2010 Annual Report

mediachina

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)

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Chairman

Mr. YUEN Hoi Po *(Executive Director)*

Vice Chairman

Mr. Hugo SHONG *(Non-executive Director)*

Executive Directors

Mr. ZHANG Changsheng
Mr. WANG Hong

Non-Executive Director

Mr. Edward TIAN Suning

Independent Non-Executive Directors

Mr. JIANG Jianning
Prof. WEI Xin
Dr. WONG Yau Kar, David, JP
Mr. YUEN Kin

COMPANY SECRETARY

Mr. HAU Wai Man, Raymond

QUALIFIED ACCOUNTANT

Mr. HAU Wai Man, Raymond

INDEPENDENT AUDITOR

PricewaterhouseCoopers
Certified Public Accountants

PRINCIPAL BANKERS

Hang Seng Bank
China Minseng Bank

SOLICITORS

Woo Kwan Lee & Lo
Fred Kan & Co

REGISTERED OFFICE

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

PRINCIPAL OFFICE IN HONG KONG

Suite 3503, 35/F
Tower Two, Lippo Centre
89 Queensway
Hong Kong

SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Tengis Limited
26/F, Tesbury Centre
28 Queen's Road East
Wanchai, Hong Kong

WEBSITE

www.mediachina-corp.com

CHAIRMAN'S STATEMENT

I am pleased to present the annual results of Media China Corporation Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2010.

In year 2010, the Company restructured its Board of Directors (the "Board") and introduced new members, including myself, into it. The new Board adjusted the overall strategy of the Group. While proceeding with our media business, we also stepped up efforts to expand into the culture and tourism business. As the Chinese government is vigorously developing the culture and tourism industry, we are in a better position to capture opportunities that may arise in the market and to diversify our business portfolio.

The Travel Channel's revenue from advertising sales grew by approximately 15% year-on-year to over RMB260 million for the year, and accounts for a substantial part of the Group's sales revenue in 2010. As the competition in the television advertising market in the PRC is very intense, the Board believes that we shall diversify our sources of revenue other than the Travel Channel operation. By late 2010, we have obtained a three-year exclusive right to operate the advertising business for certain sectors at Beijing Railway Station and Beijing West Railway Station. Management believes that as the national railway system and high-speed railway networks are rapidly growing, this project will have great potential after the restructuring of related advertising resources. On the content production business, we continued to invest in the production of high quality movies and TV dramas, including the "Snow Flower and Secret Fan", which featured famous Korean actress Jeon Ji-Hyun and domestic pop-star Li Bingbing, and the "Love of the Hawthorn Tree" directed by Zhang Yimou. The later was not only very popular, but also generated satisfactory box office results.

In February this year, the Group proposed to acquire the "Bayhood No.9 Club" in Beijing, aiming at forging it as a flagship leisure and tourism project and extending our business portfolio. The Chinese economy has been growing robustly in recent years, creating tremendous business opportunities for leisure and tourism sector. We expect to build "Bayhood No.9 Club" as a platform and work with other business partners to expand the tourism business in Beijing and other cities throughout China. According to the Twelfth Five-Year-Plan, Chinese government will proactively promote the commercialization, internationalization and modernization of the tourism industry. The tourism revenue in China is expected to grow by a compound annual growth rate of 12% over the next five years. We firmly believe that the extension of our business portfolio to leisure and tourism sector will help us better address the significant business opportunities arising from the fast expansion of the culture and tourism industry in China.

CHAIRMAN'S STATEMENT

I am very grateful for the long-term trust and support from our investors, business partners, and the dedicated efforts from our employees. We will continue to monitor the recent development of the market and identify proper opportunities to extend our business for a sustainable growth, so that we will be able to maximize the investment return and value for our shareholders.

Yuen Hoi Po
Chairman

Hong Kong, 21 March 2011

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS

Financial Performance

Major financial indicators for the twelve months ended 31 December 2010 are summarized in the table below:

	2010	2009
	HK$'000	*HK$'000*
From continuing operations:		
Total sales revenue	**171,308**	284,058
Gross profit	**54,364**	102,681
(Loss)/profit before taxation	**(478,854)**	66,415
(Loss)/profit for the year	**(483,667)**	65,994
Loss from discontinued operation	**—**	(64,618)
(Loss)/profit for the year	**(483,667)**	1,376

The Group recorded revenue of HK$171,308,000, down 40% from 2009 mainly because a new joint venture formed by the Company and Hainan Television Broadcasting Station ("Hainan TV") became the exclusive advertising agent for the Travel Channel effective from 1 January 2010. As both parties held about 50% economic interest each in the advertising business of the Travel Channel, the Group would only recognize 50% of revenue arising from the Travel Channel from 2010 onwards according to the proportionate consolidation accounting method. As a result, its sales revenue dropped when compared to 2009. In fact, the Travel Channel recorded advertising revenue of over RMB260 million in 2010, an increase of 15% from the preceding year.

After taking into account the following factors, among others, into consideration, management has adjusted downwards the projected annual net cash inflow during the next five-year period for our advertising business:

— the year-on-year growth of sales from the advertising business slowed down during the second half of 2010 comparing to the first half of 2010;

— the marketing and selling expenses in relation to advertising sales and costs of programme production has been increasing since the second half of 2010, and such rising trend is expected to continue in the near future;

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS *(Continued)*

Financial Performance *(Continued)*

— the market competition in the advertising market in the PRC is still very intense; and

— the proposed disposal of Sinofocus Media (Holdings) Limited and its subsidiaries which engaged in advertising agency and media resources procurement business

Taking into account the adjustments on the cash flow projection as mentioned above and the upward adjustments on the discount rate applicable, the impairment tests on goodwill resulted in an impairment loss of approximately HK$470,444,000 (2009: nil). This non-cash impairment charge accounts for substantial part of the Group's loss for the year.

The Group has been looking for opportunities to diversify its business portfolio. In September 2010, it acquired a 50% interest in certain office units and retail facilities at Shenzhen Tian An International Building. The rental income and management fees income from these leased properties will generate a stable stream of income to the Group.

Market Review

China's GDP for 2010 substantially grew by 10.3% from the previous year. Underpinned by robust economic growth, income from domestic advertising industry soared 13% year-on-year during the year, with TV advertising income increased by 11% from 2009. According to the 2010 report by CVSC-TNS Research, TV remained advertisers' most preferred channel for advertising. About 76% of advertising expenditures were put on TV advertisements.

The country's cultural industry also experienced phenomenal growth last year on the back of rising per-capita income and the government's enhanced efforts to promote the development of the sector. It contributed more than 5% to the GDP of a number of major municipalities and provinces, such as Beijing, Shanghai and Guangdong Province. Besides, the film industry saw a huge box-office success last year. According to The State Administration of Radio, Film and Television, income of China's film industry topped RMB10.1 billion, a significant increase of 64% over 2009.

Business Review

	Sales revenues		**Segment results**	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Continuing operations:				
Advertising	**161,340**	274,410	**13,957**	69,442
Content production	**4,787**	9,648	**(8,604)**	(7,732)
Properties investment	**5,181**	—	**1,974**	—
Others	**—**	—	**—**	8,388
Total	**171,308**	284,058	**7,327**	70,098

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS *(Continued)*

Business Review *(Continued)*

Advertising business

The Group's advertising business derived most of its revenue from the provision of media resources procurement services to international advertising agencies and direct customers, as well as from acting as an exclusive advertising agency for the Travel Channel through a joint venture formed with Hainan TV. The advertising business arising from the Travel Channel remained the key contributor to the Group's revenue.

Tourist service operators as well as mid- and high-end consumer products and services providers are major target advertisers of the Travel Channel. As domestic retail sector expanded remarkably last year, retail sales of various mid- and high-end consumer products grew by a double-digit figure while income of tourism industry grew by more than 20% over 2009. As a result, the Group saw satisfactory growth in advertising income from the tourism sector, auto sector and electronic consumer product sector. However, as mentioned in preceding paragraphs, after taking into account the fierce competition in the market, the ever increasing content production cost and the upward adjustment on the discount rate applicable, the Group has revised its future cash flow projection for its advertising business. This has resulted in a non-cash goodwill impairment charge of HK$470,444,000 during the year.

In order to focus resources on the development of core business and to accelerate recovery of working capital, management decided to dispose of the media resources procurement operation of Sinofocus Media Group in November 2010 at a consideration of HK$82 million. The proceeds would be used for the development of other businesses with greater potential. Meanwhile, in late 2010, the Group has obtained a three-year exclusive right to operate the advertising business for certain sectors at Beijing Railway Station and Beijing West Railway Station. Beijing is a national transportation hub and provides plenty room for media advertising growth. The national railway system and the national express rail network are also developing rapidly. After proper investment in and restructuring of advertising resources, management believes that this business will experience robust growth and help to further diversify the Group's income sources.

Content production business

The Group invested more than HK$60 million in content production business in year 2010. "The Love of the Hawthorn Tree" directed by Zhang Yi-mou was rolled out in the second half of last year. Featuring pure love, the film was widely acclaimed in the market and produced satisfactory box-office receipts. Meanwhile, the production of "Snow Flower and the Secret Fan", which stars Korean famous actress Jun Ji-hyun and China's pop-star Li Bingbing, is in full swing. Management expects both of the aforementioned movies and other TV programs will bring in returns in year 2011.

Properties investment

In September 2010, the Group acquired a 50% interest in certain office units and retail facilities at Shenzhen Tian An International Building and a 50% interest in the management company of this building for a consideration of HK$280 million. Shenzhen Tian An International Building is located in Renmin South Road, Luohu District, Shenzhen and total floor areas acquired amounted to approximately 31,700m^2. Most of the said office units and retail facilities have been leased to third parties.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS *(Continued)*

Business Outlook

Looking ahead into 2011, media and advertising markets in China will continue to grow at a rapid pace. While delivering the 2011 government work report, Premier Wen Jiabao stressed that service industry will be promoted to boost cultural and tourism expenditures. According to the "Guidelines of the Plan for the Promotion of Tourism Industry Development" issued by the State Council, tourism is one of the strategic pillar industries in the development of the nation's economy. Annual revenue of the tourism industry is projected to grow by 12% from 2011 to 2015, which shows PRC's strong commitment to develop the tourism industry. The management believes these policies will provide a sound business environment for the media and tourism industries, which is beneficial to the Travel Channel's operation.

According to statistics from the National Bureau of Statistics, GDP per capita of PRC has maintained rapid growth in recent years, rising from approximately RMB16,000 in 2006 to approximately RMB25,000 in 2009. As the income of Chinese households increase, the travel patterns of domestic tourists have changed from sightseeing to leisure travelling, which have created new business opportunities in the tourism sector. Leverage opportunities brought from the rapid growth of the industry, the Group proposed in February 2011 to conditionally acquire Beijing "Bayhood No. 9 club". The Group plans to expand into recreational and tourism-related businesses through this flagship project. "Bayhood No. 9 Club", located near the city center of Beijing, is a membership-based luxury club which comprises of business hotel facilities, an 18-hole golf course, driving range facilities, theme restaurants and cafes, spa facilities, retail shops, and the first PGA branded and managed golf academy in Asia. It focuses on the high-net-worth sector who are able to afford leisure and recreational travelling. The management believes that the acquisition of "Bayhood No. 9 Club" will establish a solid foundation for the Group to seize considerable opportunities in the leisure travelling business. As of the date of this annual report, the acquisition is not yet completed.

FINANCIAL REVIEW

Sales revenue for the year ended 31 December 2010 amounted to HK$171,308,000, being a 40% decrease comparing to the prior year. The Group has adopted proportionate consolidation method to account for the operations of the Travel Channel during the year and only 50% of the Travel Channel's advertising revenue during the year has been included in the Group's sales revenue. In fact, Travel Channel's advertising revenue for the year increased by 15% comparing to the prior year. The 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 average 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 year, cost of sales for the year decreased by 36% comparing to the prior year.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW *(Continued)*

Other income and other gains/(losses), net for the year mainly comprised bank interest income, fair value gain/(loss) on financial assets at fair value through profit or loss, negative goodwill and exchange gain. The significant decrease in other gains, net is mainly because there was a one-off gain on disposal of exclusive advertising agency right of HK$66,290,000 in the prior year (please refer to note 16 to the consolidated financial statements for details), offsetted by an increase of exchange gain from HK$806,000 in the prior year to HK$15,963,000 in the current year.

Marketing and selling expenses mainly attributed to the advertising segment. As the Group only accounts for 50% of marketing and selling expenses in relation to Travel Channel operation during the year, marketing and selling expenses for the year decreased by 19% comparing to the prior year although the Travel Channel's advertising revenue grew by 15% year-on-year.

Administrative expenses for the year amounted to HK$76,660,000 (2009: HK$61,677,000), being a 24% increase comparing to the prior year. This was mainly because there was a provision for impairment of trade and other receivables of HK$10,219,000 included in the administrative expenses in the current year, while in prior year there was a write back of such provision of HK$3,359,000. Excluding this, the remaining administrative expenses for the year in fact just slightly increased to HK$66,441,000 (2009: HK$65,036,000) or by 2% comparing to the prior year.

For details of the provision for impairment of intangible assets for the year, please refer to note 16 to the consolidated financial statements.

Share of profit of an associated company, which mainly represents the share of profit of Hainan Haishi, the operating entity of the Travel Channel, increased to HK$6,931,000 (2009: HK$3,335,000) or by 108% during the year. Management considered that the 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 year, which mainly represents notional non-cash interest accretion on convertible notes, reduced to HK$1,125,000 (2009: HK$31,291,000) or by 96% comparing to the prior year. The significant decrease is because there was no notional interest expense on exclusive advertising agency right during the year upon the termination of the relevant agreement by end of year 2009.

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 31 December 2010, the Group held cash and cash equivalents of approximately HK$236,678,000, being a 63% decrease comparing to the balance as at 31 December 2009.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND CAPITAL RESOURCES *(Continued)*

Liquidity and Treasury Management *(Continued)*

The Group was at net current asset position of HK$135,200,000 as at 31 December 2010 (2009: HK$508,525,000). The current ratio, representing the total current assets to the total current liabilities, decreased from 2.49 as at 31 December 2009 to 1.35 as at 31 December 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 31 December 2010. The Group had no outstanding borrowing as at 31 December 2010.

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 31 December 2010, the Group had no outstanding borrowing.

During the year, 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 31 December 2010, none of our assets was pledged and we did not have any material contingent liabilities or guarantees.

HUMAN RESOURCES

As at 31 December 2010, the Group employed a total of approximately 70 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.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The board of directors of the Company (the "Board") is committed in achieving high standards of corporate governance. The Board has reviewed the Group's corporate governance practices and is satisfied that the Company has applied the principles in and complied with the code provisions on the Code on Corporate Governance Practices (the "CG Code") set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") throughout the year ended 31 December 2010 except the code provision E.1.2 of the CG Code, the Chairman should attend the annual general meeting. Mr. Edward TIAN Suning, due to other business engagement, did not attend the annual general meeting of the Company held on 25 May 2010 while he was Chairman of the Company.

BOARD OF DIRECTORS

The Board comprises nine directors of the Company ("Directors"). The Board members as at the date of this annual report were:

Mr. YUEN Hoi Po	*(Chairman and Executive Director)*
Mr. Hugo SHONG	*(Vice Chairman and Non-executive Director)*
Mr. ZHANG Changsheng	*(Executive Director)*
Mr. WANG Hong	*(Executive Director)*
Mr. Edward TIAN Suning	*(Non-executive Director)*
Mr. JIANG Jianning	*(Independent Non-executive Director)*
Prof. WEI Xin	*(Independent Non-executive Director)*
Dr. WONG Yau Kar, David, JP	*(Independent Non-executive Director)*
Mr. YUEN Kin	*(Independent Non-executive Director)*

The Board is responsible for establishing the Group's corporate policy and strategic direction; setting business objectives and development plans; monitoring financial performance, internal controls and the performance of the senior management and ensuring that the Company complies with all applicable laws and regulations. The Board delegates day-to-day operations of the Group to the management. The management is responsible for implementing these strategies and plans.

The Board meets regularly, and at least four times a year. Between scheduled meetings, senior management of the Group provides to Directors information on a timely basis on the activities and development in the businesses of the Group and when required, additional Board meetings are held. In addition, Directors have full access to information on the Group and independent professional advice whenever deemed necessary by the Directors.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS *(Continued)*

During the year, the Board held a total of eight meetings, two of them were convened by way of written resolutions. Details of Directors' attendance record of these meetings during the year are as follows:

Directors	Attendance
Mr. YUEN Hoi Po (appointed on 30 August 2010)	4/4
Mr. Hugo SHONG	7/8
Mr. ZHANG Changsheng	8/8
Mr. WANG Hong (appointed on 30 August 2010)	4/4
Mr. Edward TIAN Suning	7/8
Mr. JIANG Jianning	7/8
Prof. WEI Xin (appointed on 26 October 2010)	2/2
Dr. WONG Yau Kar, David, JP	7/8
Mr. YUEN Kin	8/8
Mr. ZHAO Anjian (resigned on 30 August 2010)	4/4
Mr. LI Ruigang (resigned on 26 October 2010)	4/5

Each of the Director's biographical information is given on pages 21 to 25 of this Annual Report.

To the best knowledge of the Company, there is no financial, business, family or other material/relevant relationship among the Directors.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles and responsibilities of the Chairman and the chief executive officer (the "CEO") of the Company are segregated and performed by Mr. YUEN Hoi Po and Mr. WANG Hong respectively.

The Chairman is responsible for providing leadership to, and overseeing, the functioning of the Board to ensure that the Board acts in the best interests for the Group so that Board meetings are planned and conducted effectively. The Chairman is primarily responsible for approving the agenda for each Board meeting, taking into account, where appropriate, matters proposed by other Directors for inclusion in the agenda. With the support of the Executive Directors and the Company Secretary, the Chairman seeks to ensure that all Directors are properly briefed on issues arising at Board meetings and receive adequate and reliable information in a timely manner. The Chairman also actively encourages Directors to be fully engaged in the Board's affair and make contribution to the Board's functions. The Board has taken appropriate steps to ensure effective communication with shareholders.

CORPORATE GOVERNANCE REPORT

CHAIRMAN AND CHIEF EXECUTIVE OFFICER *(Continued)*

The CEO is responsible for managing the businesses of the Group, attending to the formulation and implementation of group policies and assuming full accountability to the Board for all group operations. Acting as the principal manager of the Group's businesses, the CEO develops strategic operating plans that reflect the long term objectives and priorities established by the Board and is directly responsible for maintaining the operational performance of the Group. Working with the senior management and the Board, the CEO ensures that the funding requirements of the businesses are met and closely monitors the operating and financial results against plans and budgets, taking remedial actions when necessary and advising the Board of significant developments and issues. Ongoing dialogue are maintained with the Chairman and all Directors to keep them fully informed of all major business development and issues.

NON-EXECUTIVE DIRECTORS

The Company has two Non-executive Directors and four Independent Non-executive Directors who are not involved in the day-to-day operation and management of the Group's business.

Each of the Non-executive Directors and Independent Non-executive Directors has entered into service contract with the Company pursuant to which each of them is appointed for service with the Company for a term of three years. Their terms of appointment shall be subject to the rotational retirement provision of the Company's Articles of Association.

Pursuant to the requirement in the Listing Rules, the Company has received a written confirmation from each Independent Non-executive Director of his independence to the Company. Based on such written confirmation, the Company considers that they are independent.

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") set out in Appendix 10 to the Listing Rules. The Code of Conduct applies to all the relevant persons as defined in the CG 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 have fully complied with the required standard set out in the Model Code throughout the year of 2010.

CORPORATE GOVERNANCE REPORT

COMPANY SECRETARY

The Company Secretary is responsible to assist the Chairman to prepare agendas for meeting and to prepare and disseminate Board papers to the Directors and Board Committees in a timely and comprehensive manner.

The Company Secretary is responsible for ensuring that the Board is fully briefed on all legislative, regulatory and corporate governance developments. The Company Secretary is also directly responsible for the Group's compliance with the continuing obligations of the Listing Rules and Codes on Takeovers and Mergers and Share Repurchases, including publication and dissemination of financial statements, announcements, and information relating to the Group within the period specified in the Listing Rules.

The Company Secretary also advises the Directors on their obligations for disclosure of interests in securities, connected transactions and price-sensitive information and ensure that the standards and disclosures required by the Listing Rules are observed and followed.

With respect to the secretarial function of the Group, the Company Secretary maintains formal minutes for Board and committees meetings.

BOARD COMMITTEES

The Board has established a total of four board committees, details of which are set out below:

Strategy Committee

On 11 January 2008, the Board has established a Strategy Committee to formulate the business strategy for the Group. The Strategy Committee currently comprises Mr. JIANG Jianning (Chairman), Mr. YUEN Hoi Po and Mr. ZHANG Changsheng.

Executive Committee

On 16 August 2010, the Board has established an Executive Committee. The Executive Committee is currently chaired by Mr. YUEN Hoi Po and the other member of the committee is Mr. ZHANG Changsheng. The Executive Committee was established for the purpose of improving the efficiency of the Board's operation and shorten any operations-related decision making processes, as sometimes it may be practically difficult to convene a full board meeting or to arrange all the directors to sign a written resolution in a timely manner.

During the year, the Executive Committee held a total of five meetings. All the matters considered and decided by the Executive Committee at the committee meetings had been recorded in details by minutes and reported to the Board at the upcoming board meeting.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES *(Continued)*

Remuneration Committee

As at the date of this annual report, the Remuneration Committee comprises four members with expertise in human resources and personnel emoluments. The Remuneration Committee is currently chaired by Mr. YUEN Hoi Po and the other members of the Committee are Mr. JIANG Jianning, Dr. WONG Yau Kar, David, JP and Mr. YUEN Kin. The Remuneration Committee meets for the determination of the remuneration packages of Directors and senior management of the Group. The remuneration packages are determined with reference to the Company's remuneration policy, remuneration benchmark in the industry and prevailing market conditions. In addition, the Remuneration Committee also meets as and when required to consider remuneration related matters.

The responsibilities of the Remuneration Committee are to assist the Board in achieving its objective of attracting, retaining and motivating people of the highest caliber and experience needed to shape and execute strategy across the Group's operations. The Committee will assist the Group in the administration of the fair and transparent procedure for setting policies on the remuneration of Directors and senior management of the Group and for determining their remuneration packages. Terms of reference of the Committee which have been adopted by the Board are available on the Group's website.

During the year, the Remuneration Committee held a total of four meetings (three of them were convened by way of written resolutions) to determine the remuneration package for the Independent Non-executive Directors, Executive Directors and senior management. Details of attendance record of members in these meetings during the year are as follows:

Members	Attendance
Mr. YUEN Hoi Po *(Chairman of Remuneration Committee)* (appointed on 30 August 2010)	2/2
Mr. JIANG Jianning	4/4
Dr. WONG Yau Kar, David, JP	4/4
Mr. YUEN Kin	4/4
Mr. Edward TIAN Suning (ceased to be a member on 30 August 2010)	2/2

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES *(Continued)*

Audit Committee

As at the date of this annual report, the Audit Committee comprises three Independent Non-executive Directors who possess the appropriate business and financial experience and skills to understand financial statements. The Audit Committee is chaired by Mr. YUEN Kin and the other members of the Committee are Dr. WONG Yau Kar, David, JP and Prof. WEI Xin.

Amongst other things, the Audit Committee is primarily responsible for the following:

1. Making recommendation to the Board on the appointment, reappointment and removal of the external auditor;

2. Reviewing and monitoring the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standard;

3. Monitoring the integrity of financial statements of the Company and the Company's annual report and accounts, interim report and to review significant financial reporting judgments contained in them;

4. Reviewing the scope, extent and effectiveness of the Group's internal control system.

During the year, the Audit Committee held a total of three meetings for the purposes of meeting the abovementioned responsibilities. Details of attendance record of members in these meetings during the year are as follows:

Members	Attendance
Mr. YUEN Kin *(Chairman of Audit Committee)*	3/3
Prof. WEI Xin (appointed on 26 October 2010)	N/A*
Dr. WONG Yau Kar, David, JP	3/3
Mr. LI Ruigang (ceased to be a member on 26 October 2010)	2/3

* No meeting was held from the date of his appointment to 31 December 2010.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES *(Continued)*

Audit Committee *(Continued)*

Financial Statements

The Audit Committee meets and holds discussions with the Executive Directors and other senior management of the Group on the interim results, preliminary results announcement and Annual Report. The Audit Committee reviews and discusses the management's report and representations with a view to ensure that the Group's consolidated financial statements are prepared in accordance with accounting principles generally accepted in Hong Kong. It also considers reports from the Group's principal external auditor, PricewaterhouseCoopers ("PwC"), on the scope and outcome of their annual audit of the consolidated financial statements.

External Auditors

The Audit Committee receives each year a letter from PwC confirming their independence and objectivity and holds meetings with PwC to discuss the scope of their audit.

The Audit Committee also makes recommendations to the Board on the appointment and retention of the external auditors.

There is no disagreement between the Board and the Audit Committee on the selection, appointment, resignation or dismissal of the external auditors.

The Group's policy regarding the engagement of PwC for the various services listed below is as follows:

— Audit and review service — includes audit and review services provided in connection with the audit and review of the consolidated financial statements and condensed consolidated financial information. All such services are to be provided by external auditors.

— Audit related services — includes services that would normally be provided by an external auditors but not generally included in audit fees, for example, due diligence and accounting advice related to mergers and acquisitions, internal control reviews of systems and/or processes, and issuance of special audit report for tax or other purposes. The external auditors are to be invited to undertake these services that they must or are best placed to undertake in their capacity as auditors.

— Tax related services — includes all tax compliance and tax planning services, except for those services which are provided in connection with the audit. The Group uses the services of the external auditors where they are best suited. All other significant taxation related work is undertaken by other parties as appropriate.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES *(Continued)*

Audit Committee *(Continued)*

External Auditors *(Continued)*

— Other services — includes, for example, audits or reviews of third parties to assess compliance with contracts, risk management diagnostics and assessments, and non-financial systems consultations. The external auditors are also permitted to assist management with internal investigations and fact-finding into alleged improprieties. These services are subject to specific approval by the Audit Committee.

— General consulting services — The Group's policy is that the external auditors are not eligible to provide services involving general consulting work.

The terms of reference of the Audit Committee adopted by the Board are published on the Group's website.

AUDITOR'S REMUNERATION

A summary of fees for audit and non-audit services is as follows:

Nature of the services	**2010** ***HK'000***	2009 *HK'000*
Audit and review services	**3,352**	2,080
Non-audit services	**—**	460
	3,352	2,540

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The following statements, which set out the responsibilities of the Directors in relation to the consolidated financial statements, should be read in conjunction with, but distinguished from, the Independent Auditor's report on pages 37 to 38 which acknowledges the reporting responsibilities of the Group's Auditors.

Annual Report and Financial Statements

The Directors acknowledge their responsibilities for preparing the consolidated financial statements for each financial year which give a true and fair view of the state of the Group.

CORPORATE GOVERNANCE REPORT

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS *(Continued)*

Accounting Policies

The Directors consider that in preparing the consolidated financial statements, the Group uses appropriate accounting policies that are consistently applied, and that all applicable accounting standards are followed.

Accounting Records

The Directors are responsible for ensuring that the Group keeps accounting records which disclose with reasonable accuracy the financial position of the Group and which enable the preparation of consolidated financial statements in accordance with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable accounting standards.

Safeguarding Assets

The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Going Concern

The Directors, having made appropriate enquires, consider that the Group has adequate resources to continue in operational existence for the foreseeable future and that, for this reason, it is appropriate to adopt the going concern basis in preparing the consolidated financial statements.

REVIEW OF RISK MANAGEMENT AND INTERNAL CONTROL

The Audit Committee reviews the process by which the Group evaluates its control environment and its risk assessment process, and the way in which business and control risks are managed. In reliance on these reviews, the Audit Committee makes a recommendation to the Board for approval of the consolidated financial statements for the year.

INTERNAL CONTROL AND GROUP RISK MANAGEMENT

The Board has overall responsibility for the Group's system of internal control and for the assessment and management of the risk. The Board has conducted a review of and is satisfied with the effectiveness of the system of internal control of the Company and its subsidiaries.

In meeting its responsibility, the Board seeks to increase risk awareness across the Group's business operations and has put in place policies and procedures, including the parameters of delegated authority, which provide a framework for the identification and management of risk. Reporting and review activities include the review and approval by the Board of detailed operational and financial reports, budgets and plans provided by the management of the business operations, the review by the Board of actual results against the budgets, the reviews by the Board of the internal control system of the Company and its subsidiaries, as well as the regular business reviews by Executive Directors and the senior management.

CORPORATE GOVERNANCE REPORT

INTERNAL CONTROL AND GROUP RISK MANAGEMENT *(Continued)*

The Board is responsible for monitoring the overall operations of the businesses within the Group. Directors are appointed to the boards of all significant material operation subsidiaries and associates to oversee the operations of those companies. Monitoring activities include the review and approval of business strategies, budgets and plans, and the setting of key business performance targets. The senior management is accountable for the performance within the agreed strategies and is accountable for its conduct and performance.

The Chief Financial Officer of the Company, reporting directly to the Audit Committee, provides assurance as to the existence and effectiveness of the risk management activities and controls in the Group's business operations and derives the annual audit plan. The plan is reviewed by the Audit Committee, and reassessed during the year as needed to ensure that adequate resources are deployed and the plan's objectives are met. In addition, a regular dialogue is maintained between the Audit Committee and the Group's external auditors so that both parties are aware of the significant factors which may affect their respective scope of work.

Reports from the external auditors on internal controls and relevant financial reporting matter are to be presented to the Audit Committee, and, as appropriate to the Board. These reports are reviewed and appropriate actions are taken.

INVESTOR RELATIONS AND SHAREHOLDERS' RIGHTS

The Board is committed to providing clear and full performance information of the Group to shareholders through different publications and financial reports. In addition to dispatching circular, notices and financial reports to shareholders, additional information is also available to shareholders on the Group's website (www.mediachina-corp.com).

Shareholders are encouraged to attend the annual general meeting for which at least 20 clear business days' notice is given. The Chairman and Directors are available to answer questions on the Group's businesses at the meeting. All shareholders have statutory rights to call for special general meetings and put forward agenda items for consideration by shareholders. All resolutions at the annual general meeting are decided on a poll. The poll is conducted by the Share Registrars. Feedback and comments from shareholders are always encouraged.

By Order of the Board

YUEN Hoi Po
Chairman

Hong Kong, 21 March 2011

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

CHAIRMAN AND EXECUTIVE DIRECTOR

Mr. YUEN Hoi Po

Mr. YUEN Hoi Po, aged 47, has been appointed as the Chairman and Executive Director in August 2010 and being appointed as director of two subsidiaries. Mr. Yuen is also a shareholder and a director of Ming Bang Limited which is a substantial shareholder of the Company pursuant to Part XV of the Securities and Futures Ordinance. Mr. YUEN currently serves as the member of the standing committee of the Beijing Youth Federation. Mr. YUEN has acquired extensive experiences in the commercial sector when he engaged in businesses, including trading, real estates, tourism and services, since 1990. In 2005, Mr. YUEN was appointed as senior vice-president of Beida Jade Bird Group, mainly responsible for managing the company's businesses in the real estates, cultural media sectors. At the same time, Mr. YUEN also participated in various tasks of the group, including assets restructuring and capital operations, with remarkable contributions. Given his outstanding records in the commercial field and strong personal influence over the society, Mr. YUEN has nominated as the members of the Beijing Youth Federation and its standing committee for many years.

VICE CHAIRMAN AND NON-EXECUTIVE DIRECTOR

Mr. Hugo SHONG

Mr. Hugo SHONG, aged 54, has been appointed as the Vice Chairman and Non-executive Director in December 2009 and has been the Founding General Partner of IDG Capital Partners since 1993, also of IDG-Accel China Growth Fund and IDG-Accel Capital Fund since 2005 and 2008 respectively.

In 1993, Mr. SHONG assisted IDG's Founder and Chairman Patrick J. McGovern to establish China's first technology venture fund with US$20 million. IDG Capital Partners is now managing a US$2.5 billion fund in China.

Mr. SHONG completed the Harvard Business School's Advanced Management Program in the fall of 1996. He conducted graduate studies at the Fletcher School of Law and Diplomacy during 1987-88 and earned his MS degree from Boston University's College of Communication in 1987. He graduated from the Graduate School of the Chinese Academy of Social Sciences in 1986 with a Journalism degree and he received a B.A. degree from Hunan University in 1982.

He has been a member of the Board of Trustees of Boston University since 2005.

Mr. SHONG is a chairman of China Finance Online Co., Limited, a company listed on NASDAQ and a non-executive director of Mei Ah Entertainment Group Limited, a company listed on The Stock Exchange of Hong Kong Limited.

Mr. SHONG had been appointed as a non-executive director of Kingdee International Software Group Company Limited, a company listed on The Stock Exchange of Hong Kong Limited, and resigned in March 2008.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. ZHANG Changsheng

Mr. ZHANG Changsheng, aged 63, has been appointed as the Vice Chairman and Independent Non-executive Director since 2008 and re-designated as an Executive Director in July 2010. Mr. ZHANG has also served as the Deputy General Manager of China Netcom Communications Group Corporation since 2003. Mr. ZHANG has also served as Senior Vice President since 2004, and General Counsel since 2005, of China Netcom Communications (Group) Limited Company. From 1995 to 2003, Mr. ZHANG Changsheng held the positions of Assistant Governor and Secretary General of the People's Government of Jiangsu Province. Prior to that, he served as deputy division chief, division chief, deputy director and director of the Ministry of Personnel of the People's Republic of China (the "PRC"), and director for Relocating and Arranging New Jobs for Retired Soldiers under the State Council of the PRC, respectively. In 1999, Mr. ZHANG took graduate course in Finance at Nanjing Institute. In 1981, he was graduated from the Department of Comprehensive Studies of the Military Academy of the PRC Liberation Army.

Mr. WANG Hong

Mr. WANG Hong, aged 46, has been appointed as the Chief Executive Officer since 2008 and appointed as the Executive Director of the Company in August 2010. Mr. WANG has also been appointed as director of several subsidiaries of the Company. Mr. WANG is responsible for the overall operation of the Company. He was the President of the Travel Channel from 2003 to 2008, during which he redeveloped a new Travel Channel, which later became a professional satellite channel with an annual revenue of approximately RMB200 million compared to its previous annual revenue of less than RMB30 million. During the period of 2003 to 2008, Mr. WANG Hong served as the Deputy General Manager of a cultural company under Poly Group and was responsible for the corporate investment business. He had engaged in and implemented Poly Culture's various investment projects related to the cultural industries. Mr. WANG Hong has worked in the United States for 12 years and has vast experience in U.S. corporate operation and property investment project management. He demonstrates ample knowledge of legal, tax and human resources issues in respect of the U.S. corporate governance and possesses solid international and national work experience.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

NON-EXECUTIVE DIRECTOR

Mr. Edward TIAN Suning

Mr. Edward TIAN Suning, aged 48, has been appointed as the Non-executive Director since 2008. He also holds positions in various organizations, including Independent Director of MasterCard Incorporated, a company listed on The New York Stock Exchange; Senior Advisor of Kohlberg Kravis Roberts; Independent Non-executive Director of Lenovo Group Limited, a company listed on The Stock Exchange of Hong Kong Limited; Director of AsiaInfo-Linkage Inc., a company listed on The New York Stock Exchange; Independent Non-executive Director of Taikang Life Insurance Company Limited; Member of Harvard Business School Asia Advisory Committee, etc. From 2002 to 2006, Mr. TIAN was the CEO and Vice Chairman of the Board of China Netcom Group, a company listed on The Stock Exchange of Hong Kong Limited and the New York Stock Exchange. In 1999, Mr. TIAN was invited to be in charge of the establishment of China Netcom Corporation ("CNC") and was the CEO and President of CNC. Before that Mr. TIAN co-founded AsiaInfo-Linkage Inc. (formerly known as AsiaInfo Holdings Inc.), which became the first Chinese high tech company listed on NASDAQ.

Mr. TIAN was honoured "Global Leader for Tomorrow" by the World Economic Forum in 1998. He was selected to be one of the "Ten People of Internet in China" by Asia Week magazine. US magazine "Red Herring" selected Mr. TIAN as "Entrepreneur of the Year" in 2000. In 2001, Mr. TIAN was honoured as "Economic People of the Year" by China Central Television. He was also selected as "The Star of Asia" by Business Week in the same year. In July 2003, Mr. TIAN was awarded "Outstanding Youth of the Year" by China Association for Science and Technology. In August 2003, Mr. TIAN was awarded "Outstanding Returned Scholar Award" by the central government of China. In 2004, Mr. TIAN was among the first to be elected by the central government into the "China New Century Talent Program" and in 2007, he was among "50 Most Influential People of the Year" by "People Weekly" magazine.

Mr. TIAN graduated from Texas Tech University with a Doctorate Degree in Resource Management.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. JIANG Jianning

Mr. JIANG Jianning, aged 48, has been appointed as the Independent Non-executive Director since 2008. Mr. JIANG is the Chief Advisor of the Board of China CYTS Tours Holdings Limited, a company listed on the Shanghai Stock Exchange. He also holds the position in various institutions, including the Member of Standing Committee of All China Youth Federation. From April 1998, Mr. JIANG became the President and CEO of China Youth Travel (Holding) Limited. Before that Mr. JIANG was the chief secretary of Beijing Normal University, had held the management positions for Beijing Normal University, Beijing GuoAn Electronic Company, People's Insurance Company of China and Beijing ChuangGE Technology Group.

Mr. JIANG was honored one of the "Ten Outstanding Youth" by the Department directly under the Central Committee of the Communist Party of China in 1999; In January 2001, he was selected to be one of the "a hundred people that might affect China in the 21 century" by the Magazine of China Youth. Mr. JIANG was selected in 2002 as the No.1 Professional Manager in the Tourism Business by the Beijing Entertainment Information; Other awards include, New Person of the Year in Economic Year of 2003; Most Honest Award in 2004; Top 10 Influential People in China Travel Industry in Year 2005 and President Award by Korean Government and Best in Tourism Industry in 2006. In 2007, he was awarded as The Best Individual of the 12th Capital Tourism Cup. In November 2008, he was awarded as the Man of the Year of Travel Services for the China Travel Industry Award by Travel Weekly China. Mr. JIANG graduated from Beijing Normal University in 1984 with a bachelor degree in Economy. He is a Senior Economist.

Professor WEI Xin

Professor Wei Xin, aged 55, has been appointed as the Independent Non-executive Director in October 2010. Prof. Wei is the Chairman of Peking University Founder Group Company Limited, an executive director of Founder Holdings Company Limited, a company listed on The Stock Exchange of Hong Kong Limited, and a non-independent non-executive director of PUC Founder (MSC) Berhad, a company listed on the ACE market of the Bursa Malaysia Securities Berhad. Prof. Wei obtained a Doctor's degree of Business Administration from the Peking University. He is also the Executive Dean of College of Education at the Peking University.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS *(Continued)*

Dr. WONG Yau Kar, David, J.P.

Dr. WONG Yau Kar, David, JP, aged 53, has appointed as the Independent Non-executive Director since 2000. Dr. WONG holds a doctor's degree in economics from University of Chicago. Dr. WONG has extensive experience in direct investments and corporate finance. Currently, Dr. WONG is an independent non-executive director of China Wind Power Group Limited and a non-executive director of CIAM Group Limited, both of them are listed on The Stock Exchange of Hong Kong Limited.

Mr. YUEN Kin

Mr. YUEN Kin, aged 56, has been appointed as the Independent Non-executive Director since 2004. Mr. YUEN holds a Master of Business Administration degree from the University of Toronto, Canada. He is a Chartered Accountant in Canada, a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants.

He is currently an Executive Director and Chief Financial Officer of Varitronix International Limited, a company listed on The Stock Exchange of Hong Kong Limited.

SENIOR MANAGEMENT

Mr. HAU Wai Man, Raymond

Mr. HAU Wai Man, Raymond, aged 36, is the Chief Financial Officer, Qualified Accountant, Company Secretary and director of several subsidiaries of the Company. He is a fellow member of the Association of Chartered Certified Accountants and a member of Hong Kong Institute of Certified Public Accountants. He held a MBA degree from The Hong Kong University of Science and Technology, and has over 10 years of experience in international accounting firms and corporates in Hong Kong and China before joining the Company in 2006.

REPORT OF THE DIRECTORS

The board of directors of the Company (the "Board") is pleased to submit its report together with the audited consolidated financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2010.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. Details of the principal activities of the Company's principal subsidiaries as at 31 December 2010 are set out in note 36 to the consolidated financial statements.

An analysis of the Group's performance for the year by business and geographical segment is set out in note 6 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year are set out in the consolidated income statement on pages 39 to 40 of this Annual Report.

The Board does not recommend the payment of any dividend in respect of the year ended 31 December 2010.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the last five financial years is set out on page 144 of this Annual Report.

DONATIONS

The Group has made donations to non-profit organizations of approximately HK$114,000 (2009: nil) during the year.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in note 15 to the consolidated financial statements.

PRINCIPAL PROPERTIES

Detail of the principal properties held for investment purpose are set out below:

Property Name	Expiry Date Year	Property Gross Floor Area m^2	Interest Held by the Group	Gross Floor Area Attributable to the Group m^2	Use
Various portions of Shenzhen Tian An International Building, Renmin South Road, Luohu District, Shenzhen, the PRC	2041	31,739	50%	15,869	Commercial and office

REPORT OF THE DIRECTORS

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 28 to the consolidated financial statements.

DIRECTORS

The directors of the Company during the year and up to the date of this report are:

Mr. YUEN Hoi Po[1] *(Chairman)*	(appointed on 30 August 2010)
Mr. Hugo SHONG[2] *(Vice Chairman)*	
Mr. ZHANG Changsheng[1]	
Mr. WANG Hong[1]	(appointed on 30 August 2010)
Mr. Edward TIAN Suning[2]	
Mr. JIANG Jianning[3]	
Prof. WEI Xin[3]	(appointed on 26 October 2010)
Dr. WONG Yau Kar, David, JP[3]	
Mr. YUEN Kin[3]	
Mr. ZHAO Anjian[1]	(resigned on 30 August 2010)
Mr. LI Ruigang[3]	(resigned on 30 August 2010)

1 Executive Director
2 Non-executive Director
3 Independent Non-executive Director

In accordance with Article 86(3) of the Company's Articles of Association, Mr. YUEN Hoi Po, Mr. WANG Hong and Prof. WEI Xin, being the newly appointed directors, shall hold office until the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

In accordance with Article 87(1) of the Company's Articles of Association, Mr. YUEN Kin, Mr. Edward TIAN Suning and Mr. JIANG Jianning shall retire from office by rotation at the forthcoming annual general meeting, and being eligible, offers themselves for re-election.

The Company has received from each of the independent non-executive directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules during the year and considers that they are independent.

REPORT OF THE DIRECTORS

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of Directors and Senior Management as at the date of this report are set out on pages 21 to 25 of this Annual Report.

EMOLUMENTS OF DIRECTORS AND THE FIVE HIGHEST-PAID EMPLOYEES

Particulars of the emoluments of the Directors and the five highest-paid employees of the Group during the year are set out in note 14 to the consolidated financial statements.

SHARE OPTIONS

A share option scheme (the "Option Scheme") was adopted by the Company on 30 July 2002. 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.

Pursuant to this 10-year term Option Scheme, the Company can grant options to Qualified Persons 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 the options granted to each Qualified Person (including both exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the shares then in issue.

As at the date of this report, the total number of shares available for issue under the Option Scheme is 2,703,855,781 shares (including options for 1,799,481,255 shares that have been granted but not yet lapsed or exercised), which represent 9.39% of the issued share capital of the Company.

The period during which an option may be exercised in accordance with the terms of the Option Scheme ("Option Period") shall be the period set out in the Offer Letter provided that such period shall commence on the date upon which such option is deemed to be accepted in accordance with the terms of the Option Scheme and must expire no later than the tenth anniversary of the Offer Date.

Subscription price in relation to each option pursuant to the Option Scheme shall be not less than the higher of (i) the closing price of the shares as stated in the 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. 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.

REPORT OF THE DIRECTORS

SHARE OPTIONS *(Continued)*

Details of the share option movements during the year were as follows in accordance with Rule 17.07 of the Listing Rules:

			No. of share options						
Name or Category of Grantees	Date of grant	Exercise price per share (HK$)	Outstanding as at 1 January 2010	Exercised during the year	Reallocated during the year	Lapsed during the year	Outstanding as at 31 December 2010	% of total issued share capital of the Company	Note
Directors									
ZHANG Changsheng	5.5.2008	0.130	10,312,500	—	—	—	10,312,500	0.04	(2)
	4.11.2008	0.043	20,625,000	—	—	—	20,625,000	0.07	(2)
WANG Hong	4.11.2008	0.043	—	—	51,562,500	—	51,562,500	0.18	(3)(8)
	7.3.2008	0.149	—	—	41,250,000	—	41,250,000	0.14	(1)(8)
Edward TIAN Suning	5.5.2008	0.130	20,625,000	—	—	—	20,625,000	0.07	(2)
	4.11.2008	0.043	41,250,000	—	—	—	41,250,000	0.14	(2)
JIANG Jianning	5.5.2008	0.130	10,312,500	—	—	—	10,312,500	0.04	(2)
	4.11.2008	0.043	20,625,000	—	—	—	20,625,000	0.07	(2)
WONG Yau Kar, David	5.5.2008	0.130	10,312,500	—	—	—	10,312,500	0.04	(2)
	4.11.2008	0.043	20,625,000	—	—	—	20,625,000	0.07	(2)
YUEN Kin	5.5.2008	0.130	10,312,500	—	—	—	10,312,500	0.04	(2)
	4.11.2008	0.043	20,625,000	—	—	—	20,625,000	0.07	(2)
ZHAO Anjian	5.5.2008	0.130	61,875,000	—	(61,875,000)	—	—	—	(7)
	4.11.2008	0.043	20,625,000	—	(20,625,000)	—	—	—	(7)
LI Ruigang	5.5.2008	0.130	10,312,500	—	—	(10,312,500)	—	—	(6)
	4.11.2008	0.043	20,625,000	—	—	(20,625,000)	—	—	(6)
Continuous contract employee in aggregate	5.5.2008	0.130	—	—	61,875,000	—	61,875,000	0.21	(2)(7)
	7.3.2008	0.149	128,906,250	—	(41,250,000)	—	87,656,250	0.30	(1)(8)
	4.11.2008	0.043	257,812,500	(49,995)	(51,562,500)	—	206,200,005	0.72	(2)(3)(9)
	4.11.2008	0.043	—	—	20,625,000	—	20,625,000	0.07	(7)(8)
Others	7.3.2008	0.149	660,000,000	—	—	—	660,000,000	2.29	(1)
	4.11.2008	0.043	484,687,500	—	—	—	484,687,500	1.68	(4)
Total for all categories			1,830,468,750	(49,995)	—	(30,937,500)	1,799,481,255		

REPORT OF THE DIRECTORS

SHARE OPTIONS *(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 fully exercised from 1 April 2009 to 31 December 2015.

3. 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.

4. These options can be fully exercised from 8 March 2009 to 31 December 2015.

5. During the year, no share options were granted and cancelled.

6. Due to the resignation of Mr. LI Ruigang as an Independence Non-executive Director of the Company in 2010, all the share options granted to Mr. LI Ruigang were lapsed.

7. Mr. ZHAO Anjian continues to provide services to the Company following his resignation as an Executive Director of the Company on 30 August 2010, the share options granted to him were reallocated from the category of “Directors” to “Continuous contract employee”.

8. Mr. WANG Hong, chief executive officer of the Company, was appointed as an Executive Director of the Company on 30 August 2010, the share options granted to him were reallocated from the category of “Continuous contract employee” to “Directors”.

9. The weighted average closing price of the shares of the Company immediately before the date on which the options were exercised during the year was HK$0.053.

RESERVES

Details of the movements in the reserves of the Group and the Company during the year are set out in note 29 to the consolidated financial statements.

REPORT OF THE DIRECTORS

DISTRIBUTABLE RESERVES

The distributable reserves of the Company as at 31 December 2010, calculated under the Companies Law (2010 Revision) (Cap. 22) of the Cayman Islands and the Company's Articles of Association, amounted in total to HK$487,498,000 (2009: HK$760,682,000), representing the share premium of HK$1,342,589,000 (2009: HK$1,247,716,000) less the accumulated losses of HK$855,091,000 (2009: HK$487,034,000). The Company may make distributions to its members out of the share premium in certain circumstances subject to the Articles of Association of the Company.

MAJOR SUPPLIERS AND MAJOR CUSTOMERS

For the year ended 31 December 2010, the Group's aggregate sales attributable to the Group's five largest customers were less than 30% of the Group's total sales.

The percentages of the Group's purchases for the year attributable to the Group's major suppliers are as follows:

— the largest supplier	90%
— five largest suppliers in aggregate	93%

The largest supplier is Hai Nan Haishi Travel Satellite TV Media Co., Ltd., the Group's associated company. None of the directors, their associates or any shareholder (which to the knowledge of the directors owns more than 5% of the Company's share capital) had an interest in these major suppliers.

RETIREMENT BENEFIT SCHEME

Details of retirement benefit scheme of the Group are set out in note 2(r) to the consolidated financial statements.

DIRECTORS' SERVICE CONTRACTS

None of the directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Company, any of its subsidiaries, its fellow subsidiaries or its holding companies was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

REPORT OF THE DIRECTORS

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

As at 31 December 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 to 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	Nature of interests	Number of shares held	% of total issue share capital of the Company
YUEN Hoi Po *(Note 1)*	Interest of controlled corporation	Corporate interest	4,230,750,000	14.69
Edward TIAN Suning *(Note 2)*	Interest of controlled corporation	Corporate interest	2,451,554,891	8.51
WANG Hong	Interest of spouse	Family interest	2,300,000	0.01

Notes:

(1) Mr. YUEN Hoi Po through his wholly-owned corporations namely, Ming Bang Limited and Rich Public Limited held 4,230,750,000 shares.

(2) Mr. Edward TIAN Suning through CBC China Media Limited held 2,451,554,891 shares.

REPORT OF THE DIRECTORS

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

(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 Annual Report.

Save as disclosed above, as at 31 December 2010, none of the Directors, Chief Executive 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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURE

Save as disclosed under the section headed "Shares Options" above, at no time during the year was the Company, its subsidiaries, its fellow subsidiaries or its holding company a party to any arrangement to enable the directors of the Company (including their spouse and children under 18 years of age) to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporation.

REPORT OF THE DIRECTORS

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

As at 31 December 2010, the interests and short positions of the following persons (other than Directors or Chief Executive 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 ordinary shares of the Company:

Name of Shareholders	Capacity	Nature of interests	Number of shares held	% of total issue share capital of the Company
Ming Bang Limited	Interest of controlled corporation	Corporate interest	4,230,750,000	14.69
Rich Public Limited	Beneficial owner	Beneficial interest	4,230,750,000	14.69
CBC China Media Limited	Beneficial owner	Beneficial interest	2,451,554,891	8.51
IDG-Accel China Growth Fund II L.P. *(Note)*	Beneficial owner	Beneficial interest	1,867,288,000	6.48
IDG-Accel China Growth Fund II Associates L.P. *(Note)*	Interest of controlled corporation	Corporate interest	1,867,288,000	6.48
IDG-Accel China Growth Fund GP II Associated Ltd. (Note)	Interest of controlled corporation	Corporate interest	2,020,000,000	7.02
Patrick J McGovern *(Note)*	Interest of controlled corporation	Corporate interest	2,020,000,000	7.02
Zhou Quan (Note)	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..

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY *(Continued)*

Save as disclosed above, as at 31 December 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.

RELATED PARTY TRANSACTIONS

Details of the transactions carried out with related parties are set out in note 33 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association and there was no restriction against such rights under the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SHARES OF THE COMPANY

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

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed public float under the Listing Rules.

CORPORATE GOVERNANCE

A report on the principal corporate governance practices adopted by the Company is set out on pages 11 to 20 of this Annual Report.

AUDITOR

The consolidated financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

REPORT OF THE DIRECTORS

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.

2. Dr. WONG Yau Kar, David was appointed as Justices of the Peace with effect from 1 July 2010.

3. Mr. TIAN Suning resigned as the Chairman of the Company on 30 August 2010.

4. Mr. ZHAO Anjian resigned as an Executive Director and the Chairman of the Executive Committee on 30 August 2010.

5. The annual remuneration of Mr. ZHANG Changsheng and Mr. WANG Hong were revised to HK$1,440,000 and HK$1,560,000 respectively with effect from 1 September 2010.

Save as 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.

On behalf of the Board

YUEN Hoi Po
Chairman

Hong Kong, 21 March 2011

INDEPENDENT AUDITOR'S REPORT

羅兵咸永道會計師事務所

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www.pwchk.com

TO THE SHAREHOLDERS OF MEDIA CHINA CORPORATION LIMITED

(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Media China Corporation Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 39 to 143, which comprise the consolidated and company balance sheets as at 31 December 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITY *(Continued)*

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 21 March 2011

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000 (Restated) (Note 2)
Continuing operations			
Sales	5	**171,308**	284,058
Cost of sales		**(116,944)**	(181,377)
Gross profit		**54,364**	102,681
Other income and other gains, net	5	**35,526**	77,373
Marketing and selling expenses		**(19,462)**	(24,006)
Administrative expenses		**(76,660)**	(61,677)
Provision for impairment of intangible assets	16	**(478,428)**	—
Share of profit of an associated company		**6,931**	3,335
Finance costs	7	**(1,125)**	(31,291)
(Loss)/profit before taxation	8	**(478,854)**	66,415
Taxation	9	**(4,813)**	(421)
(Loss)/profit for the year from continuing operations		**(483,667)**	65,994
Discontinued operation			
Loss for the year from discontinued operation	10	**—**	(64,618)
(Loss)/profit for the year		**(483,667)**	1,376
Attributable to:			
Equity holders of the Company		**(483,463)**	1,383
Non-controlling interests		**(204)**	(7)
		(483,667)	1,376

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2010

	Notes	**2010**	2009
		HK$'000	HK$'000
			(Restated)
			(Note 2)
(Loss)/earnings per share for (loss)/profit attributable to the equity holders of the Company for the year		***HK Cents***	*HK Cents*
Basic (loss)/earnings per share			
— From continuing operations	12	**(1.70)**	0.35
— From discontinued operation	12	**—**	(0.34)
		(1.70)	0.01
Diluted (loss)/earnings per share			
— From continuing operations	12	**(1.70)**	0.35
— From discontinued operation	12	**—**	(0.34)
		(1.70)	0.01
Dividend	13	**—**	—

The notes on pages 47 to 143 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

	2010 HK$'000	2009 HK$'000 (Restated) (Note 2)
(Loss)/profit for the year	**(483,667)**	1,376
Other comprehensive income:		
Currency translation differences	**13,582**	58,819
Other comprehensive income for the year, net of tax	**13,582**	58,819
Total comprehensive (expense)/income for the year	**(470,085)**	60,195
Total comprehensive (expense)/income attributable to:		
Equity holders of the Company	**(469,913)**	60,202
Non-controlling interests	**(172)**	(7)
	(470,085)	60,195

The notes on pages 47 to 143 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

As at 31 December 2010

		As at 31 December		As at 1 January
		2010	2009	2009
	Notes	***HK$'000***	*HK$'000*	HK$'000
			(Restated)	(Restated)
			(Note 2)	(Note 2)
NON-CURRENT ASSETS				
Property, plant and equipment	*15*	**3,730**	3,816	8,654
Intangible assets	*16*	**114,670**	511,141	1,054,263
Investment properties	*17*	**359,890**	—	—
Interest in an associated company	*19*	**268,986**	253,144	285,287
Loan to a jointly controlled entity — non-current	*20*	**64,809**	62,634	62,534
Deferred tax assets	*9*	**18,737**	18,468	50,112
Other non-current assets		**1,741**	1,852	10,926
		832,563	851,055	1,471,776
CURRENT ASSETS				
Exclusive advertising agency right	*16*	**51,121**	—	401,911
Trade receivables	*22*	**22,474**	127,882	55,497
Amounts due from a jointly controlled entity and its subsidiaries	*20*	**26,747**	32,495	36,559
Financial assets at fair value through profit or loss	*23*	**28,000**	—	11,130
Prepayments, deposits and other receivables	*24*	**36,849**	40,587	129,221
Cash and cash equivalents	*25*	**236,678**	648,072	226,894
		401,869	849,036	861,212
Assets of disposal group held for sale	*31*	**118,347**	—	—
		520,216	849,036	861,212
CURRENT LIABILITIES				
Agency fee payables — current	*16*	**136,492**	167,117	785,367
Trade payables	*26*	**2,383**	36,089	24,887
Receipt in advance, other payables and accrued liabilities	*26*	**159,413**	92,689	135,060
Amount due to an associated company	*19*	**32,848**	30,619	54,905
Current income tax liabilities		**17,533**	13,997	36,141
		348,669	340,511	1,036,360
Liabilities of disposal group held for sale	*31*	**36,347**	—	—
		385,016	340,511	1,036,360
NET CURRENT ASSETS/(LIABILITIES)		**135,200**	508,525	(175,148)
TOTAL ASSETS LESS CURRENT LIABILITIES		**967,763**	1,359,580	1,296,628

CONSOLIDATED BALANCE SHEET

As at 31 December 2010

	Notes	As at 31 December 2010 HK$'000	As at 31 December 2009 HK$'000 (Restated) (Note 2)	As at 1 January 2009 HK$'000 (Restated) (Note 2)
NON-CURRENT LIABILITIES				
Agency fee payables — non-current	16	**—**	—	418,209
Convertible notes	27	**—**	47,875	44,271
Deferred tax liabilities	9	**74,130**	—	18,394
		74,130	47,875	480,874
NET ASSETS		**893,633**	1,311,705	815,754
EQUITY				
Capital and reserves attributable to the equity holders of the Company				
Share capital	28	**287,945**	277,293	186,976
Reserves	29	**604,851**	1,033,403	627,762
		892,796	1,310,696	814,738
Non-controlling interests	29	**837**	1,009	1,016
TOTAL EQUITY		**893,633**	1,311,705	815,754

YUEN Hoi Po
Director

WANG Hong
Director

The notes on pages 47 to 143 are an integral part of these consolidated financial statements.

BALANCE SHEET

As at 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
NON-CURRENT ASSET			
Interests in subsidiaries	18	**855,917**	812,705
CURRENT ASSETS			
Prepayments, deposits and other receivables	24	**14**	—
Cash and cash equivalents	25	**56,476**	425,059
		56,490	425,059
CURRENT LIABILITIES			
Receipt in advance, other payables and accrued liabilities	26	**41,850**	3,288
NET CURRENT ASSETS		**14,640**	421,771
TOTAL ASSETS LESS CURRENT LIABILITIES		**870,557**	1,234,476
NON-CURRENT LIABILITY			
Convertible notes	27	**—**	47,875
NET ASSETS		**870,557**	1,186,601
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	28	**287,945**	277,293
Reserves	29	**582,612**	909,308
TOTAL EQUITY		**870,557**	1,186,601

YUEN Hoi Po
Director

WANG Hong
Director

The notes on pages 47 to 143 are an integral part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000 (Restated) (Note 2)
Cash flows from operating activities			
Cash used in operations	30(a)	**(48,546)**	(8,252)
Income tax paid		**(1,214)**	(964)
Net cash used in operating activities		**(49,760)**	(9,216)
Cash flows from investing activities			
Interest received		**9,574**	969
Purchases of property, plant and equipment		**(2,447)**	(259)
Acquisition of subsidiaries and jointly controlled entities — net of cash acquired	31	**(254,237)**	—
Disposal of a subsidiary — net of cash received	10(c)	**—**	8,588
Purchases of intangible assets		**(115,733)**	(341)
Disposals of property, plant and equipment		**229**	2,672
Investments in jointly controlled entities		**—**	(4,657)
Deposits received for proposed disposal		**40,000**	—
Net cash (used in)/generated from investing activities		**(322,614)**	6,972
Cash flows from financing activities			
Proceeds from issuance of shares on open offer and placements — net of expenses		**—**	421,994
Proceeds from issuance of shares on exercise of share options		**2**	—
Net cash generated from financing activities		**2**	421,994
Net (decrease)/increase in cash and cash equivalents		**(372,372)**	419,750
Decrease in cash and cash equivalents from discontinued operation	10(b)	**—**	(428)
Cash and cash equivalents at 1 January		**648,072**	226,894
Exchange (losses)/gains on cash and cash equivalents		**(18,006)**	1,856
Cash and cash equivalents at 31 December		**257,694**	648,072
Analysis of cash and cash equivalents			
Cash and cash equivalents of the Group		**257,694**	648,072
Reclassification to assets of disposal group held for sale		**(21,016)**	—
		236,678	648,072

The notes on pages 47 to 143 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2010

	Attributable to equity holders of the Company				
	Share capital *HK$'000*	**Other reserves** *HK$'000*	**Accumulated losses** *HK$'000*	**Non-controlling interests** *HK$'000* (Restated) (Note 2)	**Total equity** *HK$'000* (Restated) (Note 2)
Balance at 1 January 2009	186,976	1,900,001	(1,272,239)	1,016	815,754
Comprehensive income:					
— Profit/(loss) for the year	—	—	1,383	(7)	1,376
Other comprehensive income:					
— Currency translation differences	—	58,819	—	—	58,819
Issuance of shares on open offer and placement, net of expenses	90,317	331,677	—	—	421,994
Share-based payments	—	13,762	—	—	13,762
Transfer to statutory reserve	—	438	(438)	—	—
Balance at 31 December 2009	277,293	2,304,697	(1,271,294)	1,009	1,311,705
Balance at 1 January 2010	277,293	2,304,697	(1,271,294)	1,009	1,311,705
Comprehensive income:					
— Loss for the year	—	—	(483,463)	(204)	(483,667)
Other comprehensive income:					
— Currency translation differences	—	13,550	—	32	13,582
Issuance of shares upon conversion of convertible notes	10,652	38,348	—	—	49,000
Issuance of shares upon exercise of share options	—	2	—	—	2
Share-based payments	—	3,011	—	—	3,011
Transfer to statutory reserve	—	111	(111)	—	—
Balance at 31 December 2010	287,945	2,359,719	(1,754,868)	837	893,633

The notes on pages 47 to 143 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Media China Corporation Limited (the "Company") and its subsidiaries (together, the "Group") is principally engaged in advertising business, content production business and properties investment through a jointly controlled entity. 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 address of 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.

These financial statements are presented in thousand Hong Kong dollars (HK$'000), unless otherwise stated.

2 PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss and investment properties, which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 4.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(a) Basis of preparation *(Continued)*

Changes in accounting policy and disclosures:

(i) New and amended standards adopted by the Group

The following new standards and amendments to standards are mandatory and relevant to the Group for the financial year beginning 1 January 2010.

- HKFRS 3 (revised), 'Business Combinations', and consequential amendments to HKAS 27, 'Consolidated and Separate Financial Statements', HKAS 28, 'Investments in Associates', and HKAS 31, 'Interests in Joint Ventures', are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.

  The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared with HKFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the consolidated 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. All acquisition-related costs are expensed.

  HKAS 27 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognized in profit or loss. HKAS 27 (revised) has had no impact on the current year, as none of the non-controlling interests have a deficit balance; there have been no transactions whereby an interest in an entity is retained after the loss of control of that entity, and there have been no transactions with non-controlling interests.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(a) Basis of preparation *(Continued)*

(i) New and amended standards adopted by the Group (Continued)

- HKAS 1 (amendment), 'Presentation of Financial Statements'. The amendment clarifies that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time.

- HKAS 36 (amendment), 'Impairment of Assets', effective 1 January 2010. The amendment clarifies that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment, as defined by paragraph 5 of HKFRS 8, 'Operating segments' (that is, before the aggregation of segments with similar economic characteristics).

- HKFRS 5 (amendment), 'Non-current assets held for sale and discontinued operations'. The amendment clarifies that HKFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirement of HKAS 1 still apply, in particular paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of HKAS 1.

(ii) New and amended standards, and interpretations mandatory for the first time for the financial year beginning 1 January 2010 but not currently relevant to the Group (although they may affect the accounting for future transactions and events)

- HKAS 17 (amendment), 'Leases', deletes specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating lease using the general principles of HKAS 17, i.e. whether the lease transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. Prior to the amendment, land interest which title is not expected to pass to the Group by the end of the lease term was classified as operating lease under "Leasehold land and land use rights", and amortized over the lease term.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(a) Basis of preparation *(Continued)*

(ii) New and amended standards, and interpretations mandatory for the first time for the financial year beginning 1 January 2010 but not currently relevant to the Group (although they may affect the accounting for future transactions and events) *(Continued)*

- HK(IFRIC) – Int 17, 'Distribution of Non-cash Assets to Owners', effective on or after 1 July 2009. The interpretation was published in November 2008. This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. HKFRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable.

- HK(IFRIC) – Int 18, 'Transfers of Assets from Customers', effective for transfer of assets received on or after 1 July 2009. This interpretation clarifies the requirements for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water). In some cases, the entity receives cash from a customer that must be used only to acquire or construct the item of property, plant, and equipment in order to connect the customer to a network or provide the customer with ongoing access to a supply of goods or services (or to do both).

- HK(IFRIC) – Int 9, 'Reassessment of Embedded Derivatives and HKAS 39, Financial instruments: Recognition and measurement', effective 1 July 2009. This amendment to HK(IFRIC) – Int 9 requires an entity to assess whether an embedded derivative should be separated from a host contract when the entity reclassifies a hybrid financial asset out of the 'fair value through profit or loss' category. This assessment is to be made based on circumstances that existed on the later of the date the entity first became a party to the contract and the date of any contract amendments that significantly change the cash flows of the contract. If the entity is unable to make this assessment, the hybrid instrument must remain classified as at fair value through profit or loss in its entirety.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(a) Basis of preparation *(Continued)*

(ii) New and amended standards, and interpretations mandatory for the first time for the financial year beginning 1 January 2010 but not currently relevant to the Group (although they may affect the accounting for future transactions and events) *(Continued)*

- HK(IFRIC) – Int 16, 'Hedges of a Net Investment in a Foreign Operation' effective 1 July 2009. This amendment states that, in a hedge of a net investment in a foreign operation, qualifying hedging instruments may be held by any entity or entities within the group, including the foreign operation itself, as long as the designation, documentation and effectiveness requirements of HKAS 39 that relate to a net investment hedge are satisfied. In particular, the group should clearly document its hedging strategy because of the possibility of different designations at different levels of the group. HKAS 38 (amendment), 'Intangible assets', effective 1 January 2010. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives.

- HKFRS 2 (amendments), 'Group cash-settled share-based payment transactions', effective form 1 January 2010. In addition to incorporating HK(IFRIC) 8, 'Scope of HKFRS 2', and HK(IFRIC) – Int 11, 'HKFRS 2 — Group and treasury share transactions', the amendments expand on the guidance in HK(IFRIC) – Int 11 to address the classification of group arrangements that were not covered by that interpretation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(a) Basis of preparation *(Continued)*

(iii) New standards, amendments and interpretations have been issued but are not effective for the financial year beginning 1 January 2010 and have not been early adopted.

HKAS 32 (Amendment)	Classification of Rights Issue
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments
HKAS 24 (Revised)	Related Party Disclosures
HK(IFRIC) – Int 14	Prepayments of a Mininum Funding Requirement
HKFRS 9	Financial Instruments
Improvements to HKFRSs 2010:	
HKFRS 3 (Revised)	Business Combinations
HKFRS 7 (Amendment)	Financial Instruments: Disclosures
HKAS 1 (Amendment)	Presentation of Financial Statements
HKAS 27 (Amendment)	Consolidated and Separate Financial Statements

The Group has already commenced an assessment of the impact of new standards, amendments and interpretations to existing standards but is not yet in a position to state whether these new standards, amendments and interpretations to existing standards would have a significant impact to its results of operations and financial position.

(b) Group accounting

(i) Consolidation

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries made up to 31 December.

(ii) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(b) Group accounting *(Continued)*

(ii) Subsidiaries *(Continued)*

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any 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.

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the consolidated income statement.

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(iii) Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(b) Group accounting *(Continued)*

(iii) Transactions with non-controlling interests (Continued)

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income are reclassified to profit or loss where appropriate.

(iv) Associated company

Associated company is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Interest in an associated company is accounted for by the equity method of accounting and are initially recognized at cost. The Group's interest in an associated company includes goodwill identified on acquisition, net of any accumulated impairment loss.

The Group's share of its associated company's post-acquisition profits or losses is recognized in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associated company equals or exceeds its interest in an associated company, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associated company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(b) Group accounting *(Continued)*

(iv) Associated company *(Continued)*

Unrealized gains on transactions between the Group and its associated company are eliminated to the extent of the Group's interest in an associated company. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associated company have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in interest in an associated company are recognized in the consolidated income statement.

(v) Jointly controlled entities ("JCE")

A jointly controlled entity is a joint venture whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity. In prior years, interests in 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.

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 JCE and presents more reliable and relevant information of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(b) Group accounting *(Continued)*

(v) Jointly controlled entities ("JCE") *(Continued)*

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 animpairment loss.

Although the change in accounting policy does not have any effect on the Group's net assets as at 31 December 2009 and 1 January 2009 and the Group's profit attributable to equity holders of the Company for the year ended 31 December 2009 and 31 December 2008, it would result in certain changes in individual line items of the consolidated financial statements. The new accounting policy has been applied retrospectively and the comparatives have been restated accordingly.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(b) Group accounting *(Continued)*

(v) Jointly controlled entities ("JCE") *(Continued)*

(i) Effect on the consolidated income statement

	For the year ended 31 December 2009 (As previously reported) HK$'000	Effect of change in accounting policy HK$'000	For the year ended 31 December 2009 (As restated) HK$'000
Continuing operations:			
Sales	276,451	7,607	284,058
Cost of sales	(179,472)	(1,905)	(181,377)
Gross profit	96,979	5,702	102,681
Other income and other gains, net	84,408	(7,035)	77,373
Marketing and selling expenses	(24,006)	—	(24,006)
Administrative expenses	(51,251)	(10,426)	(61,677)
Share of losses of jointly controlled entities	(8,342)	8,342	—
Share of profit of an associated company	—	3,335	3,335
Finance costs	(31,291)	—	(31,291)
Profit before taxation	66,497	(82)	66,415
Taxation	(413)	(8)	(421)
Profit for the year from continuing operations	66,084	(90)	65,994
Discontinued operation:			
Loss for the year from discontinued operation	(64,618)	—	(64,618)
Profit for the year	1,466	(90)	1,376
Attributable to:			
Equity holders of the Company	1,383	—	1,383
Non-controlling interests	83	(90)	(7)
	1,466	(90)	1,376

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(b) Group accounting *(Continued)*

(v) Jointly controlled entities ("JCE") *(Continued)*

(i) Effect on the consolidated income statement (Continued)

	For the year ended 31 December 2008 (As previously reported) HK$'000	Effect of change in accounting policy HK$'000	For the year ended 31 December 2008 (As restated) HK$'000
Continuing operations:			
Sales	179,431	6,577	186,008
Cost of Sales	(230,144)	(5,112)	(235,256)
Gross Profit	(50,713)	1,465	(49,248)
Other income and other gains, net	12,588	(156)	12,432
Marketing and selling expenses	(25,862)	—	(25,862)
Administrative expenses	(177,681)	(10,948)	(188,629)
Provision of impairment of intangible assets	(173,843)	—	(173,843)
Share of profits of jointly controlled entities	13,328	(13,328)	—
Share of profit of an associated company	—	37,449	37,449
Finance costs	(40,963)	(14,536)	(55,499)
Loss before taxation	(443,146)	(54)	(443,200)
Taxation	2,091	(13)	2,078
Loss for the year from continuing operations	(441,055)	(67)	(441,122)
Discontinued operation:			
Loss for the year from discontinued operation	—	—	—
Loss for the year	(441,055)	(67)	(441,122)
Attributable to:			
Equity holders of the Company	(441,117)	—	(441,117)
Non-controlling interests	62	(67)	(5)
	(441,055)	(67)	(441,122)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(b) Group accounting *(Continued)*

(v) Jointly controlled entities ("JCE") (Continued)

(ii) Effect on the consolidated statement of comprehensive income

	For the year ended 31 December 2009 (As previously reported)	Effect of change in accounting policy	For the year ended 31 December 2009 (As restated)
	HK$'000	*HK$'000*	*HK$'000*
Profit for the year	1,466	(90)	1,376
Other comprehensive income:			
Currency translation differences	58,819	—	58,819
Other comprehensive income for the year, net of tax	58,819	—	58,819
Total comprehensive income for the year	60,285	(90)	60,195
Total comprehensive income attributable to:			
Equity holders of the Company	60,202	—	60,202
Non-controlling interests	83	(90)	(7)
	60,285	(90)	60,195

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(b) Group accounting *(Continued)*

(v) Jointly controlled entities ("JCE") *(Continued)*

(ii) Effect on the consolidated statement of comprehensive income (Continued)

	For the year ended 31 December 2008 (As previously reported)	Effect of change in accounting policy	For the year ended 31 December 2008 (As restated)
	HK$'000	*HK$'000*	*HK$'000*
Loss for the year	(441,055)	(67)	(441,122)
Other comprehensive expense:			
Currency translation differences	(10,279)	—	(10,279)
Other comprehensive expense for the year, net of tax	(10,279)	—	(10,279)
Total comprehensive expense for the year	(451,334)	(67)	(451,401)
Total comprehensive expense attributable to:			
Equity holders of the Company	(451,396)	—	(451,396)
Non-controlling interests	62	(67)	(5)
	(451,334)	(67)	(451,401)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(b) Group accounting *(Continued)*

(v) Jointly controlled entities ("JCE") *(Continued)*

(iii) Effect on the consolidated 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	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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(b) Group accounting *(Continued)*

(v) Jointly controlled entities ("JCE") *(Continued)*

(iii) Effect on the consolidated balance sheet (Continued)

	31 December 2009 (As previously reported)	Effect of change in accounting policy	31 December 2009 (As restated)
	HK$'000	*HK$'000*	*HK$'000*
NON-CURRENT LIABILITIES			
Convertible notes	47,875	—	47,875
NET ASSETS	1,311,420	285	1,311,705
EQUITY			
Capital and reserves attributable to the 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 CONSOLIDATED FINANCIAL STATEMENTS

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(b) Group accounting *(Continued)*

(v) Jointly controlled entities ("JCE") *(Continued)*

(iii) Effect on the consolidated balance sheet (Continued)

	1 January 2009 (As previously reported) HK$'000	Effect of change in accounting policy HK$'000	1 January 2009 (As restated) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	7,489	1,165	8,654
Intangible assets	978,060	76,203	1,054,263
Interests in jointly controlled entities	267,639	(267,639)	—
Interest in an associated company	—	285,287	285,287
Loan to a jointly controlled entity – non-current	—	62,534	62,534
Deferred tax assets	35,794	14,318	50,112
Other non-current assets	—	10,926	10,926
	1,288,982	182,794	1,471,776
CURRENT ASSETS			
Exclusive advertising agency right	401,911	—	401,911
Trade receivables	55,248	249	55,497
Amount due from a jointly controlled entities and its subsidiaries	106,798	(70,239)	36,559
Financial assets at fair value through profit or loss	11,130	—	11,130
Prepayments, deposits and other receivables	121,196	8,025	129,221
Cash and cash equivalents	216,511	10,383	226,894
	912,794	(51,582)	861,212
CURRENT LIABILITIES			
Agency fee payables – current	785,367	—	785,367
Trade payables	24,880	7	24,887
Receipt in advance, other payables and accrued liabilities	79,532	55,528	135,060
Amount due to an associated company	—	54,905	54,905
Current income tax liabilities	30,062	6,079	36,141
	919,841	116,519	1,036,360

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(b) Group accounting *(Continued)*

(v) Jointly controlled entities ("JCE") *(Continued)*

(iii) Effect on the consolidated balance sheet (Continued)

	1 January 2009 (As previously reported) HK$'000	Effect of change in accounting policy HK$'000	1 January 2009 (As restated) HK$'000
NET CURRENT ASSETS	(7,047)	(168,101)	(175,148)
TOTAL ASSETS LESS CURRENT LIABILITIES	1,281,935	14,693	1,296,628
NON-CURRENT LIABILITIES			
Agency fee payables – non-current	418,209	—	418,209
Convertible notes	44,271	—	44,271
Deferred tax liabilities	4,076	14,318	18,394
	466,556	14,318	480,874
NET ASSETS	815,379	375	815,754
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	186,976	—	186,976
Reserves	627,762	—	627,762
	814,738	—	814,738
Non-controlling interests	641	375	1,016
TOTAL EQUITY	815,379	375	815,754

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using Renminbi ("RMB"), the currency of the primary economic environment in which the entity operates ("the functional currency"). 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. Accordingly, the consolidated financial statements are presented in Hong Kong dollars ("HK$").

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated income statement.

(iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

b) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(c) Foreign currency translation *(Continued)*

(iii) Group companies *(Continued)*

c) all resulting exchange differences are recognized in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to other comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognized in the consolidated income statement as part of the gain or loss on sale.

(d) Investment properties

Investment property, principally comprising leasehold land and office buildings, is held for long-term rental yields and is not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties. Land held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases. Investment property is initially measured at cost, including related transaction costs. After initial recognition at cost investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in the consolidated income statement as part of a valuation gain or loss in other income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(e) Property, plant and equipment

Property, plant and equipment, comprising leasehold land and buildings, plant, equipment and other assets are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are expensed in the consolidated income statement during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Property, plant and equipment	3 to 10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2(w)).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in the consolidated income statement.

(f) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associated company/JCE at the date of acquisition. Goodwill on acquisitions of subsidiaries/JCE is included in intangible assets. Goodwill on acquisitions of associated company is included in interest in associated company. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(f) Intangible assets *(Continued)*

(i) Goodwill (Continued)

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified according to operating segment.

(ii) Exclusive advertising agency rights

Exclusive advertising agency rights comprise the rights to sell the advertising resources of television channels in the People's Republic of China (the "PRC") on a sole agency basis. The Group is contracted to make pre-agreed periodic payments during the sole agency period.

The cost of the exclusive advertising agency rights represents net present value of those pre-agreed periodic payments to be made during the sole agency period, and those pre-agreed periodic payments constitute a contractual obligation to deliver cash or other monetary assets and hence are considered to be a financial liability. The exclusive advertising agency rights are amortized on a straight-line basis from the effective date of the right over the sole agency period and are stated at cost net of accumulated amortization and impairment losses, if any. Interest accreted on the present value of pre-agreed periodic payments is charged to the consolidated income statement within finance costs.

(iii) Programmes and film rights

Programmes and films rights acquired from outsiders are stated at acquisition costs plus film enhancement costs less accumulated amortization and impairment losses, if any.

Self-produced programmes and films products are completed programmes and films produced and are stated at the lower of cost and net realizable value. Cost of programmes and film products, accounted for on a programme-by-programme or film-by-film basis, includes production costs, cost of services, direct labour costs, facilities and raw materials consumed in the creation of a programme or a film.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(f) Intangible assets *(Continued)*

(iii) Programmes and film rights (Continued)

The costs of programmes and film rights are charged to the consolidated income statement proportionately to the estimated projected revenues over their expected economic beneficial period. Additional amortization will be charged if estimated projected revenues adversely differ from the previous estimation. Estimated projected revenues will be reviewed on a programme-by-programme or film-by-film basis at a regular interval.

When programmes and film rights are sold, carrying amount of those programmes and film rights is recognized as an expense in the year in which the related revenue is recognized. The amount of any write-down of programmes and film rights to net realizable value and all losses of programmes and film rights are recognized as an expense in the year the write-down or loss occurs.

At each balance sheet date, both internal and external market information is considered to assess whether there is any indication that assets included in programmes and film rights are impaired. If any such indication exists, the carrying amount of such assets is assessed and where relevant, an impairment loss is recognized in the consolidated income statement.

(iv) Programmes and films production in progress

Programmes and films production in progress are accounted for on a programme-by-programme or film-by-film basis and are stated at cost less accumulated impairment losses, if any. Cost of programmes or films production in progress includes production costs, costs of services, direct labour costs, facilities and raw materials consumed in the creation of a programme or a film. Upon completion, these programmes and films under production are reclassified as programmes and film rights.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(g) Non-current assets (or disposal groups) held for sale

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probably.

(h) Financial assets

Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "loan to a jointly controlled entity", "trade and other receivables", "amounts due from a jointly controlled entity and its subsidiaries" and "cash and cash equivalents" in the consolidated balance sheet.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(h) Financial assets *(Continued)*

Recognition and measurement

Regular way purchases and sales of financial assets are recognized on the trade-date — the date on which the Group commits to purchase or sell the asset. Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the consolidated income statement. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in the consolidated income statement within "other income and other gains, net", in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognized in the consolidated income statement as part of "other income and other gains, net" when the Group's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Group assesses at each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment testing on loans and receivable are described in note 2(i).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(i) Trade and other receivables

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default of delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognized in the consolidated income statement within "administrative expenses". When a trade receivable is uncollectible, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are credited against "administrative expenses" in the consolidated income statement.

(j) Cash and cash equivalents

Cash and cash equivalents includes cash on hand and deposits held at call with banks.

(k) Share capital

Ordinary shares and preference shares are classified as equity.

Preference shares are classified as equity as there is no contractual right to convert the preference shares to any outflow of liability on the Company.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Costs directly attributable to the repurchase of issued ordinary shares are shown in equity as a deduction and the nominal value of the shares repurchased is transferred from the retained earnings to the capital redemption reserve.

(l) Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the Company's shareholders, or directors where appropriate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(m) Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

(n) Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated income statement over the period of the borrowings using the effective interest method.

The fair value of the liability portion of a convertible note is determined using a market interest rate for an equivalent non-convertible note. This amount is recorded as a liability on an amortized cost basis until extinguished on conversion or maturity of the notes. The remainder of the proceeds is allocated to the conversion option. This is recognized in shareholder's equity, net of income tax effects.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

(o) Current and deferred income tax

The tax expense for the year comprises current and deferred tax. Tax is recognized in the consolidated income statement, except to the extent that it relates to item recognised in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries, JCE and an associated company operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(o) Current and deferred income tax *(Continued)*

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, JCE and an associated company, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

(p) Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

When there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(q) Revenue recognition

Revenue comprises the fair value of consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, rebates and discounts and after eliminating sales within the Group.

The Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits with flow to the entity and when specific criteria have been met for each of the Group's activities as described below.

Advertising and commission income are recognized when services are rendered and revenue can be reliably measured.

When services are exchanged or swapped for services which are of a similar nature and value, the exchange is not regarded as a revenue-generating transaction.

When services are rendered in exchange for dissimilar services, the exchange is regarded as a revenue-generating transaction. The revenue is measured at the fair value of the services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the services received cannot be measured reliably, the revenue is measured at the fair value of the services provided in a barter transaction, by reference to non-barter transaction involving similar services, adjusted by the amount of any cash or cash equivalents transferred.

Revenue from the sale of television programmes and film rights is recognized on the transfer of risks and rewards of ownership, which generally coincides with the time when the television programmes and film rights are delivered to customers and the title has passed or rights have been assigned.

Income from licensing and sub-licensing of television programmes and film rights is recognized upon the delivery of the pre-recorded audio visual products and the materials for video features to the customers, in accordance with the terms of the underlying contracts. In case where income from licensing and sub-licensing of film rights is contingent to the receipt of revenue from the box offices, income is only recognized when it is probable that the licensing fee will be received, which is normally when the event has occurred.

Rental and management fee income from investment property is recognized in the consolidated income statement on a straight-line basis over the term of the lease.

Interest income is recognized on a time proportion basis using the effective interest method.

Dividend income is recognized when the right to receive payment is established.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(r) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave and long-service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave, maternity and other non-accumulating compensated absences are not recognized until the time of leave.

(ii) Retirement benefit costs

The Group operates a defined contribution retirement benefits scheme (the "Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all those employees who are eligible to participate in the Scheme. The Scheme became effective on 1 December 2000. Contributions are made based on a percentage of the employees' basic salaries and are charged to the consolidated income statement as they became payable in accordance with the rules of the Scheme. The assets of the Scheme are held separately from those of the Group in an independent administered fund. The Group's employer contributions vest fully with the employees when contributed into the Scheme except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the Scheme.

The Company's subsidiaries in the PRC except Hong Kong are members of the state-managed retirement benefits scheme operated by the government of the PRC except Hong Kong. The retirement scheme contributions, which are based on a certain percentage of the salaries of the subsidiaries' employees, are charged to the consolidated income statement in the period to which they relate and represent the amount of contributions payable by these subsidiaries to the scheme.

For both retirement benefits schemes, the Group has no legal or constructive obligation to pay further contributions if the funds do not hold sufficient assets to pay all employees the benefits relating to employee service in the current or prior periods.

Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payment is available.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(r) Employee benefits *(Continued)*

(iii) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits when it is demonstrably committed to terminate the employment of current employees without possibility of withdrawal. In case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

(iv) Profit-sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(s) Share-based payments

The Group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions;

- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and

- excluding the impact of any non-vesting conditions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(s) Share-based payments *(Continued)*

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the entity revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated income statement, with a corresponding adjustment to equity.

The cash subscribed for the shares issued when the options are exercised is credited to share capital (nominal value) and share premium, net of any directly attributable transaction costs.

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

(t) Borrowing Costs

Borrowing costs are expensed in the period in which they are incurred.

(u) Operating leases

Leases where substantially all the risks and rewards of ownership of assets retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor), including upfront payment made for leasehold land and land use rights, are charged to the consolidated income statement on a straight-line basis over the period of the lease.

(v) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-marker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(w) Impairment of investments in subsidiaries, JCE, associated company and non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortization and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

3 FINANCIAL RISK MANAGEMENT

(i) Financial risk factors

The Group's activities expose it to a variety of financial risks: cash flow and fair value interest rate risk, credit risk, foreign exchange risk, price risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial market and seeks to minimize potential adverse effects on the Group's financial performance.

(a) Cash flow and fair value interest rate risk

The Group has loans to a jointly controlled entity and cash balances placed with reputable banks, which generate interest income for the Group.

Borrowings at variable rates expose the Group to cash flow interest-rate risk. Borrowings at fixed rates expose the Group to fair value interest-rate risk.

The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

The Group analyzes its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, and alternative financing. Based on these scenarios, the Group calculates the impact on profit and loss of a defined interest rate shift. For each simulation, the same interest rate shift is used. The scenarios are run only for financial assets and liabilities that represent the major floating interest-bearing positions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(i) Financial risk factors *(Continued)*

(a) Cash flow and fair value interest rate risk *(Continued)*

Based on the simulations performed, if the interest rate increased/decreased by 60 basis-point with all other variables held constant, loss attributable to the equity holders of the Company for the year ended 31 December 2010 would have been approximately HK$1,420,000 (2009: HK$1,723,000) lower/higher, respectively.

(b) Credit risk

The Group has no significant concentrations of credit risk. The carrying amounts of bank balances, trade receivable and prepayments, deposits and other receivables represent the Group's maximum exposure to credit risk in relation to financial assets. The Group has policies that limit the amount of credit exposure to any financial institutions. The Group has also policies in place to ensure that the sales are made to customers with appropriate credit history and the Group performs periodic credit evaluations of its customers.

The credit risk on bank balances is limited because the counterparties are financial institutions with good credit standing.

Other than concentration of credit risk on bank balances, which are deposited with several banks with good credit ratings, the Group has no significant concentration of credit risk, with exposure spread over a number of counterparties.

(c) Foreign exchange risk

The Group mainly operates in the PRC and is exposed to foreign exchange risk arising from Renminbi currency exposures, primarily with respect to the HK dollar. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.

The Group has not used any forward contracts, currency borrowings or other means to hedge its foreign currency exposure but manages through constant monitoring to limit as much as possible its net exposures.

The Group had certain investments in foreign operations in Renminbi, whose net assets were exposed to foreign currency translation risk. Fluctuation in such currencies would be reflected in the movement of the translation reserve.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(i) Financial risk factors *(Continued)*

(c) Foreign exchange risk (Continued)

As at 31 December 2010, if Renminbi had strengthened/weakened by 5% against Hong Kong dollars with all other variables held constant, the loss for the year and accumulated losses would decrease/increase by HK$26,435,000 (2009: profit increase/decrease by HK$21,528,000), mainly as a result of foreign exchange gains/losses on translation of Renminbi dominated loans advance to subsidiaries.

The Group had no material foreign currency exposure on the net monetary position of each group entity against its respective functional currency.

(d) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and bank balances.

Due to the dynamic nature of the Group's underlying businesses, the Group monitors the current and expected liquidity requirements and maintains flexibility in funding by maintaining sufficient cash and cash equivalent to meet operational needs and possible investment opportunities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(i) Financial risk factors *(Continued)*

(d) Liquidity risk (Continued)

The table below analyzed the financial liabilities of the Group and the Company into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table were the contractual undiscounted cash flows. Balances due within twelve months equaled their carrying balances, as the impact of discounting was not significant.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years
	HK$'000	*HK$'000*	*HK$'000*
Group			
At 31 December 2010			
Agency fee payables	136,492	—	—
Trade payables, other payables and accrued liabilities	161,796	—	—
Amount due to an associated company	32,848	—	—
At 31 December 2009 (Restated) *(Note2)*			
Agency fee payables	167,117	—	—
Trade payables, other payables and accrued liabilities	128,778	—	—
Amount due to an associated company	30,619	—	—
Company			
At 31 December 2010			
Other payables and accrued liabilities	41,850	—	—
At 31 December 2009			
Other payables and accrued liabilities	3,288	—	—

(e) Price risk

Management considers that the Group is not subject to any significant price risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(ii) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debts.

The Group monitors its capital structure on the basis of a total bank borrowings-to-total equity ratio. During 2010, the Group's strategy was to maintain the total bank borrowings-to-total equity ratio below 10%. The total bank borrowings-to-total equity ratio at 31 December 2010 was 0% (2009: 0%).

(iii) Fair value estimation

The fair values of the Group's financial instruments are not materially different from their carrying values.

The fair values of financial instruments that are not traded in active market are made references to amounts as determined by discounted cash flow techniques.

The carrying values less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

The table below analysis financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)(level 2).

- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs)(level 3)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(iii) Fair value estimation *(Continued)*

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2010:

	Level 1 *HK$'000*	Level 2 *HK$'000*	Level 3 *HK$'000*	Total *HK$'000*
Financial assets at fair value through profit or loss				
— Listed equity securities	28,000	—	—	28,000

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing services, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily the listed equity investments.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates and judgements will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(i) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with HKAS 36 "Impairment of Assets" ("HKAS 36"). The recoverable amounts of cash-generating units have been determined based on fair value less cost to sell calculations. These calculations require the use of estimates. Had the pre-tax discount rate, revenue growth rate and terminal growth rate applied to the discounted cash flow been different from the management's estimate, the goodwill might result in impairment. Details of the assumptions are described in note 15 to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(ii) Impairment of exclusive advertising agency rights

The exclusive advertising agency rights are reviewed for impairment whenever events or changes in circumstances in accordance with HKAS 36. The recoverable amounts have been determined based on fair value less costs to sell calculations. These calculations require the use of estimates. In determining the fair value less costs to sell, expected cash flows generated by the rights are discounted to their present value, which requires significant judgement relating to the level of volume of air time being sold, selling price and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sales volume, selling price and operating costs. Had the actual results been different from the management's estimate, the exclusive advertising agency rights might result in impairment.

(iii) Amortization and impairment of programmes and film rights

Programmes and film rights are amortized based on estimated projected revenue over their expected economic beneficial periods, and additional amortization will be charged if estimated projected revenue adversely differs from the previous estimation. Programmes and film rights are impaired to its net realizable value which is estimated based on projected revenues. Actual revenue might differ from such future revenue projections. In this regard, management prepares and regularly updates the detailed revenue projection for each significant programme and film. Had the actual results been different from the management's estimate, the programmes and film rights might result in impairment.

(iv) Recoverability of material trade receivables

The Group has significant balance of trade receivables, mainly arising from television advertising and content production businesses. Management reviews the collectibility of its trade receivables on a regular basis. Provision for doubtful debts is established for trade receivables that are potentially uncollectible based on a specific identification method. Determining adequate provision for doubtful debts requires management's judgement. Conditions impacting the collectibility of the Group's trade receivables could cause actual write-offs to be materially different from the amounts reserved.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(v) Income taxes

The Group recognizes income tax liabilities based on estimates of anticipated amounts of taxes that will be due. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

(vi) Recoverability of investments in film production

Management assesses annually whether the programmes and films production in progress have suffered any impairment. Such annual assessment is performed at each balance sheet date with reference mainly to current market conditions and trade history. If projected cash inflow from these investments deteriorates, provision for impairment may be required.

(vii) Purchase price allocation

The fair value of the assets of the subsidiaries acquired at the acquisition date was determined by management's assessment of the fair value of the assets. A portion of the purchase price is allocated to the business of the acquired subsidiaries based on the projected cash flow forecast of the business. Had management determined that a different fair value of the assets of the subsidiaries acquired at the acquisition date and different assumptions used for the preparation of the cash flow forecast of the business of the acquired subsidiaries, this would have caused different amount of asset value and goodwill at the date of acquisition.

(viii) Estimated fair values of investment properties

The Group carries its investment properties at fair value with changes in the fair values recognized in profit or loss. It obtains independent valuations at least annually. At the end of each reporting period, the management update their assessment of the fair value of each property, taking into account the most recent independent valuations. The key assumptions used in this determination and the sensitivity of the directors' estimates of these assumptions to the carrying amount of the investment properties are set out in note 17.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 SALES AND OTHER INCOME AND OTHER GAINS, NET

The Group is principally engaged in Advertising business, Content Production business and Properties Investment business through a jointly controlled entity. Revenues recognized during the year are as follows:

	Group	
	2010	2009
	HK$'000	*HK$'000*
		(Restated)
		(Note 2)
Sales		
Advertising	**161,340**	274,410
Licensing and sub-licensing of film and TV programs	**4,787**	9,648
Rental and management fee income	**5,181**	—
	171,308	284,058
Other income and other gains, net		
Gain on disposal of exclusive advertising agency right *(note 16)*	**—**	66,290
Dividend income on financial assets at fair value through profit or loss	**—**	277
Interest income	**9,574**	1,802
Fair value (loss)/gain on financial assets at fair value through profit or loss	**(1,836)**	8,176
Negative goodwill *(note 31)*	**10,344**	—
Exchange gain	**15,963**	806
Miscellaneous	**1,481**	22
	35,526	77,373
Total	**206,834**	361,431

The non-cash revenue arising from exchange of goods or services during the year included in sales from Advertising amounted to approximately HK$8,686,000 (2009: HK$8,191,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 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 three main operating segments: (i) Advertising business; (ii) Content Production business; and (iii) Properties Investment. The management committee measures the performance of the segments based on their respective segment results.

There are some changes in the operating segments presented in 2010 due to the change in the presentation of information to the management committee. The operating segment "Others" presented in 2009, which mainly represented the results from the Group's investments in the financial instruments, is no longer organized as a separate operating segment. The segment "Properties Investment" has been newly presented in 2010 as a result of the Group's investments in investment properties.

There are no sales between the operating segments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 SEGMENT INFORMATION *(Continued)*

The Group's three operating segments operate in the PRC. No geographical segment information is presented.

	2010					
	Advertising *HK$'000*	Content production *HK$'000*	Properties investment *HK$'000*	Total continuing operations *HK$'000*	Discontinued operation *HK$'000*	Total *HK$'000*
Sales	161,340	4,787	5,181	171,308	—	171,308
Segment results	13,957	(8,604)	1,974	7,327	—	7,327
Exchange gain				15,963	—	15,963
Share-based payments				(3,011)	—	(3,011)
Provision for impairment of goodwill				(470,444)	—	(470,444)
Negative goodwill				10,344	—	10,344
Finance costs				(1,125)	—	(1,125)
Unallocated costs, net				(37,908)	—	(37,908)
Loss before taxation				(478,854)	—	(478,854)
Taxation				(4,813)	—	(4,813)
Loss for the year				(483,667)	—	(483,667)
Non-controlling interests				204	—	204
Loss attributable to the equity holders of the Company				(483,463)	—	(483,463)
Segment assets	127,019	118,195	391,853	637,067	—	637,067
Interest in an associated company	268,986	—	—	268,986	—	268,986
Goodwill	43,611	—	—	43,611	—	43,611
Amounts due from a jointly controlled entity and its subsidiaries				26,747	—	26,747
Loan to a jointly controlled entity				64,809	—	64,809
Assets of disposal group held for sale				118,347	—	118,347
Unallocated assets				193,212	—	193,212
Total assets				1,352,779	—	1,352,779
Segment liabilities	151,315	104,119	29,941	285,375	—	285,375
Liabilities of disposal group held for sale				36,347	—	36,347
Unallocated liabilities				137,424	—	137,424
Total liabilities				459,146	—	459,146
Capital expenditures						
— Allocated	51,474	65,658	672	117,804	—	117,804
— Unallocated				1,903	—	1,903
Depreciation						
— Allocated	405	417	25	847	—	847
— Unallocated				1,317	—	1,317
Amortization	—	1,828	—	1,828	—	1,828

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 SEGMENT INFORMATION *(Continued)*

	2009					
	Advertising *HK$'000* *(Restated)* *(Note 2)*	Content production *HK$'000* *(Restated)* *(Note 2)*	Others *HK$'000* *(Restated)* *(Note 2)*	Total continuing operations *HK$'000* *(Restated)* *(Note 2)*	Discontinued operation *HK$'000* *(Restated)* *(Note 2)*	Total *HK$'000* *(Restated)* *(Note 2)*
Sales	274,410	9,648	—	284,058	206,240	490,298
Segment results	69,442	(7,732)	8,388	70,098	(34,242)	35,856
Interest income on loan to a jointly controlled entity				836	—	836
Exchange gain				806	—	806
Share-based payments				(13,762)	—	(13,762)
Provision for impairment of intangible assets				—	(21,173)	(21,173)
Loss on disposal of a subsidiary, net of provision for consideration receivable				—	(13,159)	(13,159)
Gain on disposal of exclusive advertising agency right				66,290	—	66,290
Finance costs				(31,291)	—	(31,291)
Unallocated costs, net				(26,562)	—	(26,562)
Profit/(Loss) before taxation				66,415	(68,574)	(2,159)
Taxation				(421)	3,956	3,535
Profit/(Loss) for the year				65,994	(64,618)	1,376
Non-controlling interests				7	—	7
Profit/(Loss) attributable to the equity holders of the Company				66,001	(64,618)	1,383
Segment assets	225,539	96,768	—	322,307	—	322,307
Investment in an associated company	253,144	—	—	253,144	—	253,144
Goodwill	496,653	—	—	496,653	—	496,653
Amounts due from a jointly controlled entity and its subsidiaries				32,495	—	32,495
Loan to a jointly controlled entity				62,634	—	62,634
Unallocated assets				532,858	—	532,858
Total assets				1,700,091	—	1,700,091
Segment liabilities	260,695	62,269	—	322,964	—	322,964
Unallocated liabilities				65,422	—	65,422
Total liabilities				388,386	—	388,386
Capital expenditures						
— Allocated	117	483	—	600	5	605
— Unallocated				—	—	—
Depreciation						
— Allocated	620	730	—	1,350	48	1,398
— Unallocated				1,179	—	1,179
Amortization	190,446	3,964	—	194,410	239,121	433,531

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 SEGMENT INFORMATION *(Continued)*

	1 January 2009					
	Advertising *HK$'000* *(Restated)* *(Note 2)*	Content production *HK$'000* *(Restated)* *(Note 2)*	Others *HK$'000* *(Restated)* *(Note 2)*	Total continuing operations *HK$'000* *(Restated)* *(Note 2)*	Discontinued operation *HK$'000* *(Restated)* *(Note 2)*	Total *HK$'000* *(Restated)* *(Note 2)*
Segment assets	1,114,971	128,557	11,196	1,254,724	—	1,254,724
Investment in an associated company	285,287	—	—	285,287	—	285,287
Goodwill	466,405	—	—	466,405	—	466,405
Amounts due from a jointly controlled entity and its subsidiaries				36,559	—	36,559
Loan to a jointly controlled entity				62,534	—	62,534
Unallocated assets				227,479	—	227,479
Total assets				2,332,988	—	2,332,988
Segment liabilities	1,354,410	60,184	—	1,414,594	—	1,414,594
Unallocated liabilities				102,640	—	102,640
Total liabilities				1,517,234	—	1,517,234

Segment assets consist primarily of tangible and intangible assets, investment properties, other non-current assets, receivables and operating cash. They exclude goodwill, loan to 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, current income tax liabilities and deferred tax liabilities.

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

7 FINANCE COSTS

	Group	
	2010 ***HK$'000***	2009 *HK$'000*
Notional non-cash interest accretion on:		
— Convertible notes	**1,125**	3,604
— Pre-agreed periodic payments on exclusive advertising agency right	**—**	27,687
	1,125	31,291

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8 (LOSS)/PROFIT BEFORE TAXATION

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

	Group	
	2010	2009
	HK$'000	*HK$'000*
		(Restated)
		(Note 2)
Crediting		
Gain on disposal of property, plant and equipment	**127**	346
Write back of provision for impairment of trade and other receivables	**—**	3,359
Debiting		
Depreciation of property, plant and equipment *(note 15)*	**2,164**	2,529
Amortization of intangible assets *(note 16)*	**1,828**	194,410
Auditor's remuneration	**3,352**	2,215
Provision for impairment of trade receivables *(note 22)*	**9,548**	—
Provision for impairment of other receivables	**671**	—
Operating lease rentals — land and buildings	**6,708**	6,457
Donations	**114**	—
Staff costs:		
Directors' fees	**656**	720
Wages and salaries	**23,943**	17,893
Share-based payments	**3,011**	13,762
Contributions to defined contribution pension schemes	**3,381**	2,662
	30,991	35,037

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9 TAXATION

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profit for the year. Taxation on profits outside Hong Kong has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the regions/countries in which the Group operates.

Effective from 1 January 2008, the Company's subsidiaries incorporated in the PRC are required to determine and pay the Corporate Income Tax ("CIT") in accordance with the Corporate Income Tax Law of the PRC (the "New CIT Law") as approved by the National People's Congress on 16 March 2007 and Detailed Implementations Regulations of the New CIT Law (the "DIR") as approved by the State Council on 6 December 2007.

According to the New CIT Law and DIR, the income tax rates for both domestic and foreign investment enterprises have been unified at 25% effective from 1 January 2008.

	Group	
	2010	2009
	HK$'000	*HK$'000*
		(Restated)
		(Note 2)
Current income tax		
— Hong Kong profits tax	**—**	—
— PRC Corporate Income Tax	**4,453**	(15,684)
Deferred income tax	**360**	16,105
Income tax expense	**4,813**	421

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9 TAXATION *(Continued)*

The tax on the Group's (loss)/profit 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 countries as follows:

	Group	
	2010	2009
	HK$'000	*HK$'000*
		(Restated)
		(Note 2)
(Loss)/profit before taxation	**(478,854)**	66,415
Tax calculated at domestic tax rates applicable to the profit or loss in the respective countries	**(81,010)**	11,893
Income not subject to tax	**(9,202)**	(16,767)
Expenses not deductible for tax purposes	**82,991**	5,541
Utilization of previously unrecognized tax losses	**(389)**	(8,772)
Unrecognized tax losses	**12,423**	8,526
Income tax expense	**4,813**	421

The weighted average applicable tax rate was 16.9% (2009: 17.9%).

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis. The analysis of deferred tax assets and deferred tax liabilities is as follows:

	Group	
	2010	2009
	HK$'000	*HK$'000*
Deferred tax assets to be recovered after more than 12 months	**18,737**	18,468
Deferred tax liabilities to be recovered after more than 12 months *(note 31)*	**(74,130)**	—
Deferred tax (liabilities)/assets, net	**(55,393)**	18,468

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9 TAXATION *(Continued)*

The movement in gross deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax assets:

	Group			
	Decelerated tax amortization in the PRC	**Impairment losses**	**Tax losses**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2009	26,168	14,999	8,945	50,112
Charged to the consolidated income statement	(19,194)	(7,420)	(5,086)	(31,700)
Exchange difference	27	18	11	56
At 31 December 2009	7,001	7,597	3,870	18,468
Charged to the consolidated income statement	—	—	(360)	(360)
Exchange difference	243	264	122	629
At 31 December 2010	7,244	7,861	3,632	18,737

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9 TAXATION *(Continued)*

Deferred tax liabilities:

	Group			
	Investment properties	**Intangible assets**	**Exchange difference**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2009	—	(4,076)	(14,318)	(18,394)
Credited to the consolidated income statement	—	4,076	14,330	18,406
Exchange difference	—	—	(12)	(12)
At 31 December 2009	—	—	—	—
Acquisition of subsidiaries and jointly controlled entities *(note 31)*	(74,130)	—	—	(74,130)
At 31 December 2010	(74,130)	—	—	(74,130)

Deferred tax assets are recognized for tax losses carry-forward to the extent that the realization of the related tax benefit through the future taxable profits is probable. As at 31 December 2010, the Group had unrecognized tax losses of approximately HK$346,217,000 (2009: HK$290,937,499) to carry forward against future taxable income, subject to agreement by the Inland Revenue Department of Hong Kong and local tax bureau of the PRC. The tax losses of the PRC subsidiaries have an expiry period of five years, while the tax losses of Hong Kong subsidiaries have no expiry date. Losses amounting to HK$65,898,000 (2009: HK$66,001,000) and HK$26,537,000 (2009: Nil) expire in 2013 and 2015 respectively.

Deferred income tax liabilities of HK$8,994,000 (2009: HK$350,000) have not been recognized for the withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries. Unremitted earnings totalled HK$89,944,000 as at 31 December 2010 (2009: HK$3,496,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 DISCONTINUED OPERATION — GROUP

On 25 June 2009, the Group 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 had been appointed as the exclusive advertising agency for Guangdong Provincial Satellite Television for the period from 1 January 2009 to 31 December 2011.

(a) An analysis of the results of the operation of the discontinued operation is as follows:

	2010	2009
	HK$'000	*HK$'000*
Sales	—	206,240
Cost of sales *(note 16)*	—	(239,121)
Gross loss	—	(32,881)
Other revenues	—	2
Marketing and selling expenses	—	(652)
Administrative expenses	—	(711)
Provision for impairment of intangible assets *(note 16)*	—	(21,173)
Loss on disposal of a subsidiary, net of provision for consideration receivable	—	(13,159)
Loss before taxation	—	(68,574)
Taxation	—	3,956
Loss from discontinued operation	—	(64,618)
Loss attributable to the equity holders of the Company	—	(64,618)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 DISCONTINUED OPERATION — GROUP *(Continued)*

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

	2010	2009
	HK$'000	*HK$'000*
Net cash outflow from operating activities	—	(423)
Net cash outflow from investing activities	—	(5)
Decrease in cash and cash equivalents	—	(428)

(c) Net cash inflow on disposal of the discontinued operation:

	2010	2009
	HK$'000	*HK$'000*
Net assets disposed of:		
Intangible asset — goodwill *(note 16)*	—	24,813
Exclusive advertising agency right *(note 16)*	—	147,606
Property, plant and equipment *(note 15)*	—	246
Trade receivables	—	13,489
Prepayments, deposits and other receivable	—	5,669
Cash and cash equivalents	—	353
Agency fee payables	—	(119,240)
Payables and accrued liabilities	—	(50,836)
	—	22,100
Loss on disposal of a subsidiary, net of provision for consideration receivable	—	(13,159)
Cash received upon disposal of a subsidiary	—	8,941
Cash and cash equivalents in a subsidiary disposed	—	(353)
Net cash inflow on disposal of a subsidiary	—	8,588

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The loss attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of approximately HK$368,057,000 (2009: loss of HK$28,411,000).

12 (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2010	2009
Weighted average number of ordinary shares in issue thousands)	**28,356,759**	19,068,808
(Loss)/profit from continuing operations attributable to equity holders of the Company (HK$'000)	**(483,463)**	66,001
Basic (loss)/earnings per share from continuing operations attributable to equity holders of the Company (HK cents per share)	**(1.70)**	0.35
Loss from discontinued operation attributable to equity holders of the Company (HK$'000)	**—**	(64,618)
Basic loss per share from discontinued operation attributable to equity holders of the Company (HK cents per share)	**—**	(0.34)

Diluted (loss)/earnings per share

Diluted (loss)/earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. As at 31 December 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 market share price of the Company's shares during the year) 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.

The conversion of all potential ordinary shares would have an anti-dilutive effect on the basic (loss)/earnings per share for the year ended 31 December 2010 (2009: same).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 DIVIDEND

The directors do not recommend the payment of a final dividend in respect of the year ended 31 December 2010 (2009: Nil).

14 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The aggregate amounts of emoluments paid or payable to directors of the Company during the year are as follows:

	2010	2009
	HK$'000	*HK$'000*
Fees	**656**	720
Salaries, bonuses, allowances and benefits in kind	**3,423**	1,604
Contributions to defined contribution pension schemes	**20**	12
Sub-total	**4,099**	2,336
Share-based payments (i)	**358**	4,912
Total	**4,457**	7,248

(i) Share-based payments represent the recognition of the fair value of share options of the Company granted to the directors over the vesting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

(a) Directors' emoluments *(Continued)*

The remuneration of each director for the year ended 31 December 2010 is set out below:

Name of director	Fees	Salaries, bonuses, allowances and benefits in kind	Contributions to defined contribution pension schemes	Sub-total	Share-based payments (i)	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Mr. YUEN Hoi Po (ii)	—	—	—	—	—	—
Mr. Hugo SHONG	—	—	—	—	—	—
Mr. ZHANG Changsheng	80	615	—	695	—	695
Mr. WANG Hong (ii)	—	1,576	12	1,588	359	1,947
Mr. Edward TIAN Suning	—	—	—	—	—	—
Mr. JIANG Jianning	144	—	—	144	—	144
Professor WEI Xin (iii)	26	—	—	26	—	26
Dr. WONG Yau Kar David	144	—	—	144	—	144
Mr. YUEN Kin	144	—	—	144	—	144
Mr. ZHAO Anjian (iv)	—	1,232	8	1,240	—	1,240
Mr. LI Ruigang (v)	118	—	—	118	—	118

(ii) Appointed in August 2010.

(iii) Appointed in October 2010.

(iv) Resigned in August 2010.

(v) Resigned in October 2010.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

(a) Directors' emoluments *(Continued)*

The remuneration of each director for the year ended 31 December 2009 is set out below:

Name of director	Fees	Salaries, bonuses, allowances and benefits in kind	Contributions to defined contribution pension schemes	Sub-total	Share-based payments (i)	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Mr. Edward TIAN Suning	—	—	—	—	975	975
Mr. Hugo SHONG (vi)	—	—	—	—	—	—
Mr. ZHAO Anjian	—	1,604	12	1,616	1,502	3,118
Mr. ZHANG Changsheng	144	—	—	144	487	631
Mr. JIANG Jianning	144	—	—	144	487	631
Mr. LI Ruigang	144	—	—	144	487	631
Dr. WONG Yau Kar David	144	—	—	144	487	631
Mr. YUEN Kin	144	—	—	144	487	631

(vi) Appointed in December 2009.

Other than as presented above, for 2009 and 2010 there were:

(1) no arrangement under which a director waived or agreed to waive any remuneration; and

(2) no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group, or as compensation for loss of office.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2009: one) director(s) whose emoluments are reflected in the analysis presented above. The emoluments payable to the three (2009: four) individuals during the year are as follows:

	Group	
	2010	2009
	HK$'000	*HK$'000*
Salaries, bonuses, allowances and benefits in kind	**4,393**	4,847
Share-based payments	**1,117**	5,211
Contributions to defined contribution pension schemes	**35**	80
	5,545	10,138

The emoluments fell within the following bands:

	Number of individuals	
	2010	2009
Emolument bands		
HK$1,500,001 — HK$2,000,000	**2**	1
HK$2,000,001 — HK$2,500,000	**1**	—
HK$2,500,001 — HK$3,000,000	**—**	3
	3	4

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 PROPERTY, PLANT AND EQUIPMENT — GROUP

	Property, plant and equipment *HK$'000* *(Restated)* *(Note 2)*
Cost	
At 1 January 2009	17,359
Additions — continuing operations	259
Additions — discontinued operation	5
Disposals — continuing operations	(6,670)
Disposal of a subsidiary — discontinued operation *(note 10(c))*	(300)
Exchange difference	11
At 31 December 2009	10,664
Accumulated depreciation	
At 1 January 2009	8,705
Disposals — continuing operations	(4,383)
Disposal of a subsidiary — discontinued operation *(note 10(c))*	(54)
Depreciation — continuing operations	2,529
Depreciation — discontinued operation	48
Exchange difference	3
At 31 December 2009	6,848
Net book value:	
At 31 December 2009	3,816

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 PROPERTY, PLANT AND EQUIPMENT — GROUP *(Continued)*

	Property, plant and equipment *HK$'000*
Cost	
At 1 January 2010	**10,664**
Additions	**2,964**
Acquisition of subsidiaries and jointly controlled entities *(note 31)*	**1,010**
Disposals	**(4,997)**
Exchange difference	**318**
Reclassification to assets of disposal group held for sale *(note 31)*	**(1,342)**
At 31 December 2010	**8,617**
Accumulated depreciation	
At 1 January 2010	**6,848**
Disposals	**(3,906)**
Depreciation	**2,164**
Exchange difference	**174**
Reclassification to assets of disposal group held for sale *(note 31)*	**(393)**
At 31 December 2010	**4,887**
Net book value:	
At 31 December 2010	**3,730**

Depreciation expense of HK$2,164,000 (2009: HK$2,006,000) has been charged in administrative expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 INTANGIBLE ASSETS — GROUP

	Non-current assets						Current assets
	Goodwill	Exclusive advertising agency right	Programmes and film rights	Programmes and films production in progress	Others	Total	Exclusive advertising agency right
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Restated)	*(Restated)*	*(Restated)*	*(Restated)*	*(Restated)*	*(Restated)*	*(Restated)*
	(Note 2)	*(Note 2)*	*(Note 2)*	*(Note 2)*	*(Note 2)*	*(Note 2)*	*(Note 2)*
Year ended 31 December 2009							
Opening net book amount	466,405	569,427	14,243	3,855	333	1,054,263	401,911
Additions — continuing operations	—	—	—	341	—	341	—
Provision for impairment — discontinued operation	(5,104)	—	—	—	—	(5,104)	(16,069)
Disposals — continuing operations	—	(380,225)	—	—	—	(380,225)	—
Disposal of a subsidiary — discontinued operation *(note 10(c))*	(24,813)	—	—	—	—	(24,813)	(147,606)
Reclassification	—	—	3,294	(3,294)	—	—	—
Amortization expense — continuing operations	—	(190,113)	(3,964)	—	(333)	(194,410)	—
Amortization expense — discontinued operation	—	—	—	—	—	—	(239,121)
Exchange difference	60,165	911	6	7	—	61,089	885
Closing net book amount	496,653	—	13,579	909	—	511,141	—
At 31 December 2009							
Cost	496,653	—	96,950	909	—	594,512	—
Accumulated amortization and impairment	—	—	(83,371)	—	—	(83,371)	—
Net book amount	496,653	—	13,579	909	—	511,141	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 INTANGIBLE ASSETS — GROUP *(Continued)*

	Non-current assets						Current assets
	Goodwill	Exclusive advertising agency right	Programmes and film rights	Programmes and films production in progress	Others	Total	Exclusive advertising agency right
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2010							
Opening net book amount	496,653	—	13,579	909	—	511,141	—
Additions	—	—	—	65,485	—	65,485	50,248
Reclassification	—	—	16,378	(16,378)	—	—	—
Amortization expense	—	—	(1,828)	—	—	(1,828)	—
Impairment expense	(470,444)	—	(7,984)	—	—	(478,428)	—
Exchange difference	17,402	—	284	614	—	18,300	873
Closing net book amount	43,611	—	20,429	50,630	—	114,670	51,121
At 31 December 2010							
Cost	43,611	—	105,965	50,630	—	200,206	51,121
Accumulated amortization and impairment	—	—	(85,536)	—	—	(85,536)	—
Net book amount	43,611	—	20,429	50,630	—	114,670	51,121

Amortization of HK$1,828,000 (2009: HK$194,410,000) is included in the cost of sales. Impairment of HK$478,428,000 (2009: nil) is included in administrative expenses.

In December 2010, the Group has acquired the exclusive advertising agency right in certain sectors for Beijing Railway Station and Beijing West Railway Station. The agency right lasts for a period of three years since 1 January 2011 and the Group has a right for early termination at its own discretion with forfeit of deposit paid.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 INTANGIBLE ASSETS — GROUP *(Continued)*

During the year ended 31 December 2006, Beijing Hua Yi Qian Si Advertising Company Limited ("Qiansi"), a wholly-owned subsidiary of the Group, has entered into an exclusive advertising agency agreement ("Agreement") with Hai Nan Haishi Tourist Satellite TV Media Co., Ltd. ("Hainan Haishi"), an associated company of a jointly controlled entity of the Group. Under the Agreement, Qiansi has been granted an exclusive right to sell all of the advertising resources of Hainan Haishi for a period of up to six years with effect from 1 January 2006. In return, Qiansi has agreed to make pre-agreed monthly payments to Hainan Haishi during the same period. In December 2009, Qiansi and Hainan Haishi have entered into a supplemental agreement, whereby the expiration date of the above-mentioned exclusive right was changed to 31 December 2009. Accordingly, the relevant intangible asset of HK$380,225,000 is treated as being disposed of and the relevant agency fee payables of HK$446,515,000 in relation to the periods after 31 December 2009 are derecognized. The difference of HK$66,290,000 is recorded as a gain on disposal of exclusive advertising agency right included in "other gains, net" for the year ended 31 December 2009 (note 5).

The Group considered the exclusive advertising agency rights to be an intangible asset representing the right to sell advertising resources. The present value of pre-agreed periodic payments to be made in subsequent years were capitalized and accounted for as intangible assets in the consolidated balance sheet, and those pre-agreed periodic payments constitute a contractual obligation to deliver cash and hence were considered to be a financial liability. The exclusive advertising agency right is amortized on a straight-line basis from the effective date of the right over the shorter of the remaining license period and the non-cancellable license period and is stated net of accumulated amortization. Interest accreted on the present value of pre-agreed periodic payments, if any, is charged to the consolidated income statement within finance costs.

Based on the revenue projection for each significant programme and film, the management consider the net realizable value is lower than its carrying value and thus impairment was recognized.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 INTANGIBLE ASSETS — GROUP *(Continued)*

Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to operating segment as follows:

	2010 HK$'000	2009 HK$'000 (Restated) (Note 2)
Advertising business	**43,611**	496,653

The recoverable amount of a CGU is determined based on fair value less cost to sell calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimate rates stated below. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

Key assumptions used for fair value less cost to sell calculations:

	Advertising business	
	2010	2009
— Compound annual growth rate of revenue in five-year period (2009: six-year period)	**22%**	23%
— Annual growth rate beyond the five-year period (2009: six-year period)	**4%**	3%
— Discount rate	**17.4%**	15%

Management determined the average annual revenue growth rate based on past performance and its expectations of market development. The discount rates used reflect specific risks relating to the relevant segments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 INTANGIBLE ASSETS — GROUP *(Continued)*

When preparing the cash flow projection in five-year period for the advertising CGU, management has adjusted downwards the projected annual net cash inflow during the next five-year period after taking into account the following factors, among others:

— the year-on-year growth of sales from the advertising CGU slowed down during the second half of 2010 comparing to the first half of 2010;

— the marketing and selling expenses in relation to advertising sales and costs of programme production has been increasing since the second half of 2010, and such rising trend is expected to continue in the near future;

— the market competition in the advertising market in the PRC is still very intense; and

— the proposed disposal of Sinofocus Media (Holdings) Limited and its subsidiaries which engaged in advertising agency and media resources procurement business (see note 31 for details).

Taking into account the adjustments on the cash flow projection and applicable discount rate as mentioned above, the impairment tests on goodwill resulted in an impairment loss of approximately HK$470,444,000 (2009: nil).

If the compound annual growth rate of revenue in the first five-year period applied had been 1% lower and the discount rate applied had been 1% higher than management's estimates as at 31 December 2010 with all other variables held constant, a further impairment provision of HK$43,611,000 would be required for the goodwill associated with the advertising business CGU as at 31 December 2010.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17 INVESTMENT PROPERTIES

	Group	
	2010	2009
	HK$'000	*HK$'000*
At fair value:		
Opening balance at 1 January	**—**	—
Acquisitions of subsidiaries and jointly controlled entities *(note 31)*	**359,004**	—
Exchange difference	**886**	—
Closing balance at 31 December	**359,890**	—

The investment properties were located in the PRC and were held through a 50% indirectly-owned jointly controlled entity acquired in year 2010. In accordance to proportionate consolidation method, 50% of the fair value of the investment properties was included in the Group's consolidated financial statements.

(a) Amounts recognized in profit and loss for investment properties

	2010	2009
	HK$'000	*HK$'000*
Rental and management fee income	**5,181**	—
Direct operating expenses from property that generated rental income	**(3,011)**	—
Direct operating expenses from property that did not generate rental income	**—**	—
	2,170	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17 INVESTMENT PROPERTIES *(Continued)*

(b) Valuation basis

The Group obtains independent valuations for its investment properties at least annually. At the end of each reporting period, the directors update their assessment of the fair value of each property, taking into account the most recent independent valuations carried out by B.I. Appraisals Limited, a firm of independent and qualified professional valuers not connected with the Group. The directors determine a property's value within a range of reasonable fair value estimates.

The basis of valuation of the fair value of the investment properties was the current prices in an active market for similar investment properties.

(c) Leasing arrangements

Some of the investment properties are leased to tenants under long term operating leases with rentals payable monthly. The Group's interests in minimum lease payments under non cancellable operating leases of investment properties not recognised in the financial statements are receivable as follows:

	2010 ***HK$'000***	2009 *HK$'000*
Within one year	**9,125**	—
Later than one year but no later than 5 years	**28,651**	—
Later than 5 years	**49,196**	—
	86,972	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18 INTERESTS IN SUBSIDIARIES — COMPANY

	Company	
	2010	2009
	HK$'000	*HK$'000*
Unlisted shares at cost *(note a)*	**793,913**	790,979
Provision for impairment loss	**(634,827)**	(634,827)
	159,086	156,152
Loans advance to subsidiaries	**1,058,788**	656,553
Provision for impairment loss	**(361,957)**	—
	696,831	656,553
	855,917	812,705

All the balances with subsidiaries were unsecured, interest-free and not repayable in the forseeable future.

Particulars of the principal subsidiaries are set out in note 36 to the consolidated financial statements.

Note a: Expenses relating to share options granted by the Company to (i) certain employees working for, and (ii) parties providing services to, subsidiaries of the Group is recognized as deemed investments in subsidiaries.

19 INTEREST IN AN ASSOCIATED COMPANY

	Group	
	2010	2009
	HK$'000	*HK$'000*
At 1 January	**253,144**	285,287
Share of profits	**6,931**	3,335
Dividend distribution	**—**	(29,712)
Exchange differences	**8,911**	(5,766)
At 31 December	**268,986**	253,144
Included in the above balances:		
Goodwill :		
At 1 January	**132,577**	135,013
Exchange differences	**4,604**	(2,436)
At 31 December	**137,181**	132,577

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

No indication for impairment of goodwill of an associated company was noted during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19 INTEREST IN AN ASSOCIATED COMPANY *(Continued)*

The particulars of the associated company as at 31 December 2010 are as follows:

Name	Place of establishment 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.

The Group's share of the results and its aggregated assets (including goodwill) and liabilities of the associated company at 31 December 2010 were as follows:

	2010	2009
	HK$'000	*HK$'000*
Assets:		
Non-current assets	**121,205**	124,833
Current assets	**327,320**	261,371
	448,525	386,204
Liabilities:		
Current liabilities	**(89,873)**	(58,132)
Net assets	**358,652**	328,072
Revenue	**197,582**	128,157
Profit for the year	**18,859**	9,075

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 AMOUNTS DUE FROM A JOINTLY CONTROLLED ENTITY AND ITS SUBSIDIARIES — GROUP

	Group		
			1 January
	2010	2009	2009
	HK$'000	*HK$'000*	*HK$'000*
		(Restated)	*(Restated)*
		(Note 2)	*(Note 2)*
Loan to a jointly controlled entity-non-current	**64,809**	62,634	62,534
Amounts due from a jointly controlled entity and its subsidiaries- current	**26,747**	32,495	36,559
	91,556	95,129	99,093

As at 31 December 2010, 2009 and 1 January 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, non-interest bearing and repayable on demand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 AMOUNTS DUE FROM A JOINTLY CONTROLLED ENTITY AND ITS SUBSIDIARIES — GROUP *(Continued)*

The particulars of the principal jointly controlled entities and its subsidiaries as at 31 December 2010 are as follows:

Name	Place of establishment and kind of legal entity	Registered capital	Interest held indirectly		Principal activities and place of operation
			2010	2009	
Shenzhen ITC Tian An Co., Ltd. (2)	The PRC, Sino-foreign equity joint venture	US$8,880,000	**50%**	—	Holding and rental of investment properties in the PRC
Shenzhen Tian An International Building Property Management Co., Ltd. (2)	The PRC, Sino-foreign equity joint venture	RMB3,000,000	**50%**	—	Property management in the PRC
Hainan Hailu Advertising Limited Liability Company (3)	The PRC, limited liability company	RMB1,000,000	**50%**	50%	Advertising agency, design and production

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 AMOUNTS DUE FROM A JOINTLY CONTROLLED ENTITY AND ITS SUBSIDIARIES — GROUP *(Continued)*

Name	Place of establishment and kind of legal entity	Registered capital	Interest held indirectly 2010	Interest held indirectly 2009	Principal activities and place of operation
AUFM GROUP					
Asia Union Film and Media (1) (3)	The PRC, limited liability company	RMB120,000,000	**50%**	50%	Investment in television drama, film production and advertising production in the PRC
Beijing Ying Shi Film & Television Art Limited Liability Company (3)	The PRC, limited liability company	RMB500,000	**30%**	30%	Television drama production in the PRC
Beijing Hua Yi Shan He Shui Advertising Company Limited (3)	The PRC, limited liability company	RMB1,020,000	**25.50%**	25.50%	Advertisement production in the PRC

(1) On 3 July 2007, the Group 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%. 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 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" in the consolidated income statement.

(2) Acquired in September 2010 (see note 31 for details).

(3) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21 FINANCIAL INSTRUMENTS BY CATEGORY — GROUP AND COMPANY

The accounting policies for financial instruments were applied to the line items below:

Group

Assets as per consolidated balance sheet

	Loans and receivables *HK$'000*	Financial assets at fair value through profit or loss *HK$'000*	Total *HK$'000* *(Restated)* *(Note 2)*
As at 31 December 2010			
Trade receivables	22,474	—	22,474
Amounts due from a jointly controlled entity and its subsidiaries	26,747	—	26,747
Financial assets at fair value through profit or loss	—	28,000	28,000
Prepayments, deposits and other receivables	36,849	—	36,849
Cash and cash equivalents	236,678	—	236,678
Assets of disposal group held for sale	118,347	—	118,347
Total	441,095	28,000	469,095
As at 31 December 2009			
Trade receivables	127,882	—	127,882
Amounts due from a jointly controlled entity and its subsidiaries	32,495	—	32,495
Prepayments, deposits and other receivables	40,587	—	40,587
Cash and cash equivalents	648,072	—	648,072
Total	849,036	—	849,036
As at 1 January 2009			
Trade receivables	55,497	—	55,497
Amounts due from a jointly controlled entity and its subsidiaries	36,559	—	36,559
Financial assets at fair value through profit or loss	—	11,130	11,130
Prepayments, deposits and other receivables	129,221	—	129,221
Cash and cash equivalents	226,894	—	226,894
Total	448,171	11,130	459,301

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21 FINANCIAL INSTRUMENTS BY CATEGORY — GROUP AND COMPANY *(Continued)*

Group

Liabilities as per consolidated balance sheet

	Other financial liabilities at amortized cost
	HK$'000
	(Restated)
	(Note 2)
As at 31 December 2010	
Agency fee payables	136,492
Trade payables	2,383
Receipts in advance, other payables and accrued liabilities	159,413
Amount due to an associated company	32,848
Liabilities of disposal group held for sale	36,347
Total	367,483
As at 31 December 2009	
Agency fee payables	167,117
Trade payables	36,089
Receipts in advance, other payables and accrued liabilities	92,689
Amount due to an associated company	30,619
Convertible notes	47,875
Total	374,389
As at 1 January 2009	
Agency fee payables	1,203,576
Trade payables	24,887
Receipts in advance, other payables and accrued liabilities	135,060
Amount due to an associated company	54,905
Convertible notes	44,271
Total	1,462,699

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21 FINANCIAL INSTRUMENTS BY CATEGORY — GROUP AND COMPANY *(Continued)*

Company

Assets as per balance sheet

	Loans and receivables *HK$'000*
As at 31 December 2010	
Prepayments, deposits and other receivables	14
Amounts due from subsidiaries	696,831
Cash and cash equivalents	56,476
Total	753,321
As at 31 December 2009	
Amounts due from subsidiaries	656,553
Cash and cash equivalents	425,059
Total	1,081,612

Company

Liabilities as per balance sheet

	Other financial liabilities at amortized cost *HK$'000*
As at 31 December 2010	
Other payables and accrued liabilities	41,850
Total	41,850
As at 31 December 2009	
Other payables and accrued liabilities	3,288
Convertible notes	47,875
Total	51,163

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22 TRADE RECEIVABLES — GROUP

At 31 December 2010, the aging analysis of the trade receivables is as follows:

	Group	
	2010	2009
	HK$'000	*HK$'000*
		(Restated)
		(Note 2)
0 — 3 months	**64,030**	120,516
4 — 6 months	**7,158**	6,148
Over 6 months	**14,051**	1,218
	85,239	127,882
Reclassification to assets of disposal group held for sale *(note 31)*	**(53,051)**	—
	32,188	127,882
Provision for doubtful debts (all made against trade receivables aged over 6 months)	**(9,714)**	—
	22,474	127,882

The net carrying amounts of the trade receivables of the Group are denominated in Renminbi.

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

Credit risk represents the accounting loss that would be recognized at the reporting date if counterparties failed to perform as contracted. As at 31 December 2010, HK$9,714,000 of the trade receivables was considered impaired (2009: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22 TRADE RECEIVABLES — GROUP *(Continued)*

The aging analysis of trade receivables that were past due but not impaired is as follows:

	Group	
	2010	2009
	HK$'000	*HK$'000*
4 — 6 months	**7,158**	6,148
Over 6 months	**4,337**	1,218
	11,495	7,366
Reclassification to assets of disposal group held for sale	**(3,438)**	—
	8,057	7,366

Management does not expect any material losses from non-performance by these counterparties, as these relate to a number of independent customers for whom there is no recent history of default.

Movements on the Group's provision for doubtful debts are as follows:

	Group	
	2010	2009
	HK$'000	*HK$'000*
At 1 January	**—**	29,659
Provision for doubtful debts	**9,548**	—
Write back of over-provision	**—**	(3,359)
Write-off against trade receivables	**—**	(26,300)
Exchange differences	**166**	—
At 31 December	**9,714**	—

The creation and release of provision for doubtful debts have been included in administrative expenses in the consolidated income statement (note 8). Amounts charged to the provision account are generally written off when there is no expectation of recovering additional cash.

The carrying amounts of trade receivables approximate their respective fair values.

The maximum exposure to credit risk at the balance sheet date is the carrying value of trade receivables disclosed above. The Group does not hold any collateral as security.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS — GROUP

	Group		
			1 January
	2010	2009	2009
	HK$'000	*HK$'000*	*HK$'000*
Equity security:			
Listed in Hong Kong	**28,000**	—	11,130
Market value of listed security	**28,000**	—	11,130

Financial assets at fair value through profit or loss are presented within "operating activities" as part of changes in working capital in the cash flow statement (note 30(a)).

Changes in fair value of financial assets at fair value through profit or loss are recorded in "other gains, net" in the consolidated income statement (note 5).

The fair value of the equity security was based on its current bid prices in an active market.

24 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES — GROUP AND COMPANY

	Group			Company	
			1 January		
	2010	2009	2009	**2010**	2009
	HK$'000	*HK$'000*	*HK$'000*	***HK$'000***	*HK$'000*
		(Restated)	*(Restated)*		
		(Note 2)	*(Note 2)*		
Prepayments, deposits and other receivables	**36,849**	63,422	129,221	**14**	—
Provision for doubtful receivables	**—**	(22,835)	—	**—**	—
	36,849	40,587	129,221	**14**	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES — GROUP AND COMPANY *(Continued)*

The amounts due from related companies were unsecured, non-interest bearing and repayable on demand. The carrying amounts of prepayments, deposits and other receivables of the Group and the Company are denominated in the following currencies:

	Group			Company	
			1 January		
	2010	2009	2009	**2010**	2009
	HK$'000	*HK$'000*	*HK$'000*	***HK$'000***	*HK$'000*
		(Restated)	*(Restated)*		
		(Note 2)	*(Note 2)*		
HK$	**19,100**	19,032	60,876	**14**	—
RMB	**17,749**	21,555	68,345	**—**	—
	36,849	40,587	129,221	**14**	—

The carrying amounts of prepayments, deposits and other receivables approximate their fair values.

The maximum exposure to credit risk at the balance sheet date is the carrying value of prepayments, deposits and other receivables disclosed above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25 CASH AND CASH EQUIVALENTS — GROUP AND COMPANY

	Group			Company	
			1 January		
	2010	2009	2009	**2010**	2009
	HK$'000	*HK$'000*	*HK$'000*	***HK$'000***	*HK$'000*
		(Restated)	*(Restated)*		
		(Note 2)	*(Note 2)*		
Cash and bank balances	**236,678**	648,072	226,894	**56,476**	425,059
	236,678	648,072	226,894	**56,476**	425,059
Denominated in :					
HK$	**147,415**	580,250	161,330	**56,474**	425,057
RMB	**79,859**	58,218	55,839	**—**	—
United States Dollar (USD)	**9,404**	9,604	9,725	**2**	2
	236,678	648,072	226,894	**56,476**	425,059
Maximum exposure to credit risk	**236,368**	647,996	226,894	**56,476**	425,059

26 TRADE PAYABLES, RECEIPT IN ADVANCE, OTHER PAYABLES AND ACCRUED LIABILITIES — GROUP AND COMPANY

	Group			Company	
			1 January		
	2010	2009	2009	**2010**	2009
	HK$'000	*HK$'000*	*HK$'000*	***HK$'000***	*HK$'000*
		(Restated)	*(Restated)*		
		(Note 2)	*(Note 2)*		
Trade payables	**2,383**	36,089	24,887	**—**	—
Receipt in advance	**5,358**	11,050	45,175	**—**	—
Other payables and accrued liabilities	**154,055**	81,639	89,885	**41,850**	3,288
Total	**161,796**	128,778	159,947	**41,850**	3,288

As at 31 December 2010, the deposits as a part of consideration of proposed disposal of HK$40,000,000 (note 31) was included in the other payables and accrued liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26 TRADE PAYABLES, RECEIPT IN ADVANCE, OTHER PAYABLES AND ACCRUED LIABILITIES — GROUP AND COMPANY *(Continued)*

At 31 December 2010, the aging analysis of the trade payables is as follows:

	Group	
	2010	2009
	HK$'000	*HK$'000*
		(Restated)
		(Note 2)
0 — 3 months	**11,382**	21,670
4 — 6 months	**5**	6,743
Over 6 months	**2,383**	7,676
	13,770	36,089
Reclassification to liabilities of disposal group held for sale *(note 31)*	**(11,387)**	—
	2,383	36,089

The carrying amounts of trade payables, receipt in advance, other payables and accrued liabilities approximate their fair values.

27 CONVERTIBLE NOTES — GROUP AND COMPANY

In September 2006, the Company issued a convertible note ("Second Tranche Convertible Note") which can be converted into 3,202,234,673 ordinary shares at a conversion price of HK$0.049 per share (subject to adjustment), as additional considerations for the acquisition of the 100% equity interest in Anglo Alliance Co., Ltd completed in May 2005.

During the year, all of the remaining Second Tranche Convertible Note has been converted into 1,065,217,391 ordinary shares of the Company at an adjusted conversion price of HK$0.046 per share. There was no outstanding convertible note as at 31 December 2010.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 CONVERTIBLE NOTES — GROUP AND COMPANY *(Continued)*

The fair value of Second Tranche Convertible Note has been split between the liability and equity portion, as follows:

	Group and Company	
	2010	2009
	HK$'000	*HK$'000*
Equity portion		
Beginning of the year	**56,523**	56,523
Conversion	**(56,523)**	—
End of the year	**—**	56,523
Liability portion		
Beginning of the year	**47,875**	44,271
Interest accretion	**1,125**	3,604
Conversion	**(49,000)**	—
End of the year	**—**	47,875
Total fair value		
Beginning of the year	**104,398**	100,794
End of the year	**—**	104,398

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 SHARE CAPITAL

	Authorized				
	Preference shares of HK$0.01 each		Ordinary shares of HK$0.01 each		Total
	No. of shares		*No. of shares*		
	'000	*HK$'000*	*'000*	*HK$'000*	*HK$'000*
At 31 December 2010	240,760	2,408	60,000,000	600,000	602,408
At 1 January 2009 and 31 December 2009	240,760	2,408	30,000,000	300,000	302,408

	Issued and fully paid				
	Preference shares of HK$0.01 each		Ordinary shares of HK$0.01 each		Total
	No. of shares		*No. of shares*		
	'000	*HK$'000*	*'000*	*HK$'000*	*HK$'000*
At 1 January 2009	—	—	18,697,646	186,976	186,976
Issuance of shares upon open offer and placement (1)	—	—	9,031,617	90,317	90,317
At 31 December 2009	—	—	27,729,263	277,293	277,293
At 1 January 2010	—	—	27,729,263	277,293	277,293
Issuance of shares upon conversion of convertible notes (i)	—	—	1,065,217	10,652	10,652
Issuance of shares upon exercise of share options	—	—	50	—	—
At 31 December 2010	—	—	28,794,530	287,945	287,945

28 SHARE CAPITAL *(Continued)*

Ordinary shares

During the year ended 31 December 2010, the Company has issued its ordinary shares as follows:

(i) In May 2010, all of the remaining second Tranche Convertible Note has been converted in to 1,065,217,391 ordinary shares of the Company at an adjusted conversion price of HK$0.046 each.

During the year ended 31 December 2009, the Company has issued its ordinary shares as follows:

(1) In December 2009, 7,011,616,992 new ordinary shares and 2,020,000,000 new ordinary shares were issued upon completion of the open offer of three offer shares for every eight shares and a share placement, respectively at a price of HK$0.048 per share. Details of the open offer and the placement were disclosed in the Company's circular dated 25 November 2009.

Share options

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. During the year, share-based payment expense of approximately HK$3,011,000 is charged to the consolidated income statement (2009: HK$13,762,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 SHARE CAPITAL *(Continued)*

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

Tranche	Date of share options granted	Outstanding as at 1 January 2010	Granted during the year	Cancelled/ lapsed during the year	Exercised during the year	Outstanding as at 31 December 2010	Exercisable as at 31 December 2010	Exercise price (adjusted)	Vesting date	Expiry date
		Number of share options								
								HK$		
1	7 March 2008	788,906,250	–	–	–	788,906,250	631,125,000	0.149	From 1 April 2008 to 1 March 2011	31 December 2012
2	5 May 2008	134,062,500	–	(10,312,500)	–	123,750,000	123,750,000	0.130	From 1 April 2009	31 December 2015
3	4 November 2008	907,500,000	–	(20,625,000)	(49,995)	886,825,005	835,262,505	0.043	From 8 March 2009 to 8 March 2011	31 December 2015
		1,830,468,750	–	(30,937,500)	(49,995)	1,799,481,255	1,590,137,505			

Tranche	Date of share options granted	Outstanding as at 1 January 2009	Granted during the year	Cancelled/ lapsed during the year	Adjustment during the year	Outstanding as at 31 December 2009	Exercisable as at 31 December 2009	Exercise price (adjusted)	Vesting date	Expiry date
		Number of share options								
								HK$		
1	7 March 2008	798,000,000	–	(33,000,000)	23,906,250	788,906,250	315,562,500	0.149	From 1 April 2008 to 1 March 2011	31 December 2012
2	5 May 2008	130,000,000	–	–	4,062,500	134,062,500	134,062,500	0.130	From 1 April 2009	31 December 2015
3	4 November 2008	880,000,000	–	–	27,500,000	907,500,000	752,812,500	0.043	From 8 March 2009 to 8 March 2011	31 December 2015
		1,808,000,000	–	(33,000,000)	55,468,750	1,830,468,750	1,202,437,500			

There are no performance conditions or market conditions required for these tranches of issued options.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29 RESERVES

Group

	Share premium HK$'000	Merger reserve HK$'000	Equity component of convertible notes HK$'000	Statutory reserve HK$'000	Share option reserve HK$'000	Capital redemption reserve HK$'000	Currency translation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000 (Restated)	Total HK$'000 (Restated)
	(note ii)	*(note i)*		*(note iii)*		*(note iv)*				*(Note 2)*	*(Note 2)*
Balance at 1 January 2009	916,039	860,640	56,523	47	77,135	1,206	(11,589)	(1,272,239)	627,762	1,016	628,778
Profit/(Loss) for the year	—	—	—	—	—	—	—	1,383	1,383	(7)	1,376
Share-based payment expense	—	—	—	—	13,762	—	—	—	13,762	—	13,762
Issuance of shares upon open offer and share placement	331,677	—	—	—	—	—	—	—	331,677	—	331,677
Currency translation differences	—	—	—	—	—	—	58,819	—	58,819	—	58,819
Transfer to statutory reserve	—	—	—	438	—	—	—	(438)	—	—	—
Balance at 31 December 2009	1,247,716	860,640	56,523	485	90,897	1,206	47,230	(1,271,294)	1,033,403	1,009	1,034,412

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29 RESERVES *(Continued)*

Group *(Continued)*

	Share premium	Merger reserve	Equity component of convertible notes	Statutory reserve	Share option reserve	Capital redemption reserve	Currency translation reserve	Accumulated losses	Total	Non-controlling interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* *(Restated)*	*HK$'000* *(Restated)*
	(note ii)	*(note i)*		*(note iii)*		*(note iv)*				*(Note 2)*	*(Note 2)*
Balance at 1 January 2010	1,247,716	860,640	56,523	485	90,897	1,206	47,230	(1,271,294)	1,033,403	1,009	1,034,412
Loss for the year	—	—	—	—	—	—	—	(483,463)	(483,463)	(204)	(483,667)
Share-based payment expense	—	—	—	—	3,011	—	—	—	3,011	—	3,011
Issuance of shares upon conversion of convertible notes	94,871	—	(56,523)	—	—	—	—	—	38,348	—	38,348
Issue of shares upon exercise of share options	2	—	—	—	—	—	—	—	2	—	2
Currency translation differences	—	—	—	—	—	—	13,550	—	13,550	32	13,582
Transfer to statutory reserve	—	—	—	111	—	—	—	(111)	—	—	—
Balance at 31 December 2010	1,342,589	860,640	—	596	93,908	1,206	60,780	(1,754,868)	604,851	837	605,688

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29 RESERVES *(Continued)*

Company

	Share premium HK$'000 (note ii)	Equity component of convertible note HK$'000	Share option reserve HK$'000	Capital redemption reserve HK$'000 (note iv)	Accumulated losses HK$'000	Total HK$'000
At 1 January 2009	916,039	56,523	77,135	1,206	(458,623)	592,280
Share-based payment expense	—	—	13,762	—	—	13,762
Issuance of shares upon open offer and share placement	331,677	—	—	—	—	331,677
Loss for the year	—	—	—	—	(28,411)	(28,411)
At 31 December 2009	1,247,716	56,523	90,897	1,206	(487,034)	909,308
At 1 January 2010	1,247,716	56,523	90,897	1,206	(487,034)	909,308
Share-based payment expense	—	—	3,011	—	—	3,011
Issuance of shares upon conversion of convertible notes	94,871	(56,523)	—	—	—	38,348
Issue of shares upon exercise of share options	2	—	—	—	—	2
Loss for the year	—	—	—	—	(368,057)	(368,057)
At 31 December 2010	1,342,589	—	93,908	1,206	(855,091)	582,612

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29 RESERVES *(Continued)*

Notes:

(i) The merger reserve of the Group derives from the difference between the nominal value of the Company's shares issued to acquire the issued share capital of Universal Appliances Limited pursuant to the Group reorganisation in 2002, and the consolidated net asset value of Universal Appliances Limited so acquired. Under the Companies Law (2003 Revision) (Cap. 22) of the Cayman Islands, the merger reserve is distributable to shareholders under certain prescribed circumstances.

(ii) The share premium of the Company represents the excess of the fair value of the issued shares over the nominal value of the Company's shares issued in exchange therefor. Under the Companies Law (2003 Revision) (Cap. 22) of the Cayman Islands, a company may make distributions to its members out of the share premium in certain circumstances.

(iii) The PRC laws and regulations require companies registered in the PRC to provide for certain statutory reserves, which are to be appropriated from the net profit (after offsetting accumulated losses from prior years) as reported in their respective statutory financial statements, before profit distributions to equity holder. All statutory reserves are created for specific purposes. PRC companies are required to appropriate 10% of statutory net profits to statutory surplus reserves, upon distribution of their post-tax profits of the current year. A company may discontinue the contribution when the aggregate sum of the statutory surplus reserve is more than 50% of its registered capital. The statutory surplus reserves shall only be used to make up losses of the companies, to expand the companies' production operations, or to increase the capital of the companies. In addition, a company may make further contribution to the discretional surplus reserve using its post-tax profits in accordance with resolutions of the board of directors.

(iv) During the year ended 31 December 2008, the Company repurchased 120,600,000 issued ordinary shares on the Stock Exchange, These repurchased shares were cancelled immediately upon repurchase. The total amount paid to acquire these issued ordinary shares of HK$4,609,000 were deducted from shareholders' equity. A sum equivalent to the nominal value of the repurchased shares amounting to HK$1,206,000 has been transferred from accumulated losses to capital redemption reserve.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of (loss)/profit before taxation to cash used in operations

	2010	2009
	HK$'000	*HK$'000*
		(Restated)
		(Note 2)
(Loss)/profit before taxation from continuing operation	**(478,854)**	66,415
Adjustments for:		
— Share of profits of an associated company	**(6,931)**	(3,335)
— Interest income	**(9,574)**	(1,802)
— Depreciation	**2,164**	2,530
— Gain on disposal of property, plant and equipment	**(127)**	(346)
— Provision for impairment of intangible assets	**478,428**	—
— Amortization of intangible assets	**1,828**	194,410
— Share-based payments	**3,011**	13,762
— Fair value loss/(gain) on financial assets at fair value through profit or loss	**1,836**	(8,176)
— Negative goodwill	**(10,344)**	—
— Finance costs	**1,125**	31,291
Operating (loss)/profit before working capital changes	**(17,438)**	294,749
Changes in working capital:		
— Decrease in amounts due from a jointly controlled entity and its subsidiaries	**5,748**	23,747
— Decrease/(increase) in trade receivables, prepayments, deposits and other receivables	**19,621**	(1,071)
— Decrease in agency fee payables, trade payables, receipt in advance, other payables and accrued liabilities and amount due to an associated company	**(26,641)**	(344,983)
— (Increase)/decrease in short-term investments	**(29,836)**	19,306
Cash used in operations	**(48,546)**	(8,252)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

(b) Significant non-cash transaction

As detailed in note 16, Qiansi and Hainan Haishi have entered into a supplemental agreement in 2009, whereby the expiration date of the exclusive advertising agency right was changed to 31 December 2009. The relevant intangible asset was treated as being disposed of and the relevant agency fee payables are derecognized. Accordingly, the net book value of the relevant intangible asset of HK$380,225,000 is offset against the agency fees payables of HK$446,515,000 for the year ended 31 December 2009.

31 BUSINESS COMBINATION AND HELD FOR SALE

(a) Business combination

On 10 September 2010, the Company and Effort Wonder Limited, a wholly owned subsidiary of the Company, has entered into an acquisition agreement with Winshine Group Limited ("Winshine Group") and Tian An China Investments Company Limited whereby the Group will purchase the entire issued share capital of Green Harmony Investments Limited ("Green Harmony") and Green Villa Investments Limited ("Green Villa") and the shareholder's loan owed by Green Villa to Winshine Group as at the date of completion for a consideration of HK$280,000,000. The major asset of Green Harmony and Green Villa is the holding of 50% of the registered capital of each of Shenzhen ITC Tian An Co., Limited ("Shenzhen ITC") and Shenzhen Tian An International Building Property Management Co., Limited ("Shenzhen Tian An"), both being joint venture enterprises established in the PRC. Shenzhen ITC owns various floors and units in Shenzhen Tian An International Building in Shenzhen,the PRC. Most of the said floors and units are presently under leases to third parties. Shenzhen Tian An presently engages in the business of property management and is managing the said Shenzhen Tian An International Building. The said transaction has been completed by the end of September 2010.

By December 2010, the Group also completed the acquisition of entire registered capital of Shanghai Zhenlejian Advertising Company Limited ("Shanghai Zhenlejian") for a consideration of RMB500,000 (equivalent to HK$588,000). Shanghai Zhenlejian is principally engaged in advertising agency business in the PRC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 BUSINESS COMBINATION AND HELD FOR SALE *(Continued)*

(a) Business combination *(Continued)*

The following table summarizes the total considerations paid by the Group for the above acquisitions and the amounts of the assets acquired and liabilities assumed recognized at the acquisition date:

	HK$'000
Consideration:	
— Cash	280,588
Total consideration	280,588
Acquisition-related costs (included in administrative expenses in the consolidated income statement for the year ended 31 December 2010)	218
Recognized amounts of identifiable assets acquired and liabilities assumed	
Property, plant and equipment *(note 15)*	1,010
Investment properties *(note 17)*	359,004
Trade receivables	1,610
Prepayments, deposits and other receivables	5,138
Cash and cash equivalent	26,351
Trade payables	(2,809)
Receipt in advance, other payables and accrued liabilities	(24,818)
Current income tax liabilities	(424)
Deferred tax liabilities *(note 9)*	(74,130)
Total identifiable net assets	290,932
Negative goodwill *(note 5)*	10,344
Net cash outflow on business combinations:	
Cash	280,588
Cash and cash equivalents in subsidiaries and jointly controlled entities acquired	(26,351)
Total	254,237

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 BUSINESS COMBINATION AND HELD FOR SALE *(Continued)*

(a) Business combination *(Continued)*

The sales included in the consolidated income statement since respective acquisition dates contributed by the subsidiaries acquired was HK$5,181,000. These acquired subsidiaries also contributed profit of HK$12,534,000 over the same period. Had these acquires subsidiaries been consolidated from 1 January 2010, the consolidated income statement would show sales of HK$19,543,000 and profit of HK$11,818,000.

(b) Held for sale

On 16 November 2010, the Company and KH Investment Holdings Limited ("the Purchaser") entered into the agreement pursuant to which the Company agreed to sell and the Purchaser agreed to purchase all the Company's shareholding interest in and its loans to Sinofocus Media (Holdings) Limited ("Sinofocus") at an aggregate consideration of HK$82,000,000. Sinofocus, a wholly-owned subsidiary of the Company, is an investment holding company holding various subsidiaries engaged in advertising agency and media resources procurement business. Upon completion of the said disposal, Sinofocus will cease to be a subsidiary of the Company.

The said consideration shall be satisfied by the Purchaser in cash by installments in the following manner:

(i) an amount of HK$40,000,000 being the deposit and part of the consideration, has been paid by the Purchaser to the Company upon signing of the agreement (included in receipt in advance, other payables and accrued liabilities in the consolidated balance sheet as at 31 December 2010); and

(ii) the balance of consideration of HK$42,000,000 shall be paid upon completion of the disposal.

The Board regularly reviews the Group's strategy and reassesses whether its various operations align with its strategy. As disclosed in the Company's 2009 annual report, the Group targets to expand its business into cultural and tourism sectors which could make good synergy with its existing operations. In order to focus the Group's resources and efforts on developing its core operations and to speed up the recovery of working capital, the Board decided to dispose of the advertising agency and media resources procurement business under Sinofocus.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 BUSINESS COMBINATION AND HELD FOR SALE *(Continued)*

(b) Held for sale *(Continued)*

Assets of disposal group held for sale as at 31 December 2010:

	HK$'000
Property, plant and equipment *(note 15)*	949
Trade receivables *(note 22)*	53,051
Prepayments, deposits and other receivables	43,331
Cash and cash equivalents	21,016
	118,347

Liabilities of disposal group held for sale as at 31 December 2010:

	HK$'000
Trade payables *(note 26)*	11,387
Receipt in advance, other payables and accrued liabilities	24,473
Current income tax liabilities	487
	36,347

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32 COMMITMENTS

At 31 December 2010, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Land and buildings	
	2010	2009
	HK$'000	*HK$'000*
Not later than one year	**5,838**	6,199
Later than one year and not later than five years	**5,049**	6,636
	10,887	12,835

33 RELATED PARTY TRANSACTIONS

(i) Saved as disclosed elsewhere, the Group has entered into the following significant related party transactions during the year:

	2010	2009
	HK$'000	*HK$'000*
		(Restated)
		(Note 2)
Interest income on loan to a jointly controlled entity	**—**	836
Reduction of agency fee payable to Hainan Haishi	**—**	56,787
Consulting fee and advertising production fee charged by a jointly controlled entity	**—**	(2,019)

The interests on loan to a jointly controlled entity for the year have been waived.

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

(ii) Key management compensation

Remuneration for key management personnel, including amounts paid to the Company's directors, is disclosed in note 14 (a) and certain of the highest paid employees is disclosed in note 14 (b).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34 SUBSEQUENT EVENTS

On 26 January 2011, the Group and Mr. He Peng (the"Vendor") has entered into a sale and purchase agreement, pursuant to which the Group has conditionally agreed to acquire the entire equity interests in Smart Title Limited free from encumbrances for the consideration of HK$500 million. The consideration of HK$500 million shall be settled in the following manner:

(i) HK$395 million of the consideration shall be paid in cash upon completion of the acquisition;

(ii) HK$70 million of the consideration shall be settled by issuance of 2,000,000,000 new ordinary shares of the Company at HK$0.035 each upon completion of the acquisition; and

(iii) the remaining HK$35 million of the consideration shall be settled by the issuance of a maximum of 1,000,000,000 new ordinary shares of the Company at HK$0.035 each, provided that:

(a) the number of new ordinary shares to be issued by the Company will be adjusted downwards on a dollar to dollar basis if the audited net profit after tax of Smart Title Limited and its subsidiaries (the "Target Group") for the years 2011 and 2012 shall be less than RMB80,000,000 in aggregate;

(b) following the deduction of the value of the new ordinary shares issued under the preceding subparagraph (a), if there shall still be in existence a shortfall, the Vendor shall compensate such shortfall in cash on a dollar to dollar to basis; and

(c) in case the Target Group suffers an aggregated net loss after tax for the years 2011 and 2012, in addition to the compensation under the preceding subparagraph (a) and (b), the Vendor shall compensate the Group for the aggregated loss on a dollar to dollar basis.

The completion of the acquisition is subject to the satisfaction of certain conditions precedent. As at the date of this annual report, the acquisition has not yet been completed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34 SUBSEQUENT EVENTS *(Continued)*

The Target Group is principally engaged in the provision of recreational and tourism services through the management of "Bayhood No. 9 Club", a membership-based luxury club which comprises of business hotel facilities, an 18-hole golf course, driving range facilities, theme restaurants and cafes, spa facilities, retail shops, and the first PGA branded and managed golf academy in Asia. "Bayhood No. 9 Club" is located near the city centre of Beijing, PRC.

35 APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Directors on 21 March 2011.

36 PARTICULARS OF PRINCIPAL SUBSIDIARIES

The table below lists out the subsidiaries of the Company which, in the opinion of the directors, principally affected the results of the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Name	Place of incorporation/ establishment and kind of legal entity	Nominal value of Issued ordinary share/ registered capital	Interest held	Principal activities and place of operation
Anglo Alliance Co., Ltd (1)	British Virgin Islands, limited company	US$2 ordinary	100%	Investment holding
Beijing Hua Yi Hao Ge Media Culture Co., Ltd. (4)	PRC, co-operative joint venture	RMB120,000,000	100%	Investment holding and licensing of films and TV drama in the PRC
Beijing Hua Yi Qian Si Advertising Company Limited (3)	PRC, co-operative liability company	RMB5,000,000	100%	Advertising agency in the PRC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36 PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ establishment and kind of legal entity	Nominal value of Issued ordinary share/ registered capital	Interest held	Principal activities and place of operation
Effort Wonder Limited (1)(3)	British Virgin Islands, limited company	US$1 ordinary	100%	Investment holding
Sinofocus Media (Holdings) Limited (1)	British Virgin Islands, limited company	US$2 ordinary	100%	Investment holding
Sinofocus Media Limited (2)	Hong Kong, limited company	HK$10,000 ordinary	100%	Advertising agency in Hong Kong
Guangdong Sinofocus Media Limited	PRC, wholly-owned foreign enterprise	RMB50,000,000	100%	Advertising agency in the PRC
Beijing Hezonglianheng Advertising Co., Ltd.	PRC, limited liability enterprise	RMB5,000,000	100%	Advertising agency in the PRC
Shanghai Zhenlejian Advertising Co., Ltd. (3)	PRC, limited liability company	RMB500,000	100%	Advertising agency in the PRC
Media China (Hong Kong) Limited (1)(2)	Hong Kong, limited company	HK$2 ordinary	100%	Group treasury and administrative services in Hong Kong
Universal Appliances Limited (1)(2)	Hong Kong, limited company	HK$499,373,000 ordinary HK$43,337,000 preference	100%	Investment holding and licensing of films in Hong Kong

(1) Shares held directly by the Company.

(2) The Statutory financial statements of these companies for the year ended 31 December 2010 are audited by PricewaterhouseCoopers.

(3) Acquired in 2010 (see note 31 for details).

(4) 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.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and restated/reclassified as appropriate, are summarized below.

	2010	2009	2008	2007	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Sales — continuing operations	**171,308**	284,058	186,008	187,082	304,902
Profit/(Loss) before taxation — continuing operations	**(478,854)**	66,415	(443,200)	(97,660)	276,522
Taxation — continuing operations	**(4,813)**	(421)	2,078	16,380	(12,065)
Minority interests — continuing operations	**204**	7	5	—	147
Profit/(Loss) from continuing operations attributable to shareholders	**(483,463)**	66,001	(441,117)	(81,280)	264,604
Loss from discontinued operation attributable to shareholders	**—**	(64,618)	—	—	—
Profit/(Loss) attributable to shareholders	**(483,463)**	1,383	(441,117)	(81,280)	264,604
Property, plant and equipment	**3,730**	3,816	8,654	8,759	7,057
Intangible assets	**114,670**	511,141	1,054,263	1,296,322	1,414,069
Investment properties	**359,890**	—	—	—	—
Loan to/Interests in jointly controlled entities and its subsidiaries	**64,809**	62,634	62,534	240,532	70,259
Interests in an associated company	**268,986**	253,144	285,287	—	—
Available-for-sale financial assets	**—**	—	—	—	360
Other non-current assets	**20,478**	20,320	61,038	34,629	12,171
Current assets	**520,216**	849,036	861,212	421,732	339,633
Total assets	**1,352,779**	1,700,091	2,332,988	2,001,974	1,843,549
Current liabilities	**385,016**	340,511	1,036,360	406,939	290,830
Long-term liabilities	**74,130**	47,875	480,874	619,117	812,774
Total liabilities	**459,146**	388,386	1,517,234	1,026,056	1,103,604
Net assets	**893,633**	1,311,705	815,754	975,918	739,945

Note:

With effect from 1 January 2010, the Group adopts the proportionate consolidation method as set out in HKAS31 — "Interests in Joint Ventures" for the recognition of interests in jointly controlled entities. Figure for years 2007 and 2006 have not been adjusted for this change of accounting policy.