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)

Interim Report

2011

CONTENTS

The board of directors is pleased to present the Group's interim report and condensed consolidated interim financial information for the six months ended 30 June 2011. The condensed consolidated interim income statement, condensed consolidated interim statement of comprehensive income, condensed consolidated interim cash flow statement and condensed consolidated interim statement of changes in equity for the Group for the six months ended 30 June 2011, and the condensed consolidated interim balance sheet as at 30 June 2011 of the Group, along with selected explanatory notes, are set out on pages 19 to 51 of this report.

The unaudited condensed consolidated financial information for the six months ended 30 June 2011 has been reviewed by the Company's Audit Committee and the Company's independent auditor in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

BUSINESS REVIEW AND PROSPECTS

Financial Performance

Major indicators of the financial results for the six months ended 30 June 2011 are summarized in the table below:

	Six months ended 30 June	
	2011	2010
	(unaudited)	(unaudited)
	HK$'000	HK$'000
Total sales revenue	**36,256**	72,585
Gross profit	**13,424**	15,620
Profit before taxation	**13,145**	9,191
Profit for the period	**4,307**	9,457

The Group achieved HK$36,256,000 in revenue for the first half of 2011, down 50% from the same period last year. It was mainly because a joint venture in which the Group holds a 50% interest ceased to operate advertising agency business for the Travel Channel from the beginning of this year. Instead, this advertising business was carried out by Hainan Haishi Tourist Satellite TV Media Co., Ltd. ("Hainan Haishi"), an associated company in which the Group has 49% indirect economic interest, thus the revenue and costs arising from the Travel Channel's advertising operation were included within the item of "Share of profit of an associated company". The Group's advertising revenue thus dropped 66% year-on-year to HK$24,001,000.

The Group dedicated itself to business diversification, aiming at creating better returns to shareholders. In September 2010, it acquired a 50% stake in certain office units and retail facilities at Shenzhen Tian An International Building. During the review period, a gain of HK$27,755,000 was recorded from the revaluation of the investment properties. Moreover, they generated a total of HK$9,965,000 in rental income and management fees, creating stable cash inflows to the Group.

Market Review

China's economy slowed down in the first half of 2011 amid the flagging global economy and austerity measures in the country. However, its GDP still managed to climb at a rate of 9.6% year-on-year during the period. Domestic advertising expenses grew at a slower pace in the first half when compared with the same period last year due to economic adjustments. TV remained the primary means of advertisers for marketing.

Meanwhile, China's film industry was thriving in the first half and achieved best first-half results for the last five years, underpinned by continued increase in per capita income. Its total revenue reached RMB 5.5 billion during the period, an increase of about 15% year-on-year. Booming film industry created a favourable operating environment for the Group's content production operation.

Business Review

	Sales revenues Six months ended 30 June		Segment results Six months ended 30 June	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Advertising	**24,001**	71,344	**981**	15,954
Content production	**2,290**	1,241	**543**	319
Properties investment	**9,965**	—	**31,632**	—
Total	**36,256**	72,585	**33,156**	16,273

Advertising Business

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 Group decided to dispose of its advertising agency business under Sinofocus Media at a consideration of HK$82,000,000. The transaction was completed in June 2011. Currently, the Group's advertising business mainly comprises the Travel Channel operation and the exclusive advertising agency business at Beijing Railway Station and Beijing West Railway Station.

The Group ceased to operate the advertising agency business for the Travel Channel through its 50% owned joint venture this year. Instead, this business has been undertaken by Hainan Haishi, an associated company in which the Group has 49% indirect economic interest. As a result, revenue and costs arising from the Travel Channel's advertising business were included within the item of "Share of profit of an associated company", leading to a substantial reduction of revenue from advertising business in the first half. Moreover, the three major shareholders who have direct or indirect interests in the Travel Channel operation (Hainan Television Broadcasting Station, Poly Culture and Arts Co., Ltd. and the Group) disagreed with each other over a number of issues relating to the Travel Channel, including its development strategy, the ways of handling the advertising agency costs incurred in the past, composition of the management team and its shareholding structure. Such disagreements created short-term impacts on the operation of the Travel Channel and they were reflected in the Group's advertising business results for the review period. Tourist service operators as well as mid- and high-end consumer products suppliers are major target advertisers of the Travel Channel. Although retail sales of mid- and high-end products continued to thrive in the first half, the Group's advertising business was significantly affected due to the reasons mentioned above. Nonetheless, management remained optimistic about the future development of the Travel Channel's operation. It is expected to resume normal and to continue to generate satisfactory returns to the Group after the said disagreements are resolved.

At the end of last year, the Group acquired a 3-year exclusive advertising agency right, pursuant to it the Group is entitled to run advertising operations for certain business sectors at Beijing Railway Station and Beijing West Railway Station. The operation commenced in January 2011 and is still at investment stage with minimal contribution to the Group's profitability during the current period. However, management believes that this business will have ample room for growth after the related advertising resources are restructured in accordance with the government's development strategy for national railway network.

Content Production Business

Book office receipts from "The Love of the Hawthorn Tree" and "Snow Flower and the Secret Fan", the films in which the Group invested, were satisfactory. "The Love of the Hawthorn Tree", directed by Mr. Zhang Yi-mou, was rolled out in the second half of last year and the Group's share of the results is expected to be reflected in its account in the second half of this year. Meanwhile, "Snow Flower and the Secret Fan" starring the Korean famed actress Jun Ji-hyun and China's pop-star Li Bingbing has been released in China, the U.S. and Hong Kong respectively in the middle of this year. It not only invoked enthusiastic response in the market, but also created satisfactory results from overseas distribution. Its revenue is estimated to be gradually reflected in the Group's account in the second half of this year and next financial year.

Properties Investment

In September 2010, the Group acquired office units and retail facilities at Shenzhen Tian An International Building with GFA of approximately 31,700m^2 and a 50% interest in the management company of the building for a cash consideration of HK$280 million. This investment produced stable rental income and management fee income to the Group. During the period under review, a revaluation gain of approximately HK$27,755,000 was derived from this investment property. Revenue from properties investment segment for the period was approximately HK$9,965,000 and profit from the segment was approximately HK$31,632,000.

Bayhood No.9 Project

In January this year, the Group proposed to acquire the rights to manage and operate Bayhood No.9 Club in Beijing at a total consideration of HK$500 million. The Company agreed to settle the consideration of HK$395 million in cash, with the remaining HK$105 million to be settled through the issue of new shares of the Company. The resolution of the issue of new shares was approved by shareholders at the extraordinary general meeting in June and the transaction was completed in July.

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, spa facilities, retail shops, and the first PGA branded and managed golf academy in Asia. The vendor has provided an indemnity that the audited net profit after tax of Smart Title Limited (the holding company of Bayhood No.9 Club) and its subsidiaries shall be not less than RMB80 million in aggregate for the years 2011 and 2012. This investment enables the Group to capture considerable business opportunities arising from the rapid growth of tourism sector in China.

Business Outlook

The volatility in the international financial markets adds uncertainties to the Chinese economy. With the export sector is ebbing, domestic consumption will become the driver of the country's economic growth in the future. According to the "Twelfth Five-year Plan", the government will make vigorous efforts to stimulate consumptions in the cultural and tourism sectors over the next five years.

The Group will take advantage of market opportunities to drive the business growth of the Travel Channel. Given the growing popularity of leisure and recreational travel in China, it will develop the business of Bayhood No.9 Club in full swing, whereby enhancing the value chain of its travel-related operations and profitability and ensuring the stable growth of its business.

In light of various uncertainties existed in the external environment, management will further strengthen risk control and cost management. Meanwhile, the Group will further identify business opportunities so as to create satisfactory returns to shareholders.

FINANCIAL REVIEW

Sales revenue for the six months ended 30 June 2011 amounted to HK$36,256,000, being a 50% decrease comparing to the same period in prior year. During the period, the Group has commenced the exclusive advertising agency business in certain sectors for Beijing Railway Station and Beijing West Railway Station. However, the Group's 50% owned jointly controlled entity has not reached an agreement with Travel Channel to act as its advertising agency during the period. Instead, the advertising revenue of Travel Channel has been included in the operating result of an associated company, of which the Group owned 49% economic interests. The above have a combined impact of a decrease in sales and cost of sales during the period.

Cost of sales for the period mainly represented the proportionate agency fees for the exclusive advertising agency right in certain sectors for Beijing Railway Station and Beijing West Railway Station. Costs in relation to Travel Channel have been included in the operating result of an associated company, of which the Group owned 49% economic interests, as discussed above.

Other income and other (losses)/gains, net mainly comprised bank interest income, fair value (loss)/gain on financial assets at fair value through profit or loss, exchange differences, and fair value gain on revaluation of investment properties. The amount increased by 1.7 times comparing to the same period in the prior year, mainly due to the fair value gain on revaluation of investment properties of HK$27,755,000 offset by the fair value loss on financial assets at fair value through profit or loss of HK$12,800,000 during the period.

Marketing and selling expenses mainly attributed to the exclusive advertising agency right in certain sectors for Beijing Railway Station and Beijing West Railway Station. Costs in relation to Travel Channel have been included in the operating result of an associated company, of which the Group owned 49% economic interests, as discussed above. This has led to an overall decrease of marketing and selling expenses by 71% during the period.

Administrative expenses for the period amounted to HK$28,504,000 (2010: HK$19,883,000), being a 43% increase comparing to the prior period. This is mainly attributed to the incurrence of additional legal and professional fees for the significant business combination and disposal (as detailed in note 17) during the period.

Share of profit of an associated company, which mainly represents the share of profit of Hainan Haishi, the operating entity of the Travel Channel, decreased to HK$2,559,000 (2010: HK$10,900,000) or by 77% during the period. Due to the conflicts among the shareholders of the Travel Channel operation as discussed in the "Business Review and Prospects" section, the operating result of the Travel Channel has been affected during the period.

Mainly affected by the less favorable results of the Travel Channel operation during the period, profit attributable to equity holders of the Company reduced from HK$9,668,000 in the prior period to HK$4,426,000 in the current period.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity and Treasury Management

We have adopted prudent treasury management objectives aimed at principal protection and maintaining sufficient liquidity to meet our various funding requirements in accordance with the strategic plans and policies. As at 30 June 2011, the Group held cash and cash equivalents of approximately HK$471,098,000, being a 99% increase comparing to the balance as at 31 December 2010.

The Group is at net current asset position of HK$297,717,000 as at 30 June 2011 (31 December 2010: HK$135,200,000). The current ratio, representing the total current assets to the total current liabilities, increased from 1.35 as at 31 December 2010 to 1.97 as at 30 June 2011.

The debt to equity ratio, representing the sum of borrowings and convertible notes to total equity, remains zero as at 31 December 2010 and 30 June 2011.

Foreign Currency Exchange Exposure

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

Capital Structure

The Group has mainly relied on its equity and internally generated cash flow to finance its operations. As at 30 June 2011, the Group had no outstanding borrowing.

Every ten issued and unissued shares of HK$0.01 each in the share capital of the Company have been consolidated into one consolidated share of HK$0.10 each effective from 16 May 2011.

During the period under review, the Company has issued 1,439,726,484 new ordinary shares of HK$0.10 each by way of a rights issue offered to the qualifying shareholders for subscription on the basis of one rights share for every two shares held on 23 May 2011 at HK$0.18 per rights share.

PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

As at 30 June 2011, none of our assets was pledged.

Beijing Hua Yi Hao Ge Media Culture Limited ("Hua Yi Hao Ge"), an indirect wholly owned subsidiary of the Company, is a party to a possible litigation in the PRC whereby Hainan Haishi has obtained an order from the People's Court of Yang Pu Economic Development Zone of Hainan Province to freeze its assets in connection with the allegation of an amount of RMB79.9 million alleged to be due from Hua Yi Hao Ge to Hainan Haishi. The alleged amount arose from the Group's exclusive advertising agency business with Hainan Haishi before 31 December 2008, starting with the exclusive advertising agency agreement signed between the Group and Hainan Haishi dated 12 May 2006. The amount payable to Hainan Haishi has already been accrued in the Group's consolidated financial statements since the year ended 31 December 2008, which has not yet been settled as of the balance sheet date. The Directors do not anticipate that any material liabilities will arise other than those provided for and believe that the Group has sufficient financial resources to discharge the debt.

HUMAN RESOURCES

As at 30 June 2011, the Group employed a total of approximately 50 full-time employees in Hong Kong and the PRC. The Group operates different remuneration schemes for sales and non-sales employees. Sales personnel are remunerated on the basis of on-target-earning packages comprising salary and sales commission. Non-sales personnel are remunerated by monthly salary which is reviewed by the Group from time to time and adjusted based on performance. In addition to salaries, the Group provides staff benefits including medical insurance, contribution to staff provident fund and discretionary training subsidies. Share options and bonuses are also available at the discretion of the Group and depending on the performance of the Group.

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

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

SHARE OPTIONS

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

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

Name or Category of Grantees	Date of grant	Exercise price per share (HK$)	(Adjusted) Exercise price per share (HK$) (Note 6)	No. of share options: Outstanding as at 1 January 2011	(Adjusted) Lapsed during the period	(Adjusted) Outstanding as at 31 June 2011 (Note 6)	% of total issued share capital of the Company	Note
Directors								
ZHANG Changsheng	5.5.2008	0.130	1.29	10,312,500	–	1,042,459	0.02	(2)
	4.11.2008	0.043	0.43	20,625,000	–	2,084,918	0.05	(2)
WANG Hong	4.11.2008	0.043	0.43	51,562,500	–	5,212,296	0.12	(3)
	7.3.2008	0.149	1.47	41,250,000	–	4,169,836	0.10	(1)
Edward TIAN Suning	5.5.2008	0.130	1.29	20,625,000	–	2,084,918	0.05	(2)
	4.11.2008	0.043	0.43	41,250,000	–	4,169,836	0.10	(2)
WONG Yau Kar, David	5.5.2008	0.130	1.29	10,312,500	–	1,042,459	0.02	(2)
	4.11.2008	0.043	0.43	20,625,000	–	2,084,918	0.05	(2)
YUEN Kin	5.5.2008	0.130	1.29	10,312,500	–	1,042,459	0.02	(2)
	4.11.2008	0.043	0.43	20,625,000	–	2,084,918	0.05	(2)
JIANG Jianning	5.5.2008	0.130	1.29	10,312,500	(1,042,459)	–	0	(2)
	4.11.2008	0.043	0.43	20,625,000	(2,084,918)	–	0	(2)
Continuous contract employee in aggregate	5.5.2008	0.130	1.29	61,875,000	–	6,254,756	0.14	(2)
	7.3.2008	0.149	1.47	87,656,250	(4,125,000)	4,691,064	0.11	(1)
	4.11.2008	0.043	0.43	226,825,005	(3,609,375)	19,280,439	0.45	(2)(3)
Others	7.3.2008	0.149	1.47	660,000,000	–	66,717,394	1.54	(1)
	4.11.2008	0.043	0.43	484,687,500	–	48,995,589	1.13	(3)
Total for all categories				1,799,481,255	(10,861,752)	170,958,259		

Notes:

1. These options can be fully exercised from 1 April 2009 to 31 December 2012.

2. These options can be fully exercised from 1 April 2009 to 31 December 2015.

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

4. During the period, no share options were granted, exercised and cancelled.

5. Due to the resignation of Mr. JIANG Jianning as an Independence Non-executive Director of the Company in 2011, all the share options granted to Mr. JIANG Jianning were lapsed.

6. The exercise price and number of share options were adjusted due to the Share Consolidation became effective on 16 May 2011 and the completion of Rights Issue on 20 June 2011.

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

As at 30 June 2011, the interests and short positions of the Director and Chief Executive in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") were as follows:

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

Name of Director	Capacity	Nature of interests	Number of shares held	% of total issue share capital of the Company
YUEN Hoi Po *(Note1)*	Interest of a controlled corporation	Corporate interest	798,150,000	18.48
Edward TIAN Suning *(Note 2)*	Interest of a controlled corporation	Corporate interest	387,733,233	8.98
WANG Hong	Interest of spouse	Family interest	230,000	0.01

Notes:

1. Mr. YUEN Hoi Po is deemed to be interested in 798,150,000 Shares held by his wholly-owned corporations namely, Ming Bang Limited and Rich Public Limited.

2. Mr. Edward TIAN Suning is deemed to be interested in 387,733,233 Shares held by CBC China Media Limited.

(ii) Long positions in the underlying shares of the Company — share options:

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

Save as disclosed above, as at 30 June 2011, none of the Directors, Chief Executives nor their associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 30 June 2011, the interests and short positions of the following persons (other than Directors or Chief Executives of the Company) in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange were as follows:

Long positions in ordinary shares of the Company:

Name of Shareholder	Capacity	Nature of Interest	Number of Shares held	% of total issue share capital of the Company
Sun Hung Kai Investment Services Limited	Beneficial owner *(Note a)*	Beneficial interest	827,435,214	19.16
Sun Hung Kai Securities Limited	Interest of a controlled corporation *(Note a)*	Corporate interest	827,435,214	19.16
Sun Hung Kai & Co. Limited	Interest of a controlled corporation *(Note a)*	Corporate interest	827,435,214	19.16
Allied Properties (H.K.) Limited	Interest of a controlled corporation *(Note a)*	Corporate interest	827,435,214	19.16
Allied Group Limited	Interest of a controlled corporation *(Note a)*	Corporate interest	827,435,214	19.16
LEE Seng Hui	Interest of a controlled corporation *(Note a)*	Corporate interest	827,435,214	19.16
LEE Su Hwei	Interest of a controlled corporation *(Note a)*	Corporate interest	827,435,214	19.16
LEE Seng Huang	Interest of a controlled corporation *(Note a)*	Corporate interest	827,435,214	19.16
Rich Public Limited	Beneficial owner *(Note b)*	Beneficial interest	798,150,000	18.48
Ming Bang Limited	Interest of a controlled corporation *(Note c)*	Corporate interest	798,150,000	18.48
CBC China Media Limited	Beneficial owner *(Note d)*	Beneficial interest	387,733,233	8.98
HE Peng	Beneficial owner *(Note e)*	Beneficial interest	300,000,000	6.95

Notes:

a. Sun Hung Kai Investment Services Limited is a wholly-owned subsidiary of Sun Hung Kai Securities Limited, a wholly-owned subsidiary of Sun Hung Kai & Co. Limited, which in turn is a non wholly-owned subsidiary of Allied Properties (H.K.) Limited. Allied Properties (H.K.) Limited is a non wholly-owned subsidiary of Allied Group Limited in which Mr. LEE Seng Hui, Ms. LEE Su Hwei and Mr. LEE Seng Huang are the trustees of the Lee and Lee Trust, having 54.24% interest in Allied Group Limited as at 20 June 2011. Accordingly, they are deemed to have the same long position as Sun Hung Kai Investment Services Limited.

b. Rich Public Limited is an investment holding company incorporated in the British Virgin Islands and its entire issued share capital is beneficially owned by Ming Bang Limited.

c. Ming Bang Limited is an investment holding company incorporated in the British Virgin Islands and its entire issued share capital is beneficially owned as to Mr. YUEN Hoi Po, the Chairman and an Executive Director of the Company. Mr. YUEN is also a director of Ming Bang Limited.

d. CBC China Media Limited is an investment holding company incorporated in the British Virgin Islands. Mr. Edward TIAN Suning is the Non-executive Director of the Company and the director of CBC China Media Limited.

e. Mr. HE Peng entered into a conditional sale and purchase agreement dated 26 January 2011 with Unique Talent Group Limited, a wholly owned subsidiary of the Company, as purchaser and the Company as the purchaser's guarantor. Pursuant to the Sale and Purchase Agreement, 200,000,000 consolidated shares have been issued by the Company to Mr. HE Peng on 28 July 2011, and 100,000,000 consolidated shares will be issued by the Company to Mr. HE Peng upon fulfillment of the unconditional and irrevocable indemnity.

Save as disclosed above, as at 30 June 2011, no other persons had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company has applied the principles in and complied with the code provisions on the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2011.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct for securities transactions and dealings (the "Code of Conduct") on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. The Code of Conduct applies to all the relevant persons as defined in the Code on Corporate Governance Practices, including Directors of the Company, any employee of the Company, or director or employee of a subsidiary or holding company of the Company who, because of such office or employment, are likely to be in possession of unpublished price sensitive information in relation to the Company or its securities. Having made specific enquiry, all Directors have fully complied with the required standard set out in the Model Code throughout the six months ended 30 June 2011.

REVIEW OF INTERIM REPORT

The Audit Committee consists of the three Independent Non-executive Directors, namely Mr. YUEN Kin (Audit Committee Chairman), Prof. WEI Xi and Dr. WONG Yau Kar, David, JP. The Group's unaudited interim report for the six months ended 30 June 2011 has been reviewed by the Audit Committee.

The Group's unaudited interim report for the six months ended 30 June 2011 has been reviewed by the Company's independent auditor.

OTHER CHANGES IN DIRECTORS' INFORMATION

There is no change in Directors' information, which is required to be disclosed pursuant to Rule 13.51B (1) of the Listing Rules, since the date of the 2010 Annual Report.

By Order of the Board
YUEN Hoi Po
Chairman

Hong Kong, 26 August 2011

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

Introduction

We have reviewed the interim financial information set out on pages 19 to 51, which comprises the condensed consolidated interim balance sheet of Media China Corporation Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2011 and the related condensed consolidated interim statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 26 August 2011

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

For the six months ended 30 June 2011

	Note	Six months ended 30 June 2011 (Unaudited) HK$'000	2010 (Unaudited) HK$'000
Sales	4	**36,256**	72,585
Cost of sales		**(22,832)**	(56,965)
Gross profit		**13,424**	15,620
Other income and other (losses)/gains, net	5	**27,583**	10,327
Marketing and selling expenses		**(1,917)**	(6,648)
Administrative expenses		**(28,504)**	(19,883)
Share of profit of an associated company		**2,559**	10,900
Finance costs	6	**—**	(1,125)
Profit before taxation	7	**13,145**	9,191
Taxation	8	**(8,838)**	266
Profit for the period		**4,307**	9,457
Attributable to:			
Equity holders of the Company		**4,426**	9,668
Non-controlling interests		**(119)**	(211)
		4,307	9,457
		HK Cents	HK Cents
Earnings per share for profit attributable to equity holders of the Company during the period	9		
Basic earnings per share		**0.15**	0.35
Diluted earnings per share		**0.15**	0.34

The notes on pages 25 to 51 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2011

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Profit for the period	**4,307**	9,457
Other comprehensive income:		
Currency translation differences	**12,220**	3,560
Other comprehensive income for the period, net of tax	**12,220**	3,560
Total comprehensive income for the period	**16,527**	13,017
Total comprehensive income attributable to:		
Equity holders of the Company	**16,640**	13,219
Non-controlling interests	**(113)**	(202)
	16,527	13,017

The notes on pages 25 to 51 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

At 30 June 2011

	Note	30 June 2011 (Unaudited) HK$'000	31 December 2010 (Audited) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	11	**3,448**	3,730
Intangible assets	11	**171,004**	114,670
Investment properties	11	**400,844**	359,890
Interest in an associated company	12	**277,820**	268,986
Loan to a jointly controlled entity — non-current	13	**66,314**	64,809
Deferred tax assets		**19,172**	18,737
Other non-current assets		**1,692**	1,741
		940,294	832,563
CURRENTS ASSETS			
Exclusive advertising agency right	11	**35,172**	51,121
Trade receivables	14	**20,465**	22,474
Amounts due from a jointly controlled entity and its subsidiaries	13	**27,389**	26,747
Financial assets at fair value through profit or loss		**15,200**	28,000
Prepayments, deposits and other receivables		**36,645**	36,849
Cash and cash equivalents		**471,098**	236,678
		605,969	401,869
Assets of disposal group held for sale		**—**	118,347
		605,969	520,216
CURRENT LIABILITIES			
Agency fee payables — current		**139,661**	136,492
Trade payables	15	**1,536**	2,383
Receipt in advance, other payables and accrued liabilities		**115,707**	159,413
Amount due to an associated company	12	**34,311**	32,848
Current income tax liabilities		**17,037**	17,533
		308,252	348,669
Liabilities of disposal group held for sale		**—**	36,347
		308,252	385,016

The notes on pages 25 to 51 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

At 30 June 2011

	Note	30 June 2011 (Unaudited) HK$'000	31 December 2010 (Audited) HK$'000
NET CURRENT ASSETS		**297,717**	135,200
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,238,011**	967,763
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**81,069**	74,130
NET ASSETS		**1,156,942**	893,633
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	16	**431,918**	287,945
Reserves		**724,849**	604,851
		1,156,767	892,796
Non-controlling interests		**175**	837
TOTAL EQUITY		**1,156,942**	893,633

The notes on pages 25 to 51 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

For the six months ended 30 June 2011

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Net cash outflow from operating activities	**(30,969)**	(56,066)
Net cash inflow/(outflow) from investing activities	**28,730**	(52,784)
Net cash inflow from financing activities	**251,067**	2
Increase/(decrease) in cash and cash equivalents	**248,828**	(108,848)
Cash and cash equivalents at 1 January	**236,678**	648,072
Exchange difference on cash and cash equivalents	**(14,408)**	(3,484)
Cash and cash equivalents at 30 June	**471,098**	535,740

The notes on pages 25 to 51 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2011

	(Unaudited)											
	Attributable to equity holders of the Company											
	Share Capital HK$'000	Share premium HK$'000	Merger reserve HK$'000	Share option reserve HK$'000	Equity component of convertible notes HK$'000	Statutory reserve HK$'000	Capital redemption reserve HK$'000	Currency translation reserve HK$'000	Acc-umulated losses HK$'000	Sub total HK$'000	Non-controlling interests HK$'000	Total HK$'000
Balance at 1 January 2011	287,945	1,342,589	860,640	93,908	–	596	1,206	60,780	(1,754,868)	892,796	837	893,633
Comprehensive income:												
– Profit for the period	–	–	–	–	–	–	–	–	4,426	4,426	(119)	4,307
Other comprehensive income:												
– Currency translation differences	–	–	–	–	–	–	–	12,214	–	12,214	6	12,220
Issuance of shares upon rights issue	143,973	107,094	–	–	–	–	–	–	–	251,067	–	251,067
Share-based payments	–	–	–	255	–	–	–	–	–	255	–	255
Disposal of subsidiaries	–	–	–	–	–	(485)	–	(3,506)	–	(3,991)	(549)	(4,540)
Balance at 30 June 2011	431,918	1,449,683	860,640	94,163	–	111	1,206	69,488	(1,750,442)	1,156,767	175	1,156,942

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

The notes on pages 25 to 51 form an integral part of this condensed consolidated interim financial information.

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 Group has operations mainly in the People's Republic of China (the "PRC") and Hong Kong.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 27 May 2002 under the Company Law (2002 Revision) (Cap. 22) of the Cayman Islands. The Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

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

This condensed consolidated interim financial information is presented in thousand Hong Kong dollars (HK$'000), unless otherwise stated. This condensed consolidated interim financial information was approved for issue on 26 August 2011.

The condensed consolidated interim financial information has not been audited.

2. Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2011 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The Amendment to HKAS 34 which has been effective for annual periods beginning on or after 1 January 2011 covering disclosure of changes to fair value measurement (if significant) and the need to update relevant information from the most recent annual report have been accounted for.

The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2010, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

3. Accounting policies

Except as described below, the accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2010, as described in the annual financial statements for the year ended 31 December 2010.

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

(a) New, revised and amended standards and interpretations to existing standards effective in 2011

The Group has adopted the following new, revised and amended standards and interpretations to existing standards ("new HKFRS") that have been issued and are effective for the Group's accounting period commencing on 1 January 2011

•	HKAS 24 (Revised)	Related party disclosures
•	HKAS 32 (Amendment)	Classification of rights issue
•	Amendment to HKFRS 1	Limited exemption from comparative HKFRS 7 disclosures for first-time adopters
•	HK(IFRIC) – Int 19	Extinguishing financial liabilities with equity instruments
•	Amendment to HK(IFRIC) – Int 14	Prepayments of a minimum funding requirement

- Various improvements to HKFRS published by the Hong Kong Institute of Certified Public Accountants in May 2010

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

3. Accounting policies *(Continued)*

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

The following new, revised and amended standards and interpretations to existing standards have been issued, but are not effective for the financial year beginning 1 January 2011 and have not been early adopted by the Group:

HKAS 1 (Amendment)	Presentation of financial statements – Presentation of items of other comprehensive income
HKAS 12 (Amendment)	Deferred tax: Recovery of underlying assets
HKAS 19 (Revised)	Employee benefits
HKAS 27 (Revised)	Separate financial statements
HKAS 28 (Revised)	Investments in associates and joint ventures
Amendment to HKFRS 1	First-time adoption of HKFRSs – severe hyperinflation and removal of fixed assets for first-time adopters
Amendment to HKFRS 7	Disclosure – transfers of financial assets
HKFRS 9	Financial instruments
HKFRS 10	Consolidated financial statements
HKFRS 11	Joint arrangements
HKFRS 12	Disclosure of interests in other entities
HKFRS 13	Fair value measurement

The Group has commenced an assessment of the impact of these new, amended and revised HKFRSs but is not yet in a position to state whether they would have a significant impact on its results of operations and financial position.

(c) Comparative figures

Certain of the prior period's figures have been reclassified to conform to the current period's presentation. These reclassifications have no effect on the Group's consolidated balance sheet as at 31 December 2010 and 30 June 2011, or the Group's profit/loss or cash flows for the periods ended 30 June 2010 and 2011.

4. Segment information

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

The management committee has determined that the Group is organized into 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.

The segment results for the six months ended 30 June 2011 are as follows:

	Advertising (Unaudited) HK$'000	Content production (Unaudited) HK$'000	Properties investment (Unaudited) HK$'000	Total (Unaudited) HK$'000
Sales	24,001	2,290	9,965	36,256
Segment results	981	543	31,632	33,156
Exchange gain				12,351
Share-based payments				(255)
Unallocated costs, net				(32,107)
Profit before taxation				13,145
Taxation				(8,838)
Profit for the period				4,307
Non-controlling interests				119
Profit attributable to equity holders of the Company				4,426

4. Segment information *(Continued)*

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

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

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

	Six months ended 30 June 2011			
	Advertising (Unaudited) HK$'000	**Content production (Unaudited) HK$'000**	**Properties investment (Unaudited) HK$'000**	**Total (Unaudited) HK$'000**
Capital expenditures				
— Allocated	**100**	**63,484**	**9**	**63,593**
— Unallocated				**—**
Depreciation				
— Allocated	**54**	**207**	**47**	**308**
— Unallocated				**193**
Amortization	**16,939**	**741**	**—**	**17,680**

4. Segment information *(Continued)*

	Six months ended 30 June 2010		
	Advertising (Unaudited) HK$'000	Content production (Unaudited) HK$'000	Total (Unaudited) HK$'000
Capital expenditures			
— Allocated	823	52,018	52,841
— Unallocated			762
Depreciation			
— Allocated	201	280	481
— Unallocated			552
Amortization	—	365	365

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

The segment assets and liabilities at 30 June 2011 are as follows:

	Advertising (Unaudited) HK$'000	Content production (Unaudited) HK$'000	Properties investment (Unaudited) HK$'000	Total (Unaudited) HK$'000
Segment assets	**182,309**	**160,464**	**437,604**	**780,377**
Investment in an associated company	**277,820**	**—**	**—**	**277,820**
Goodwill	**46,389**	**—**	**—**	**46,389**
Amount due from a jointly controlled entity				
— current				**27,389**
— non-current				**66,314**
Unallocated assets				**347,974**
Total assets				**1,546,263**
Segment liabilities	**187,016**	**71,115**	**31,248**	**289,379**
Unallocated liabilities				**99,942**
Total liabilities				**389,321**

4. Segment information *(Continued)*

The segment assets and liabilities at 31 December 2010 are as follows:

	Advertising (Audited) HK$'000	Content production (Audited) HK$'000	Properties investment (Audited) HK$'000	Total (Audited) HK$'000
Segment assets	127,019	118,195	391,853	637,067
Interest in an associated company	268,986	—	—	268,986
Goodwill	43,611	—	—	43,611
Amount due from a jointly controlled entity and its subsidiaries				26,747
Loan to a jointly controlled entity				64,809
Assets of disposal group held for sale				118,347
Unallocated assets				193,212
Total assets				1,352,779
Segment liabilities	183,485	72,436	29,941	285,862
Liabilities of disposal group held for sale				36,347
Unallocated liabilities				136,937
Total liabilities				459,146

Segment assets consist primarily of tangible and intangible assets, other non-current assets, receivables and operating cash. They exclude investment in an associated company, loan to a jointly controlled entity, deferred tax assets, amounts due from a jointly controlled entity and its subsidiaries and cash and cash equivalents for the corporate use.

Segment liabilities comprise operating liabilities including payable and accrued liabilities. They exclude items such as current income tax liabilities and deferred tax liabilities.

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

5. Other income and other (losses)/gains, net

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Interest income	**592**	5,694
Fair value (loss)/gain on financial assets at fair value through profit or loss	**(12,800)**	198
Exchange gain	**12,351**	3,997
Fair value gain on revaluation of investment properties	**27,755**	—
Loss on disposal of subsidiaries, net	**(1,370)**	—
Miscellaneous	**1,055**	438
	27,583	10,327

6. Finance costs

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Notional non-cash interest accretion on convertible notes	**—**	1,125

7. Profit before taxation

Profit before taxation is stated after crediting and charging the following:

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Crediting:		
Reversal of provision for doubtful receivable, net	**—**	3,815
Gain on disposal of property, plant and equipment	**210**	—
Charging:		
Depreciation	**501**	1,033
Amortization of intangible assets	**17,680**	365
Provision for doubtful receivables	**226**	—
Loss on disposal of property, plant and equipment	**—**	3
Staff costs:		
Directors' fees	**271**	360
Wages and salaries	**10,177**	10,469
Share-based payments	**255**	1,868
Contributions to defined contribution pension schemes	**1,592**	1,188
	12,295	13,885

8. Taxation

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 16.5%) on the estimated assessable profit for the period. Taxation on profits outside Hong Kong has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the regions/countries in which the Group operates.

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Current income tax		
— Hong Kong profits tax	**—**	—
— PRC corporate income tax	**1,899**	536
Deferred income tax	**6,939**	(802)
Income tax expense/(credit)	**8,838**	(266)

The taxation on the Group's 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 regions/countries as follows:

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Profit before taxation	**13,145**	9,191
Tax calculated at domestic tax rates applicable to profit or loss in the respective regions/countries	**5,284**	1,044
Income not subject to tax	**(5,726)**	(5,346)
Expenses not deductible for tax purposes	**51**	159
Utilization of previously unrecognized tax losses	**(81)**	(1,000)
Unrecognized tax losses	**9,310**	4,877
Income tax expense/(credit)	**8,838**	(266)

The weighted average applicable tax rate was 40.20% (2010: 11.36%).

9. Earnings per share

(a) Basic earnings per share

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

	Six months ended 30 June	
	2011 (Unaudited)	2010 (Unaudited)
Weighted average number of ordinary shares in issue (thousands) (after adjustment for share consolidation effective on 16 May 2011 as detailed in note 16)	**2,966,950**	2,791,173
Profit attributable to equity holders of the Company (HK$'000)	**4,426**	9,668
Basic earnings per share attributable to equity holders of the Company (HK cents per share) (after adjustment for share consolidation effective on 16 May 2011 as detailed in note 16)	**0.15**	0.35

(b) Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. As at 30 June 2011, the Company has only one category of potential ordinary shares: share options (2010: same). A calculation is performed to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's share during the period) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

9. **Earnings per share** *(Continued)*

(b) Diluted earnings per share *(Continued)*

During the six months ended 30 June 2011, the conversion of all dilutive share options outstanding would have an anti-dilutive effect on the earnings per share. Accordingly, there was no dilutive effect on the calculation of the diluted earnings per share during the current period.

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares in issue (thousands) (after adjustment for share consolidation effective on 16 May 2011 as detailed in note 16)	**2,966,950**	2,791,173
Adjustments for: — share options (thousands) (after adjustment for share consolidation effective on 16 May 2011 as detailed in note 16)	**—**	18,879
Weighted average number of ordinary shares for diluted earnings per share (thousands) (after adjustment for share consolidation effective on 16 May 2011 as detailed in note 16)	**2,966,950**	2,810,052
Profit attributable to equity holders of the Company (HK$'000)	**4,426**	9,668
Diluted earnings per share attributable to equity holders of the Company (HK cents per share) (after adjustment for share consolidation effective on 16 May 2011 as detailed in note 16)	**0.15**	0.34

10. Dividends

The directors do not recommend the payment of any dividend in respect of the six months ended 30 June 2011 (2010: nil).

11. Capital expenditure

(i) Property, plant and equipment

	(Unaudited) HK$'000
Six months ended 30 June 2011	
Opening net book amount at 1 January 2011	**3,730**
Additions for the period	**118**
Depreciation for the period	**(501)**
Disposals during the period	**(16)**
Exchange difference	**117**
Closing net book amount at 30 June 2011	**3,448**
Six months ended 30 June 2010	
Opening net book amount at 1 January 2010	3,816
Additions for the period	1,674
Depreciation for the period	(958)
Disposals during the period	(941)
Exchange difference	31
Closing net book amount at 30 June 2010	3,622

11. Capital expenditure *(Continued)*

(ii) Intangible assets

	Non-current assets				Current assets
Six months ended 30 June 2011	**Goodwill (Unaudited) HK$'000**	**Programme and film rights (Unaudited) HK$'000**	**Programme and films production in progress (Unaudited) HK$'000**	**Total (Unaudited) HK$'000**	**Exclusive advertising agency right (Unaudited) HK$'000**
Opening net book amount at 1 January 2011	43,611	20,429	50,630	114,670	51,121
Addition for the period	—	—	63,475	63,475	—
Reclassification during the period	—	25,067	(25,067)	—	—
Disposal for the period	—	(9,509)	(1,189)	(10,698)	—
Amortization for the period	—	(741)	—	(741)	(16,939)
Exchange difference	2,778	93	1,427	4,298	990
Closing net book amount at 30 June 2011	46,389	35,339	89,276	171,004	35,172
At 30 June 2011					
Cost	46,389	123,272	103,682	273,343	52,308
Accumulated amortization and impairment	—	(87,933)	(14,406)	(102,339)	(17,136)
Net book amount	46,389	35,339	89,276	171,004	35,172

11. Capital expenditure *(Continued)*

(ii) Intangible assets *(Continued)*

	Non-current assets				Current assets
Six months ended 30 June 2010	Goodwill (Unaudited) HK$'000	Programme and film rights (Unaudited) HK$'000	Programme and films production in progress (Unaudited) HK$'000	Total (Unaudited) HK$'000	Exclusive advertising agency right (Unaudited) HK$'000
Opening net book amount at 1 January 2010	496,653	13,579	909	511,141	—
Addition for the period	—	—	51,929	51,929	—
Amortization for the period	—	(365)	—	(365)	—
Exchange difference	4,647	114	8	4,769	—
Closing net book amount at 30 June 2010	501,300	13,328	52,846	567,474	—
At 30 June 2010					
Cost	501,300	97,714	66,578	665,592	—
Accumulated amortization and impairment	—	(84,386)	(13,732)	(98,118)	—
Net book amount	501,300	13,328	52,846	567,474	—

11. Capital expenditure *(Continued)*

(iii) Investment properties

Six months ended 30 June 2011	(Unaudited) HK$'000
At fair value:	
Opening balance at 1 January 2011	359,890
Fair value gain on revaluation of investment properties	27,755
Exchange difference	13,199
Closing balance at 30 June 2011	400,844

The investment properties were located in the PRC and were held through a 50% indirectly-owned jointly controlled entity acquired in September 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.

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 Vigers Appraisal and Consulting 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.

12. Interest in an associated company

	30 June 2011 (Unaudited) HK$'000	31 December 2010 (Audited) HK$'000
Share of net assets of an associated company	**137,453**	131,805
Goodwill	**140,367**	137,181
	277,820	268,986

12. Interest in an associated company *(Continued)*

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

The particulars of the associated company as at 30 June 2011 are as follows:

Name	Place of incorporation and kind of legal entity	Registered capital	Interest held indirectly	Principal activities and place of operation
Hainan Haishi Tourist 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 results and financial position of the associated company at 30 June 2011 were as follows:

	30 June 2011 (Unaudited) HK$'000	31 December 2010 (Audited) HK$'000
Assets:		
Non-current assets	**120,322**	121,205
Current assets	**341,566**	327,320
	461,888	448,525
Liabilities:		
Current liabilities	**(87,865)**	(89,873)
Net assets	**374,023**	358,652

12. Interest in an associated company *(Continued)*

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Sales	**105,232**	99,608
Cost of sales	**(71,209)**	(50,569)
Gross profit	**34,023**	49,039
Other gains, net	**791**	3,098
Marketing and selling expenses	**(15,884)**	(4,081)
Administrative expenses	**(9,647)**	(7,984)
Profit before taxation	**9,283**	40,072
Taxation	**(2,321)**	(10,413)
Profit for the period	**6,962**	29,659

Apart from the contingencies described in note 19, there are no other contingent liabilities and commitments relating to the Group's interests in the associated company, and no significant contingent liabilities and commitments of the associated company themselves.

13 Amounts due from a jointly controlled entity and its subsidiaries

	30 June 2011	31 December 2010
	(Unaudited)	(Audited)
	HK$'000	HK$'000
Loan to a jointly controlled entity — non-current	**66,314**	64,809
Amount due from a jointly controlled entity and its subsidiaries — current	**27,389**	26,747
	93,703	91,556

As at 30 June 2011 and 31 December 2010, the loan to a jointly controlled entity is unsecured, interest-bearing at prevailing market rates and not repayable in the coming twelve months.

13 Amounts due from a jointly controlled entity and its subsidiaries *(Continued)*

The current portion of the amounts due from a jointly controlled entity and its subsidiaries are unsecured, non-interest bearing and repayable on demand.

The particulars of the jointly controlled entity and its subsidiaries as at 30 June 2011 are as follows:

Name	Place of incorporation and kind of legal entity	Registered capital	Interest held indirectly	Principal activities and place of operation
Shenzhen ITC Tian An Co., Ltd.	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.	The PRC, Sino-foreign equity joint venture	RMB3,000,000	50%	Property management In the PRC
Hainan Hailu Advertising Limited Liability Company (2)	The PRC, limited liability company	RMB1,000,000	50%	Advertising agency, design and production
AUFM Group				
Asian Union Film and Media (1) (2)	The PRC, limited liability company	RMB120,000,000	50%	Investment in television drama, film production and advertising production in the PRC
Beijing Ying Shi Film & Television Art Limited Liability Company (2)	The PRC, limited liability company	RMB500,000	30%	Television drama production in the PRC
Beijing Hua Yi Shan He Shui Advertising Company Limited (2)	The PRC, limited liability company	RMB1,020,000	25.50%	Advertisement production in the PRC

13 Amounts due from a jointly controlled entity and its subsidiaries *(Continued)*

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

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

(2) 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

14. Trade receivables

At 30 June 2011, the aging analysis of the trade receivables were as follows:

	30 June 2011 (Unaudited) HK$'000	31 December 2010 (Audited) HK$'000
0 — 3 months	**7,647**	64,030
4 — 6 months	**6,727**	7,158
Over 6 months	**16,250**	14,051
	30,624	85,239
Reclassification to assets of disposal group held for sale	**—**	(53,051)
	30,624	32,188
Provision for doubtful receivables	**(10,159)**	(9,714)
	20,465	22,474

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

15. Trade payables

At 30 June 2011, the aging analysis of the trade payables were as follows:

	30 June 2011 (Unaudited) HK$'000	31 December 2010 (Audited) HK$'000
0 — 3 months	**—**	11,382
4 — 6 months	**—**	5
Over 6 months	**1,536**	2,383
	1,536	13,770
Reclassification to liabilities of disposal group held for sale	**—**	(11,387)
	1,536	2,383

16. Share capital

	Ordinary shares of HK$0.1 each (note (a)) No. of shares (note (a))		Preference shares of HK$0.01 each No. of shares		Total
	'000	HK$'000	'000	HK$'000	HK$'000
Authorized:					
At 30 June 2011 (Unaudited)	**6,000,000**	**600,000**	**240,760**	**2,408**	**602,408**
At 31 December 2010 (Audited)	6,000,000	600,000	240,760	2,408	602,408
Issued and fully paid:					
At 1 January 2011	**2,879,453**	**287,945**	**—**	**—**	**287,945**
Issue of shares upon rights issue (note (b))	**1,439,726**	**143,973**	**—**	**—**	**143,973**
At 30 June 2011 (Unaudited)	**4,319,179**	**431,918**	**—**	**—**	**431,918**
At 1 January 2010	2,772,926	277,293	—	—	277,293
Issue of shares upon conversion of convertible notes	106,522	10,652	—	—	10,652
Issue of shares upon exercise of share options	5	—	—	—	—
At 30 June 2010 (Unaudited)	2,879,453	287,945	—	—	287,945

16. Share capital *(Continued)*

Notes:

(a) Share Consolidation

As approved at the extraordinary general meeting of the Company held on 13 May 2011, every ten issued and unissued shares of HK$0.01 each in the share capital of the Company have been consolidated into one consolidated share of HK$0.10 each effective from 16 May 2011. For details, please refer to the circular issued by the Company dated 21 April 2011.

(b) Rights Issue

The Company has proposed to issue 1,439,726,484 new ordinary shares of HK$0.10 each by way of a rights issue proposed to be offered to the qualifying shareholders for subscription on the basis of one rights share for every two shares held on 23 May 2011 at HK$0.18 per rights share on the terms set out in the prospectus issued by the Company dated 24 May 2011. The rights issue has been completed in June 2011, raising net proceeds of approximately HK$251,067,000.

Share Option

Pursuant to the 10-year term share option scheme ("Option Scheme") adopted by the Company on 30 July 2002, the Company can grant options to Qualified Persons (as defined in the Option Scheme) for a consideration of HK$1.00 for each grant payable by the Qualified Persons to the Company. The total number of the shares issued and to be issued upon exercise of options granted to each Qualified Person (including exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the shares then in issue. Pursuant to a resolution passed on the annual general meeting of the Company, dated 13 May 2011, the Company can grant up to 287,945,296 share options (after adjustment for share consolidation effective on 16 May 2011) to the Qualified Persons.

Subscription price in relation to each option pursuant to the Option Scheme shall not be less than the higher of (i) the closing price of the shares as stated in Stock Exchange's daily quotation sheets on the date on which the option is offered to a Qualified Person; or (ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the 5 trading days immediately preceding the date of offer; or (iii) the nominal value of the shares of the Company. There shall be no minimum holding period for the vesting or exercise of the options and the options are exercisable within the option period as determined by the Board of Directors of the Company. During the period, share-based payment expense of approximately HK$255,000 is charged to the condensed consolidated interim income statement (2010: HK$1,868,000).

16. Share capital *(Continued)*

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

Tranche	Date of share options granted	Outstanding as at 1 January 2011	Cancelled/ lapsed during the period	Adjusted during the period	Outstanding as at 30 June 2011	Exercisable as at 30 June 2011	Exercise Price (adjusted) HK$	Vesting date	Expiry date
		(Unaudited) Number of share options (after adjustment for share consolidation effective on 16 May 2011)							
1	7 March 2008	78,890,625	(4,125,000)	812,669	75,578,294	75,578,294	1.47	From 1 April 2008 to 1 March 2011	31 December 2012
2	5 May 2008	12,375,000	(1,042,459)	134,510	11,467,051	11,467,051	1.29	From 1 April 2009	31 Decemeber 2015
3	4 November 2008	88,682,500	(5,694,293)	924,707	83,912,914	83,912,914	0.43	From 8 March 2009 to 8 March 2011	31 December 2015
		179,948,125	(10,861,752)	1,871,886	170,958,259	170,958,259			

Tranche	Date of share options granted	Outstanding as at 1 January 2010	Cancelled/ lapsed during the period	Adjusted during the period	Outstanding as at 30 June 2010	Exercisable as at 30 June 2010	Exercise Price (adjusted) HK$	Vesting date	Expiry date
		(Unaudited) Number of share options (after adjustment for share consolidation effective on 16 May 2011)							
1	7 March 2008	78,890,625	–	–	78,890,625	47,334,375	1.49	From 1 April 2008 to 1 March 2011	31 December 2012
2	5 May 2008	13,406,250	–	–	13,406,250	13,406,250	1.30	From 1 April 2009	31 December 2015
3	4 November 2008	90,750,000	–	(5,000)	90,745,000	80,432,500	0.43	From 8 March 2009 to 8 March 2011	31 December 2015
		183,046,875	–	(5,000)	183,041,875	141,173,125			

17. Significant business combination and disposal

(a) Significant business combination

On 26 January 2011, the Group and Mr. He Peng (the "Vendor") has entered into a sale and purchase agreement (as amended by the supplemental agreement dated 16 May 2011), 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 200,000,000 new ordinary shares of the Company at HK$0.35 each (after adjustment for share consolidation effective on 16 May 2011) 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 100,000,000 new ordinary shares of the Company at HK$0.35 each (after adjustment for share consolidation effective on 16 May 2011), 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.

17. Significant business combination and disposal *(Continued)*

If, as at the date of completion, there shall remain outstanding amounts receivable from related parties outside the Target Group, the Group shall have the right to reduce the cash consideration by such outstanding amounts, and thereafter such outstanding amounts shall be deemed to have been received by the Target Group.

The said acquisition has been completed on 28 July 2011.

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.

(b) Significant business disposal

On 19 May 2011, the Company and DVN (Holdings) Limited have entered into a sale and purchase agreement, whereby the Company agreed to sell the entire issued share capital in and assign its loan due from Sinofocus Media (Holdings) Limited ("Sinofocus") to DVN (Holdings) Limited at an aggregate consideration of HK$82,000,000 payable in cash. Sinofocus, a wholly-owned subsidiary of the Company, is an investment holding company holding various subsidiaries engaging in advertising agency and media resources procurement business. The said disposal has been completed in June 2011, resulting in a loss on disposal of approximately HK$1,806,000.

18. Commitments

At 30 June 2011, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Land and buildings	
	30 June 2011 (Unaudited) HK$'000	31 December 2010 (Audited) HK$'000
Not later than one year	**5,317**	5,838
Later than one year and not later than five years	**1,832**	5,049
	7,149	10,887

19. Contingencies

Beijing Hua Yi Hao Ge Media Culture Limited ("Hua Yi Hao Ge"), an indirect wholly owned subsidiary of the Company, is a party to a possible litigation in the PRC whereby Hainan Haishi Tourist Satellite TV Media Co., Ltd. ("Hainan Haishi") has obtained an order from the People's Court of Yang Pu Economic Development Zone of Hainan Province to freeze its assets in connection with the allegation of an amount of RMB79.9 million alleged to be due from Hua Yi Hao Ge to Hainan Haishi. The alleged amount arose from the Group's exclusive advertising agency business with Hainan Haishi before 31 December 2008, starting with the exclusive advertising agency agreement signed between the Group and Hainan Haishi dated 12 May 2006. The amount payable to Hainan Haishi has already been accrued in the Group's consolidated financial statements since the year ended 31 December 2008, which has not yet been settled as of the balance sheet date. The Directors do not anticipate that any material liabilities will arise other than those provided for and believe that the Group has sufficient financial resources to discharge the debt.

CORPORATE INFORMATION

BOARD OF DIRECTORS

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Mr. ZHANG Changsheng
Mr. WANG Hong

NON-EXECUTIVE DIRECTORS
Mr. Hugo SHONG *(Vice-Chairman)*
Mr. Edward TIAN Suning

INDEPENDENT NON-EXECUTIVE DIRECTORS
Professor 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

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