	(Unaudited)												
	Attributable to equity holders of the Company											Non-controlling interests HK\$'000 (Restated) (Note 3)	Total HK\$'000 (Restated) (Note 3)
	Share Capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Share option reserve HK\$'000	Equity component of convertible notes HK\$'000	Statutory reserve HK\$'000	Capital redemption reserve HK\$'000	Currency translation reserve HK\$'000	Accumulated losses HK\$'000	Sub total HK\$'000			
Balance at 1 January 2010	277,293	1,247,716	860,640	90,897	56,523	485	1,206	47,230	(1,271,294)	1,310,696	1,009	1,311,705	
Comprehensive income:													
— Profit for the period	—	—	—	—	—	—	—	—	9,668	9,668	(211)	9,457	
Other comprehensive income:													
— Currency translation differences	—	—	—	—	—	—	—	3,551	—	3,551	9	3,560	
Issuance of shares upon conversion of convertible notes	10,652	94,871	—	—	(56,523)	—	—	—	—	49,000	—	49,000	
Issuance of shares upon exercise of share options	—	2	—	—	—	—	—	—	—	2	—	2	
Share-based payments	—	—	—	1,868	—	—	—	—	—	1,868	—	1,868	
Balance at 30 June 2010	287,945	1,342,589	860,640	92,765	—	485	1,206	50,781	(1,261,626)	1,374,785	807	1,375,592	

	(Unaudited)												
	Attributable to equity holders of the Company											Non-controlling interests HK\$'000 (Restated) (Note 3)	Total HK\$'000 (Restated) (Note 3)
	Share Capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Share option reserve HK\$'000	Equity component of convertible notes HK\$'000	Statutory reserve HK\$'000	Capital redemption reserve HK\$'000	Currency translation reserve HK\$'000	Accumulated losses HK\$'000	Sub total HK\$'000			
Balance at 1 January 2009	186,976	916,039	860,640	77,135	56,523	47	1,206	(11,589)	(1,272,239)	814,738	1,016	815,754	
Comprehensive income:													
— Loss for the period	—	—	—	—	—	—	—	—	(74,892)	(74,892)	(510)	(75,402)	
Other comprehensive income:													
— Currency translation differences	—	—	—	—	—	—	—	(1,237)	—	(1,237)	—	(1,237)	
Share-based payments	—	—	—	10,224	—	—	—	—	—	10,224	—	10,224	
Balance 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	

The notes on pages 24 to 53 form an integral part of this condensed consolidated interim financial information.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. General information

Media China Corporation Limited (“the Company”) and its subsidiaries (together, “the Group”) is 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 was 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 is presented in thousand Hong Kong dollars (HK\$’000), unless otherwise stated. This condensed consolidated interim financial information was approved for issue on 16 August 2010.

The condensed consolidated interim financial information has not been audited.

2. Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2010 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 Hong Kong Accounting Standard (“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 2009, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

3. Accounting policies

Except as described below, the accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2009, as described in the annual financial statements for the year ended 31 December 2009.

In prior years, interests in jointly controlled entities (“JCE”) were accounted for using the equity method, which recognized the share of JCE’s post-acquisition profits or losses in the consolidated income statement, and the cumulative post-acquisition movements are adjusted against the carrying amount of the investment stated in the consolidated balance sheet. When the Group’s share of losses in JCE equals or exceeds its interests in the JCE, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the JCE.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

3. Accounting policies *(Continued)*

With effect from 1 January 2010, the Group adopts the proportionate consolidation method as set out in HKAS 31 — “Interests in Joint Ventures” for the recognition of interests in JCE. The Directors of the Company consider that the use of proportionate consolidation method better reflects the substance and economic reality of the Group’s interests in jointly controlled entities and presents more reliable and relevant information of the Group.

Under the proportionate consolidation method, the Group combines its shares of the JCE’s individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the Group’s financial statements. The Group recognizes the portion of gains or losses on the sale of assets by the Group to the JCE that is attributable to the other venturers. The Group does not recognize its share of profits or losses from the JCE that result from the Group’s purchase of assets from the JCE until they re-sells the assets to an independent party. However, a loss on the transaction is recognized immediately if the loss provides evidence of a reduction in the net realizable value of current assets, or an impairment loss.

Although the change in accounting policy does not have any effect on the Group’s net assets as at 31 December 2009 and the Group’s consolidated loss attributable to equity holders of the Company for the period ended 30 June 2009, it would result in certain changes in individual line items of the condensed consolidated interim financial information. The new accounting policy has been applied retrospectively and the comparatives have been restated accordingly.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

3. Accounting policies (Continued)

- (i) Effect on the condensed consolidated interim income statement for the period ended 30 June 2009

	Six months ended 30 June 2009 (As previously reported) HK\$'000	Effect of change in accounting policy HK\$'000	Six months ended 30 June 2009 (As restated) HK\$'000
Continuing operations:			
Sales	108,462	2,029	110,491
Cost of sales	(106,935)	(525)	(107,460)
Gross profit	1,527	1,504	3,031
Other gains, net	17,212	(6,184)	11,028
Marketing and selling expenses	(12,527)	—	(12,527)
Administrative expenses	(26,537)	(1,112)	(27,649)
Share of profits of jointly controlled entities	10,183	(10,183)	—
Share of profit of an associated company	—	15,600	15,600
Finance costs	(16,815)	—	(16,815)
Loss before taxation	(26,957)	(375)	(27,332)
Taxation	(6,275)	—	(6,275)
Loss for the period from continuing operations	(33,232)	(375)	(33,607)
Discontinued operation:			
Loss for the period from discontinued operation	(41,795)	—	(41,795)
Loss for the period	(75,027)	(375)	(75,402)
Attributable to:			
Equity holders of the Company	(74,892)	—	(74,892)
Non-controlling interests	(135)	(375)	(510)
	(75,027)	(375)	(75,402)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

3. Accounting policies (Continued)

- (ii) Effect on the condensed consolidated interim statement of comprehensive income

	Six months ended 30 June 2009 (As previously reported) HK\$'000	Effect of change in accounting policy HK\$'000	Six months ended 30 June 2009 (As restated) HK\$'000
Loss for the period	(75,027)	(375)	(75,402)
Other comprehensive income:			
Currency translation differences	(1,237)	—	(1,237)
Other comprehensive loss for the period, net of tax	(1,237)	—	(1,237)
Total comprehensive loss for the period	(76,264)	(375)	(76,639)
Total comprehensive loss attributable to:			
Equity holders of the company	(76,129)	—	(76,129)
Non-controlling interests	(135)	(375)	(510)
	(76,264)	(375)	(76,639)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

3. Accounting policies (Continued)

(iii) Effect on the condensed consolidated interim balance sheet

	31 December 2009 (As previously reported) HK\$'000	Effect of change in accounting policy HK\$'000	31 December 2009 (As restated) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	3,131	685	3,816
Intangible assets	434,938	76,203	511,141
Interests in jointly controlled entities	264,260	(264,260)	—
Interest in an associated company	—	253,144	253,144
Loan to a jointly controlled entity — non-current	—	62,634	62,634
Deferred tax assets	18,468	—	18,468
Other non-current assets	—	1,852	1,852
	720,797	130,258	851,055
CURRENTS ASSETS			
Trade receivables	129,054	(1,172)	127,882
Amounts due from a jointly controlled entity and its subsidiaries — current	91,300	(58,805)	32,495
Prepayments, deposits and other receivables	26,680	13,907	40,587
Cash and cash equivalents	643,037	5,035	648,072
	890,071	(41,035)	849,036
CURRENT LIABILITIES			
Agency fee payables	167,117	—	167,117
Trade payables	34,811	1,278	36,089
Receipt in advance, other payables and accrued liabilities	36,222	56,467	92,689
Amount due to an associated company	—	30,619	30,619
Current income tax liabilities	13,423	574	13,997
	251,573	88,938	340,511
NET CURRENT ASSETS	638,498	(129,973)	508,525
TOTAL ASSETS LESS CURRENT LIABILITIES	1,359,295	285	1,359,580
NON-CURRENT LIABILITIES			
Convertible notes	47,875	—	47,875
	1,311,420	285	1,311,705
NET ASSETS			
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	277,293	—	277,293
Reserves	1,033,403	—	1,033,403
	1,310,696	—	1,310,696
Non-controlling interests	724	285	1,009
TOTAL EQUITY	1,311,420	285	1,311,705

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

3. Accounting policies (Continued)

HKICPA has published Exposure Draft (“ED”) 9 “Joint Arrangements”, which proposes to eliminate the choice of proportionate consolidation as a method to account for an entity’s investment in a jointly controlled entity. If ED 9 becomes effective, the Group will be required to change its accounting policy for the interests in jointly controlled entities from proportionate consolidation to equity method.

Income tax expense is recognized based on management’s best estimate of the weighted average annual income tax expected for the full financial year.

- (a) New and amended standards and interpretations to existing standards effective in 2010

The Group has adopted the following new and amended standards and interpretations to existing standards (“new HKFRS”) that have been issued and are effective for the Group’s accounting period commencing on 1 January 2010:

- HKFRS 1 (Revised) First-time adoption of HKFRSs
- HKFRS 3 (Revised) Business combinations
- HKAS 27 (Revised) Consolidated and separate financial statements
- HKAS 39 (Amendment) Financial instruments: recognition and measurement — eligible hedged items
- HK(IFRIC) — Int 17 Distributions of non-cash assets to owners
- HK(IFRIC) — Int 18 Transfers of assets from customers
- HKFRS 1 (Amendment) Additional exemptions for first-time adopters
- HKFRS 2 (Amendment) Group cash-settled share-based payment transactions
- HKFRS 5 Non-current assets held for sale and discontinued operations (and consequential amendment to HKFRS 1 “First-time adoption”)
- Various improvements to HKFRS published by the Hong Kong Institute of Certified Public Accountants in May 2009

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

3. Accounting policies (Continued)

HKFRS 3 (Revised) — Business combinations

The revised standard continues to apply the acquisition method to business combinations, with some significant changes. All payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. When a business combination achieved in stages, the acquirer should re-measure its previously held interest in the acquiree at its fair value at the date of control is obtained, recognizing a gain/loss in the income statement. All acquisition-related costs should be expensed.

HKAS 27 (Revised) — Consolidated and separate financial statements

The amendment requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control ("economic entity model"). These transactions will no longer result in goodwill or gains and losses.

When control over a previous subsidiary is lost, any remaining interest in the entity is re-measured to fair value and the resulting gain or loss is recognized in the income statement.

Saved as aforesaid, the adoption of the new HKFRSs did not result in substantial changes to the accounting policies of the Group and had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

3. Accounting policies (Continued)

- (b) New and amended standards and interpretations to existing standards that are not effective and have not been early adopted by the Group

The following new and amended standards and interpretations to existing standards have been issued, but are not effective for the financial year beginning 1 January 2010 and have not been early adopted by the Group:

- | | |
|--|--|
| • HKAS 24 (Revised) | Related party disclosures |
| • HKAS 32 (Amendment) | Classification of rights issue |
| • HKFRS 9 | Financial instruments |
| • Amendment to HKFRS 1 | Limited exemption from comparative HKFRS 7 disclosures for first-time adopters |
| • HK(IFRIC) – Int 19 | Extinguishing financial liabilities with equity instruments |
| • Amendment to HK(IFRIC) 14 | Prepayments of a minimum funding requirement |
| • Various improvements to HKFRS published by the Hong Kong Institute of Certified Public Accountants in May 2010 | |

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.

The management committee has determined that the Group is organized into two main operating segments: (i) television advertising business; and (ii) content production business. The management committee measures the performance of the segments based on their respective segment results.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

4. Segment information (Continued)

The segment results for the six months ended 30 June 2010 are as follows:

	Television advertising HK\$'000	Content production HK\$'000	Total continuing operations HK\$'000	Discontinued operation HK\$'000	Total HK\$'000
Sales	71,344	1,241	72,585	—	72,585
Segment results	15,954	319	16,273	—	16,273
Exchange gain			3,997	—	3,997
Share-based payments			(1,868)	—	(1,868)
Finance costs			(1,125)	—	(1,125)
Unallocated costs, net			(8,086)	—	(8,086)
Profit before taxation			9,191	—	9,191
Taxation			266	—	266
Profit for the period			9,457	—	9,457
Non-controlling interests			211	—	211
Profit attributable to equity holders of the Company			9,668	—	9,668

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

4. Segment information (Continued)

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

	Television advertising HK\$'000 (Restated) (Note 3)	Content production HK\$'000 (Restated) (Note 3)	Others HK\$'000 (Restated) (Note 3)	Total continuing operations HK\$'000 (Restated) (Note 3)	Discontinued operation HK\$'000 (Restated) (Note 3)	Total HK\$'000 (Restated) (Note 3)
Sales	107,740	2,751	—	110,491	155,825	266,316
Segment results	(839)	1,341	8,110	8,612	(24,578)	(15,966)
Interest income on loan to a jointly controlled entity				2,061	—	2,061
Exchange gain				231	—	231
Share-based payments				(10,224)	—	(10,224)
Provision for impairment of intangible assets				—	(21,173)	(21,173)
Finance costs				(16,815)	—	(16,815)
Unallocated costs, net				(11,197)	—	(11,197)
Loss before taxation				(27,332)	(45,751)	(73,083)
Taxation				(6,275)	3,956	(2,319)
Loss for the period				(33,607)	(41,795)	(75,402)
Non-controlling interests				510	—	510
Loss attributable to equity holders of the Company				(33,097)	(41,795)	(74,892)

NOTES TO THE 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 2010				Total HK\$'000
	Television advertising HK\$'000	Content production HK\$'000	continuing operations HK\$'000	Discontinued operation HK\$'000	
Capital expenditures					
— Allocated	823	52,018	52,841	—	52,841
— Unallocated			762	—	762
Depreciation					
— Allocated	201	280	481	—	481
— Unallocated			552	—	552
Amortization	—	365	365	—	365

	Six months ended 30 June 2009				Total HK\$'000 (Restated) (Note 3)
	Television advertising HK\$'000 (Restated) (Note 3)	Content production HK\$'000 (Restated) (Note 3)	continuing operations HK\$'000 (Restated) (Note 3)	Discontinued operation HK\$'000 (Restated) (Note 3)	
Capital expenditures					
— Allocated	61	60	121	5	126
— Unallocated			—	—	—
Depreciation					
— Allocated	330	245	575	36	611
— Unallocated			701	—	701
Amortization	95,257	—	95,257	179,317	274,574

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

4. Segment information (Continued)

The segment assets and liabilities at 30 June 2010 are as follows:

	Television advertising HK\$'000	Content production HK\$'000	Total HK\$'000
Segment assets	174,718	132,010	306,728
Investment in an associated company	266,442	—	266,442
Goodwill	501,300	—	501,300
Amount due from a jointly controlled entity			
— current			26,791
— non-current			63,215
Unallocated assets			470,556
Total assets			1,635,032
Segment liabilities	150,859	92,306	243,165
Unallocated liabilities			16,275
Total liabilities			259,440

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

4. Segment information (Continued)

The segment assets and liabilities at 31 December 2009 are as follows:

	Television advertising HK\$'000 (Restated) (Note 3)	Content production HK\$'000 (Restated) (Note 3)	Total HK\$'000 (Restated) (Note 3)
Segment assets	225,539	96,768	322,307
Investment in an associated company	253,144	—	253,144
Goodwill	496,653	—	496,653
Amount due from a jointly controlled entity			
— current			32,495
— non-current			62,634
Unallocated assets			532,858
Total assets			1,700,091
Segment liabilities	260,695	62,269	322,964
Unallocated liabilities			65,422
Total liabilities			388,386

Segment assets consist primarily of tangible and intangible assets, other non-current assets, receivables and operating cash. They exclude investment in an associated company, loan to a jointly controlled entity, 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 notes and current income tax liabilities.

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

5. Other gains, net

	Six months ended 30 June	
	2010 HK\$'000	2009 HK\$'000 (Restated) (Note 3)
Interest income	5,694	2,852
Fair value gain on financial assets at fair value through profit or loss	198	8,176
Miscellaneous	438	—
	6,330	11,028

6. Finance costs

	Six months ended 30 June	
	2010 HK\$'000	2009 HK\$'000
Notional non-cash interest accretion on:		
— Convertible notes	1,125	1,752
— Pre-agreed periodic payments on exclusive advertising agency right	—	15,063
	1,125	16,815

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

7. Profit/(Loss) before taxation

Profit/(Loss) before taxation is stated after crediting and charging the following:

	Six months ended 30 June	
	2010 HK\$'000	2009 HK\$'000 (Restated) (Note 3)
Crediting:		
Exchange gain	3,997	231
Reversal of provision for doubtful receivable, net	3,815	—
Charging:		
Depreciation	1,033	1,276
Amortization of intangible assets	365	95,257
Loss on disposal of property, plant and equipment	3	—
Staff costs:		
Directors' fees	360	360
Wages and salaries	10,469	10,093
Share-based payments	1,868	10,224
Contributions to defined contribution pension schemes	1,188	511
	13,885	21,188

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

8. Taxation

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profit for 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	
	2010 HK\$'000	2009 HK\$'000
Current income tax		
— Hong Kong profits tax	—	—
— PRC corporate income tax	536	2,094
Deferred income tax	(802)	4,181
Income tax (credit)/expense	(266)	6,275

The taxation on the Group's profit/(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	
	2010 HK\$'000	2009 HK\$'000 (Restated) (Note 3)
Profit/(Loss) before taxation	9,191	(27,332)
Tax calculated at domestic tax rates applicable to profit or loss in the respective regions/countries	1,044	(7,155)
Income not subject to tax	(5,346)	(2,730)
Expenses not deductible for tax purposes	159	367
Utilization of previously unrecognized tax losses	(1,000)	(6)
Unrecognized tax losses	4,877	12,901
Net write-off of deferred tax assets and liabilities	—	2,898
Income tax (credit)/expense	(266)	6,275

The weighted average applicable tax rate was 11.36% (2009: 26.18%).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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 was 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 was considered as a separate major line of business during the period, it was accounted for as a discontinued operation in accordance with HKFRS 5 “Non-Current Assets Held for Sale and Discontinued Operations”. The disposal was completed in year 2009.

- (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	
	2010 HK\$'000	2009 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 equity holders of the Company	—	(41,795)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

9. Discontinued operation (Continued)

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

	Six months ended 30 June	
	2010 HK\$'000	2009 HK\$'000
Net cash outflow from operating activities	—	(715)
Net cash outflow from investing activities	—	(5)
Decrease in cash and cash equivalents	—	(720)

10. Earnings/(Loss) per share

(a) Basic earnings/(loss) per share

Basic earnings/(loss) per share is calculated by dividing the profit/(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	
	2010	2009
Weighted average number of ordinary shares in issue (thousands)	27,911,733	18,697,646
Profit/(Loss) from continuing operations attributable to equity holders of the Company (HK\$'000)	9,668	(33,097)
Basic earnings/(loss) per share from continuing operations attributable to equity holders of the Company (HK cents per share)	0.035	(0.177)
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)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

10. Earnings/(Loss) per share (Continued)

(b) Diluted earnings/(loss) per share

Diluted earnings/(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 2010, the Company has only one category of potential ordinary shares: share options (2009: share options and convertible notes). 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.

	Six months ended 30 June	
	2010	2009
Weighted average number of ordinary shares in issue (thousands)	27,911,733	18,697,646
Adjustments for:		
— share options (thousands)	188,790	—
Weighted average number of ordinary shares for diluted earnings per share (thousands)	28,100,523	18,697,646
Profit/(Loss) from continuing operations attributable to equity holders of the Company (HK\$'000)	9,668	(33,097)
Diluted earnings/(loss) per share from continuing operations attributable to equity holders of the Company (HK cents per share)	0.034	(0.177)
Loss from discontinued operation attributable to equity holders of the Company (HK\$'000)	—	(41,795)
Diluted loss per share from discontinued operation attributable to equity holders of the Company (HK cents per share)	—	(0.224)

NOTES TO THE 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 2010 (2009: nil).

12. Capital expenditure

- (i) Property, plant and equipment

Six months ended 30 June 2010

	HK\$'000
Opening net book amount at 1 January 2010	3,816
Additions for the period	1,674
Depreciation for the period	(958)
Disposals during the period	(941)
Exchange difference	31
Closing net book amount at 30 June 2010	<u>3,622</u>
Six months ended 30 June 2009 (Restated) (Note 3)	
Opening net book amount at 1 January 2009	8,654
Additions for the period — continuing operations	121
Additions for the period — discontinued operation	5
Depreciation for the period — continuing operations	(1,276)
Depreciation for the period — discontinued operation	(36)
Exchange difference	3
Reclassification to assets of disposal group held for sale	(255)
Closing net book amount at 30 June 2009	<u><u>7,216</u></u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

12. Capital expenditure (Continued)

(ii) Intangible assets

Six months ended 30 June 2010	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 at 1 January 2010	496,653	—	13,579	909	—	511,141	—
Addition for the period	—	—	—	51,929	—	51,929	—
Amortization for the period	—	—	(365)	—	—	(365)	—
Exchange difference	4,647	—	114	8	—	4,769	—
Closing net book amount at 30 June 2010	501,300	—	13,328	52,846	—	567,474	—
At 30 June 2010							
Cost	501,300	—	97,714	66,578	—	665,592	—
Accumulated amortization and impairment	—	—	(84,386)	(13,732)	—	(98,118)	—
Net book amount	501,300	—	13,328	52,846	—	567,474	—

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

12. Capital expenditure (Continued)

(ii) Intangible assets (Continued)

Six months ended 30 June 2009	Non-current assets					Current assets	
	Goodwill HK\$'000 (Restated) (Note 3)	Exclusive advertising agency right HK\$'000 (Restated) (Note 3)	Programme and film rights HK\$'000 (Restated) (Note 3)	Programme and films production in progress HK\$'000 (Restated) (Note 3)	Others HK\$'000 (Restated) (Note 3)	Total HK\$'000 (Restated) (Note 3)	Exclusive advertising agency right HK\$'000 (Restated) (Note 3)
Opening net book amount at 1 January 2009	466,405	569,427	14,243	3,855	333	1,054,263	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	(80)	212	(6)	2	—	128	655
Reclassification to assets of disposal group held for sale	(24,813)	—	—	—	—	(24,813)	(207,180)
Closing net book amount at 30 June 2009	436,408	474,715	14,237	3,857	—	929,217	—
At 30 June 2009							
Cost	436,408	1,139,317	91,178	17,447	1,284	1,685,634	—
Accumulated amortization and impairment	—	(664,602)	(76,941)	(13,590)	(1,284)	(756,417)	—
Net book amount	436,408	474,715	14,237	3,857	—	929,217	—

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

13. Interest in an associated company

	30 June 2010 HK\$'000	31 December 2009 HK\$'000
Share of net assets of an associated company	132,635	120,567
Goodwill	133,807	132,577
	266,442	253,144

The amount due to an associated company is unsecured, non-interest bearing and repayable on demand.

The particulars of the associated company as at 30 June 2010 are as follows:

Name	Place of incorporation and kind of legal entity	Registered capital	Interest held indirectly	Principal activities and place of operation
Hai Nan Haishi Travel Satellite TV Media Co., Ltd. (*)	The PRC, limited liability company	RMB115,963,100	49%	Production of television programmes (other than news) for the Travel Channel in the PRC

(*) The name of the company referred to above represent management's best effort in translating the Chinese name of the company as no English names for that company has been registered.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

13. Interest in an associated company (Continued)

The results and financial position of the associated company at 30 June 2010 were as follows:

	30 June 2010 HK\$'000	31 December 2009 HK\$'000
Assets:		
Non-current assets	122,361	124,833
Current assets	298,073	261,371
	420,434	386,204
Liabilities:		
Current liabilities	(59,522)	(58,132)
Net assets	360,912	328,072
	Six months ended 30 June	
	2010 HK\$'000	2009 HK\$'000
Sales	99,608	101,205
Cost of sales	(50,569)	(39,324)
Gross profit	49,039	61,881
Other gains, net	3,098	2,490
Marketing and selling expenses	(4,081)	(7,995)
Administrative expenses	(7,984)	(3,314)
Profit before taxation	40,072	53,062
Taxation	(10,413)	(10,612)
Profit for the period	29,659	42,450

There are no contingent liabilities and commitments relating to the Group's interests in the associated company, and no contingent liabilities and commitments of the associated company themselves.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

14. Amounts due from a jointly controlled entity and its subsidiaries

	30 June 2010 HK\$'000	31 December 2009 HK\$'000 (Note 3)
Loan to a jointly controlled entity — non-current	63,215	62,634
Amount due from a jointly controlled entity and its subsidiaries — current	26,791	32,495
	90,006	95,129

As at 30 June 2010 and 31 December 2009, 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 particulars of the jointly controlled entity and its subsidiaries as at 30 June 2010 are as follows:

Name	Place of incorporation and kind of legal entity	Registered capital	Interest held indirectly	Principal activities and place of operation
Hainan Hailu Advertising Limited Liability Company (*)	The PRC, limited liability company	RMB1,000,000	50%	Advertising agency, design and production
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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

14. 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

(*) 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 "administrative expenses" on the condensed consolidated interim income statement.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

15. Trade receivables

At 30 June 2010, the aging analysis of the trade receivables were as follows:

	30 June 2010 HK\$'000	31 December 2009 HK\$'000 (Restated) (Note 3)
0 — 3 months	70,422	120,516
4 — 6 months	6,983	6,148
Over 6 months	10,044	1,218
	87,449	127,882
Provision for doubtful receivables	(1,296)	—
	86,153	127,882

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

16. Trade payables

At 30 June 2010, the aging analysis of the trade payables were as follows:

	30 June 2010 HK\$'000	31 December 2009 HK\$'000 (Restated) (Note 3)
0 — 3 months	8,205	21,670
4 — 6 months	1,729	6,743
Over 6 months	1,290	7,676
	11,224	36,089

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

17. Share capital

	Ordinary shares of HK\$0.01 each		Preference shares of HK\$0.01 each		Total
	No. of shares '000	HK\$'000	No. of shares '000	HK\$'000	HK\$'000
Authorized:					
At 30 June 2010	60,000,000	600,000	240,760	2,408	602,408
At 31 December 2009	30,000,000	300,000	240,760	2,408	302,408
Issued and fully paid:					
At 1 January 2010	27,729,263	277,293	—	—	277,293
Issue of shares upon conversion of convertible notes	1,065,217	10,652	—	—	10,652
Issue of shares upon exercise of share options	50	—	—	—	—
At 30 June 2010	28,794,530	287,945	—	—	287,945
At 1 January 2009 and 30 June 2009	18,697,646	186,976	—	—	186,976

Convertible Note

During the period, all of the remaining Second Tranche Convertible Note has been converted into 1,065,217,391 ordinary shares of the Company at a conversion price of HK\$0.046 per share. There was no outstanding convertible note as at 30 June 2010.

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

17. Share capital (Continued)

Share Option (Continued)

Subscription price in relation to each option pursuant to the Option Scheme shall not be less than the higher of (i) the closing price of the shares as stated in Stock Exchange's daily quotation sheets on the date on which the option is offered to a Qualified Person; or (ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the 5 trading days immediately preceding the date of offer; or (iii) the nominal value of the shares of the Company. There shall be no minimum holding period for the vesting or exercise of the options and the options are exercisable within the option period as determined by the Board of Directors of the Company. During the period, share-based payment expense of approximately HK\$1,868,000 is charged to the condensed consolidated interim income statement (2009: HK\$10,224,000).

Movement of share options during the current and prior period is as follows:

Tranche	Date of share options granted	Number of share options				Exercise Price (adjusted) HK\$	Vesting date	Expiry date	
		Outstanding as at 1 January 2010	Granted during the period	Exercised during the period	Outstanding as at 30 June 2010				Exercisable as at 30 June 2010
1	7 March 2008	788,906,250	—	—	788,906,250	473,343,750	0.149	From 1 April 2008 to 1 March 2011	31 December 2012
2	5 May 2008	134,062,500	—	—	134,062,500	134,062,500	0.130	From 1 April 2009	31 December 2015
3	4 November 2008	907,500,000	—	(49,995)	907,450,005	804,325,005	0.043	From 8 March 2009 to 8 March 2011	31 December 2015
		1,830,468,750	—	(49,995)	1,830,418,755	1,411,731,255			

Tranche	Date of share options granted	Number of share options				Exercise Price HK\$	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	159,000,000	0.154	From 1 April 2008 to 1 March 2011	31 December 2012
2	5 May 2008	130,000,000	—	—	130,000,000	130,000,000	0.134	From 1 April 2009	31 December 2015
3	4 November 2008	880,000,000	—	—	880,000,000	680,000,000	0.044	From 8 March 2009 to 8 March 2011	31 December 2015
		1,808,000,000	—	(3,000,000)	1,805,000,000	969,900,000			

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

18. Commitments

At 30 June 2010, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Land and buildings	
	30 June 2010	31 December 2009
	HK\$'000	HK\$'000
Not later than one year	4,146	6,199
Later than one year and not later than five years	4,788	6,636
	8,934	12,835

19. Related party transactions

Saved as disclosed elsewhere in this condensed consolidated interim financial information, the Group has entered into the following significant transactions with related parties during the period:

	Six months ended 30 June	
	2010	2009
	HK\$'000	HK\$'000 (Restated) (Note 3)
Interest income from a jointly controlled entity	—	2,061
Consulting fee and advertising production fee charged by a jointly controlled entity	—	(2,019)

All the transactions with related parties were entered into in accordance with terms agreed by related parties.

CORPORATE INFORMATION

BOARD OF DIRECTORS

CHAIRMAN

Mr. Edward TIAN Suning
(Non-executive Director)

VICE CHAIRMAN

Mr. Hugo SHONG
(Non-executive Director)

EXECUTIVE DIRECTORS

Mr. ZHANG Changsheng
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

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