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)

Annual Report

2011

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors
Mr. YUEN Hoi Po *(Chairman)*
Mr. ZHANG Changsheng
Mr. WANG Hong (resigned on 26 March 2012)

Non-Executive Directors
Mr. Hugo SHONG *(Vice Chairman)*
Mr. Edward TIAN Suning

Independent Non-Executive Directors
Prof. WEI Xin
Dr. WONG Yau Kar, David, JP
Mr. YUEN Kin
Mr. CHU Yuguo (appointed on 26 March 2012)

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 2011.

The Group pursued a diversification strategy in 2011 to lay a solid foundation for sustainable growth. We extended our value chain by actively tapping into the high-end recreational and tourism sector. In July, we made a great leap towards this end by acquiring the operating right of "Bayhood No. 9 Club". This new move diversified our source of revenues and drove the substantial improvement in the Group's operating results.

China's economy has accelerated at a rapid pace in recent years, leading to the continuous growth in the number of wealthy people with accumulated wealth. Moreover, the national economy is shifting from one that was externally-driven towards one that is internally-driven. This creates a favourable operating environment for our high-end recreational and tourism operations which targets high-net-worth individuals and corporations. Management believes that the acquisition of "Bayhood No. 9 Club" puts us in a better position to capture opportunities that may arise as the project has an excellent track record and a seasoned management team. We will use it as a stepping-stone to further penetrate the high-end consumption sector in China.

Meanwhile, revenues from media business of the Travel Channel declined last year as a result of our business restructuring. Earnings from this business were fully recognized as under the share of the result of an associated company effective from 2011 whereas in the past the relevant revenues and costs of the business were consolidated. Despite disputes among its shareholders, the overall performance of the Travel Channel's media business remained sound last year. As there are high barriers of entry to the provincial satellite TV sector with nationwide audience coverage and TV channels are still the preferred platform of most advertisers, we believe that our interests in the Travel Channel is a valuable asset to the Group and we will continue to devote our resources in resolving the shareholder conflicts in order to release its growing implicit value.

We have made consistent efforts to restructure our business over the past two years, seeking out the best business model for the Group. Despite slower economic growth in China in 2011 compared with the past several years, China's economy still boasts a huge number of individuals with high-net-worth after years of wealth accumulation. They will be the targets for our high-end consumption business campaigns. Going forward, we will continue to reinforce the development of media operations and vigorously participate in projects that create values, thereby delivering better returns to shareholders. Management is confident that the Group can ride out current difficulties and is set to achieve business breakthroughs under the support and coordinated efforts of our business partners and staff members.

On behalf of the board of directors, I would like to express my heartfelt gratitude to investors and business partners for their long-term trust and support. Moreover, I am grateful for the dedication and contribution of our staff members over the past year. Looking forward, as we have done so often in the past, we will strive our best to drive the healthy development of our businesses.

Yuen Hoi Po
Chairman
Media China Corporation Ltd

Hong Kong, 23 March 2012

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS

Financial Performance

Major indicators of the financial results for the year ended 31 December 2011 are summarized in the table below:

	2011 **HK$'000**	2010 HK$'000
Sales revenue	**125,224**	171,308
Gross profit	**30,998**	54,364
Loss before taxation	**(5,937)**	(478,854)
Loss for the year	**(17,627)**	(483,667)

The Chinese economy slowed in 2011 amid weakening export demand and economic tightening policies. In the face of stringent market conditions, the Group pursued a diversification strategy to create new revenue sources and to improve operating results.

The Group successfully expanded into the High-end Recreational and Tourism services sector after completing the acquisition of the "Bayhood No. 9 Club" operation in July 2011. "Bayhood No. 9 Club" is a membership-based luxury club which comprises business hotel facilities, theme dining rooms, spa facilities, retail shops, 18-hole golf course, practice bays and a PGA-branded golf academy. Target customers of "Bayhood No. 9 Club" are those of high net worth individuals and corporations.

Meanwhile, the Group's investment in the Shenzhen Tian An International Building, completed in September 2010, continued to provide stable revenue from rental and management fees last year.

During year 2011, the Group achieved HK$125.2 million in revenue, down 27% from year 2010. 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 year 2011. 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% economic interests, thus the advertising revenue and costs arising the Travel Channel was reported under the item of "Share of profit of an associated company". On the other hand, newly acquired businesses, namely the "Bayhood No. 9 Club" and the investment in Shenzhen Tian An International Building, generated stable income, partly offsetting the revenue reduction from the media business and accounts for more than half of the sales revenue for year 2011.

With the transition for business diversifications still in progress, the Group recorded a net loss of HK$17.6 million in year 2011, being a decrease of 96% comparing to that in year 2010. The significant reduction in net loss position was mainly because no provision for impairment on goodwill for the year 2011 was necessary.

BUSINESS REVIEW AND PROSPECTS *(Continued)*

Market Review

China's economy was adversely affected by the European and U.S. debt crises as well as the global economic fluctuations in 2011. Nevertheless, its GDP still managed to grow at brisk rate of 9.2% year-on-year. According to the Global Wealth Report by Credit Suisse, China was one of the six countries with the highest wealth increase and had about 10.17 million millionaires. This figure is expected to double in the coming five years. We believe that the increasing number of wealthy people in the nation will create a favourable market environment for the Group's "Bayhood No. 9 Club" operation which focus on high-net-worth customers.

As to the performance of the media sector, according to CTR Market Research, China's advertising expenditures for 2011 grew mildly at 13% over 2010. Advertising expenditures on all media, excluding outdoor media, experienced double-digit growth during the period, with TV remaining the most preferred media for advertisement.

Business Review

	Sales Revenue		Segment Results	
	2011 HK$'000	2010 HK$'000	**2011 HK$'000**	2010 HK$'000
High-end Recreational and Tourism Services	**64,614**	—	**11,876**	—
Media	**39,920**	166,127	**(14,313)**	5,353
Properties Investment	**20,690**	5,181	**41,948**	1,974
Total	**125,224**	171,308	**39,511**	7,327

High-end Recreational and Tourism Services

The Group has completed the acquisition of the "Bayhood No. 9 Club" operation in July 2011. "Bayhood No. 9 Club" is a membership-based luxury club located near the city center of Beijing, comprising comprehensive facilities including:

- 7,260 yard, 18-hole championship golf course deigned by renowned designer
- Double-storied practice bays equipped with private VIP rooms
- PGA-branded and managed golf academy
- Professional retail shops

BUSINESS REVIEW AND PROSPECTS *(Continued)*

High-end Recreational and Tourism Services *(Continued)*

- Theme dining rooms serving Chinese and Western cuisine
- Spa facilities and coffee shops

Revenue of "Bayhood No. 9 Club" mainly derived from the following sources:

- Sale of membership
- Annual membership fees
- Green fees, caddy and buggy fees, practice bay and VIP room rental fees
- Golf academy tuition fees
- Sale of food and beverages from the theme dining rooms
- Other services such as spa, retails, coffee shops, etc.

As the accumulated number of members has increased gradually each year while many of the operating costs and expenses, such as depreciation, rental fee payable, staff costs and maintenance costs were relatively stable, gross profit margin and net profit margin of "Bayhood No. 9 Club" increased steadily. In 2011, its gross profit margin advanced 3.5 percentage points year-on-year to 51.5%, while net profit margin improved 3.3 percentage points year-on-year to 27.2%. Management believes that this project enables the Group to create better returns for shareholders by taking advantage of the thriving high-end consumption sector.

Media

The Group's media business mainly comprised the Travel Channel operation, the exclusive advertising agency business at Beijing Railway Station and Beijing West Railway Station which started in 2011, and the content production operation. In order to facilitate its restructuring, devote resources towards core businesses and shorten the payback period, the Group decided to dispose of the advertising agency business under Sinofocus Media at a consideration of HK$82 million. The transaction was completed in June 2011.

The Group ceased to operate the advertising agency business for the Travel Channel through its 50% owned joint venture in year 2011. Instead, this business has been undertaken by Hainan Haishi, an associated company in which the Group has 49% economic interests. As a result, revenue and costs arising from the Travel Channel's media business were included within the item of "Share of profit of an associated company", leading to a substantial reduction of revenue from the media segment in year 2011.

BUSINESS REVIEW AND PROSPECTS *(Continued)*

Media *(Continued)*

The media segment recorded a loss of HK$14.3 million in year 2011 while in year 2010 there was a profit of HK$5.4 million. This is mainly attributed to a provision for impairment on certain programmes and film rights of HK$11.6 million, and the operating losses arising from the exclusive advertising agency business at Beijing Railway Station and Beijing West Railway Station.

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 one another 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 operating of the Travel Channel. However, management believes that the prospects of the Travel Channel operation remain rosy and its valuation shall steadily increase under the current national policy favoring cultural and media business, as the entry barrier of provincial satellite TV channel is high and Travel Channel has already established a strong brand name and is well received by a large number of viewers nationwide.

Properties Investment

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

During year 2011, a revaluation gain of approximately HK$31.2 million was derived from the investment property. Revenue from properties investment segment for the year was approximately HK$20.7 million and profit from the segment was approximately HK$41.9 million.

Business Outlook

The number of ultra-high-net-worth individuals (personal net worth of over US$50 million) in China keeps rising as the national economy maintains rapid growth, stimulating the growth of domestic high-end consumption. Management believes that high-end consumption business commands higher gross margins and has ample room for expansion. Targeting high-net-worth individuals and corporations in China, we will develop the "Bayhood No. 9 Club" operation into the flagship project for our high-end recreational and tourism service business, thereby extending our value chain for greater profitability.

Regarding the media businesses, we will continue to devote our resources in resolving the conflicts among the shareholders of Travel Channel, in order to release its growing implicit value as being a provincial satellite TV channel with nationwide audience coverage. We also plan to gradually discontinue other non-core media operations so that we could direct our resources into new businesses.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Sales revenue for year 2011 amounted to HK$125,224,000, being a 27% decrease comparing to year 2010. Cost of sales for year 2011 amounted to HK$94,226,000, being a 19% decrease comparing to year 2010. Proportion of sales revenue from Media segment dropped significantly from 97% in year 2010 to 32% in year 2011. In year 2010, the Group's 50% owned jointly controlled entity acted as the exclusive advertising agent of the Travel Channel, an associated company of which the Group owned 49% economic interests. However, the jointly controlled entity has not reached an agreement with Travel Channel to act as its advertising agency in year 2011. Instead, the advertising revenue and operating results of Travel Channel has been included in the line item "Share of profit of an associated company". This led to a significant drop in sales revenue and cost of sales from Media segment.

Sales revenue from Properties Investment segment (acquired in September 2010) and High-end Recreational and Tourism Services segment (acquired in July 2011) accounted for 16% and 52%, respectively, of sales revenue in year 2011. Newly acquired businesses have now accounted for more than half of the Group's sales revenue.

Other income and other gains, net for year 2011 mainly comprised bank interest income, fair value loss on financial assets at fair value through profit or loss, fair value gain on revaluation of investment properties and exchange gain. The amount increased by 39% comparing to year 2010, mainly due to the fair value gain on revaluation of investment properties in Shenzhen of HK$31,234,000 offset by the fair value loss on financial assets at fair value of HK$13,400,000 during the year. For further details, please refer to note 5 to the consolidated financial statements.

Marketing and selling expenses mainly attributed to the Media segment. As mentioned above, costs in relation to Travel Channel have been included in the operating results of an associated company, of which the Group owned 49% economic interests. This has led to an overall decrease of marketing and selling expense by 88% during the year.

Administrative expenses for year 2011 amounted to HK$75,750,000 (2010: HK$76,660,000), being a 1% decrease comparing to year 2010. Included in administrative expenses, provision for impairment of trade and other receivables significantly reduced from HK$10,219,000 in year 2010 to HK$341,000 in year 2011. Offsetting this, there was incurrence of additional legal and professional fees for the significant business combination and disposal (as detailed in note 31 to the consolidated financial statements) during year 2011.

Provision for impairment of intangible assets significantly reduced from HK$478,428,000 in year 2010 to HK$11,596,000 in year 2011. No impairment on goodwill is required in year 2011 (please refer to note 15 to the consolidated financial statements for details). This leads to a significant reduction of the Group's net loss by 96% for the year.

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$9,754,000 (2010: HK$6,931,000) during the year. Please refer to note 18 to the consolidated financial statements for details of the Group's interests in the associated company.

FINANCIAL REVIEW *(Continued)*

Finance costs for year 2011 represents the accrued interests on agency fee payable in accordance to a court ruling as detailed in note 34 to the consolidated financial statements. Finance costs for year 2010 represents the notional non-cash interest accretion on convertible notes. As such convertible notes have already been fully converted into the Company's shares in year 2010, there was no recurrence of relevant finance costs in year 2011.

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 2011, the Group held cash and cash equivalents of approximately HK$200,606,000, being a 15% decrease comparing to the balance as at 31 December 2010.

The Group was at net current liability position of HK$156,194,000 as at 31 December 2011 (2010: net current asset of HK$135,200,000). The current ratio, representing the total current assets to the total current liabilities, decreased from 1.35 as at 31 December 2010 to 0.74 as at 31 December 2011. The net current liability position was mainly attributable to the newly acquired segment of high-end recreational and tourism service. A significant portion of the current liability of this segment in fact represents deferred revenue such as deferred membership entrance fee income and rental income.

The debt to equity ratio, representing the sum of borrowings to total equity, remained zero as at 31 December 2010 and 2011. The Group had no outstanding borrowing as at 31 December 2010 and 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 31 December 2011, the Group had no outstanding borrowing.

During the year, the Company has issued (i) 1,439,726,484 new ordinary shares upon completion of rights issue at HK$0.18 per share; and (ii) 200,000,000 new ordinary shares upon completion of an acquisition of subsidiaries.

PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

As at 31 December 2011 none of our assets was pledged and we did not have any material contingent liabilities or guarantees saved as disclosed in note 34 to the consolidated financial statements.

HUMAN RESOURCES

As at 31 December 2011, the Group employed a total of approximately 485 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 2011.

BOARD OF DIRECTORS

The Board comprises eight 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)*
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.

BOARD OF DIRECTORS *(Continued)*

During the year, the Board held a total of six 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	6/6
Mr. Hugo SHONG	3/6
Mr. ZHANG Changsheng	6/6
Mr. WANG Hong	6/6
Mr. Edward TIAN Suning	5/6
Prof. WEI Xin	4/6
Dr. WONG Yau Kar, David, JP	6/6
Mr. YUEN Kin	6/6
Mr. JIANG Jianning (resigned on 19 May 2011)	3/4

Each of the Director's biographical information is given on pages 21 to 24 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

During the year, 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.

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 three 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 2011.

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. YUEN Hoi Po (Chairman) 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 three 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.

BOARD COMMITTEES *(Continued)*

Remuneration Committee

As at the date of this annual report, the Remuneration Committee comprises three members with expertise in human resources and personnel emoluments. The Remuneration Committee is chaired by Mr. YUEN Hoi Po and the other members of the Committee are 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 meeting to determine the remuneration package for the Independent Non-executive Directors, Executive Directors and senior management. Details of attendance record of members in this meeting during the year are as follows:

Members	Attendance
Mr. YUEN Hoi Po *(Chairman of Remuneration Committee)*	1/1
Dr. WONG Yau Kar, David, JP	1/1
Mr. YUEN Kin	1/1
Mr. JIANG Jianning (ceased to be a member on 19 May 2011)	0/1

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	3/3
Dr. WONG Yau Kar, David, JP	3/3

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.

BOARD COMMITTEES *(Continued)*

Audit Committee *(Continued)*

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.

— 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	2011 HK'000	2010 HK'000
Audit and review services	2,800	3,352
Non-audit services (including reporting accountant and agreed upon procedures)	3,040	—
	5,840	3,352

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.

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.

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, 23 March 2012

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

CHAIRMAN AND EXECUTIVE DIRECTOR

Mr. YUEN Hoi Po

Mr. YUEN Hoi Po, aged 48, 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 55, 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 64, 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 been appointed as director of several subsidiaries of the Company. Mr. ZHANG has 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 (resigned on 26 March 2012)

Mr. WANG Hong, aged 47, 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 49, 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 NASDAQ; 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 graduated from Texas Tech University with a Doctorate Degree in Resource Management.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Professor WEI Xin

Professor Wei Xin, aged 56, 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.

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

Dr. WONG Yau Kar, David, JP, aged 54, has been 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 57, 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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. CHU Yuguo (appointed on 26 March 2012)
Mr. CHU Yuguo, aged 46, was appointed as the Independent Non-executive Director of the Company on 26 March 2012. Mr. CHU is a PhD fellowship of Peking University. He was the vice Chinese Communist Party Secretary of the Department of Computer Science & Technology of Peking University, deputy head and head of office of admission of Peking University Office of Educational Administration, head of asset management office of Peking University, and the chairman and general manager of Peking University Science Park. He is a director of Yuda, a non-executive Director and chairman of Beijing Beida Jade Bird Universal Sci-Tech Company Limited (a company listed on The Stock Exchange of Hong Kong Limited), a director and the president of Beida Jade Bird, a director of Beida High Technology and Beijing Beida Jade Bird International Education Investment Management Co., Ltd., and the chairman of Beijing Science Park Culture Education Development Co., Ltd. and Xishui Strong Year Co. Ltd., Inner Mongolia (an A share listed company in PRC).

SENIOR MANAGEMENT

Mr. HAU Wai Man, Raymond
Mr. HAU Wai Man, Raymond, aged 37, 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 2011.

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 2011 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 page 39 of this Annual Report.

The Board does not recommend the payment of any dividend in respect of the year ended 31 December 2011.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 122 of this Annual Report.

DONATIONS

The Group has made donations to non-profit organizations of approximately HK$4,000 (2010: HK$114,000) during the year.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in note 14 to the consolidated financial statements.

PRINCIPAL PROPERTIES

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

Property Name	Expiry Date	Property Gross Floor Area	Interest Held by the Group	Gross Floor Area Attributable to the Group	Use
	Year	m^2		m^2	
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

SHARE CAPITAL

On 6 May 2011, the Company announced its proposal to raise not less than approximately HK$259 million and not more than approximately HK$275 million before expenses by way of the rights issue of not less than 1,439,726,484 and not more than 1,529,700,547 rights shares at a price of HK$0.18 per rights share on the basis of one rights share for two consolidated shares (as defined in the announcement dated 6 May 2011) held by shareholders other than overseas shareholders ("Rights Issue"). Upon completion of the Rights Issue, the Company issued and allotted 1,439,726,484 Shares on 20 June 2011. Net proceeds of approximately HK$251 million were raised and fully utilized for financing the very substantial acquisition as announced by the Company on 22 February 2011.

On 19 December 2011, the Company has appointed a sole and exclusive placing agent to procure not less than six placees to subscribe for up to 550,000,000 warrants of the Company which are not listed on the Stock Exchange, on best efforts basis, at the Issue Price of HK$0.005 per warrant. Such warrant has an exercise price of HK$0.10 per warrant (subject to adjustment), and could be exercised within three years since the date of issue. The warrants have been fully placed and issued to not less than six placees on 6 January 2012. Assuming the subscription rights attaching to the warrants are exercised in full, the total net funds to be raised, including the funds raised by the Warrant Placing (as defined in the announcement dated 19 December 2011), are approximately HK$57.25 million. Net proceeds of approximately HK$2.25 million were raised from the Warrant Placing and not yet utilized. The Board intends to apply the net proceeds from the issue of the warrant shares in the amount of HK$55 million as additional working capital and as funds for future development of the Group.

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

REPORT OF THE DIRECTORS

DIRECTORS

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

Mr. YUEN Hoi Po[1] *(Chairman)*
Mr. Hugo SHONG[2] *(Vice Chairman)*
Mr. ZHANG Changsheng[1]
Mr. WANG Hong[1]
Mr. Edward TIAN Suning[2]
Prof. WEI Xin[3]
Dr. WONG Yau Kar, David, JP[3]
Mr. YUEN Kin[3]
Mr. JIANG Jianning[3] (resigned on 19 May 2011)

[1] *Executive Director*
[2] *Non-executive Director*
[3] *Independent Non-executive Director*

In accordance with Article 87(1) of the Company's Articles of Association, Dr. WONG Yau Kar, David and Mr. Hugo SHONG 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.

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 24 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 13 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.

SHARE OPTIONS *(Continued)*

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 458,903,555 shares (including options for 170,958,259 shares that have been granted but not yet lapsed or exercised), which represent 10.15% 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.

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:

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	No. of share options: Lapsed during the year	No. of share options: (Adjusted) Outstanding as at 31 December 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	0.09	(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	0.09	(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) (Note 6)	—	0	(5)
	4.11.2008	0.043	0.43	20,625,000	(2,084,918) (Note 6)	—	0	(5)
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) (Note 7)	4,691,064	0.10	(1)
	4.11.2008	0.043	0.43	226,825,005	(3,609,375) (Note 7)	19,280,439	0.43	(2)(3)
Others	7.3.2008	0.149	1.47	660,000,000	—	66,717,394	1.48	(1)
	4.11.2008	0.043	0.43	484,687,500	—	48,995,589	1.08	(3)
Total for all categories				1,799,481,255	(10,861,752)	170,958,259		

SHARE OPTIONS *(Continued)*

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 year, 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.*

7. *The exercise price and number of share options were adjusted due to the the Share Consolidation became effective on 16 May 2011.*

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.

DISTRIBUTABLE RESERVES

The distributable reserves of the Company as at 31 December 2011, 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$590,284,000 (2010: HK$487,498,000), representing the share premium of HK$1,457,483,000 (2010: HK$1,342,589,000) less the accumulated losses of HK$867,199,000 (2010: HK$855,091,000). 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 2011, 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	36.4%
— five largest suppliers in aggregate	67.9%

The largest supplier is Beijing Huan Xia Chuang Yi Advertising Co., Ltd. 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(s) 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.

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 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 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 *(Note1)*	Interest of a controlled corporation	Corporate interest	798,150,000	17.66
Edward TIAN Suning *(Note 2)*	Interest of a controlled corporation	Corporate interest	387,733,233	8.58
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.*

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 2011, 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.

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

As at 31 December 2011, 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 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	18.31
Sun Hung Kai Securities Limited	Interest of a controlled corporation *(Note a)*	Corporate interest	827,435,214	18.31
Sun Hung Kai & Co. Limited	Interest of a controlled corporation *(Note a)*	Corporate interest	827,435,214	18.31
Allied Properties (H.K.) Limited	Interest of a controlled corporation *(Note a)*	Corporate interest	827,435,214	18.31
Allied Group Limited	Interest of a controlled corporation *(Note a)*	Corporate interest	827,435,214	18.31
LEE Seng Hui	Interest of a controlled corporation *(Note a)*	Corporate interest	827,435,214	18.31
LEE Su Hwei	Interest of a controlled corporation *(Note a)*	Corporate interest	827,435,214	18.31
LEE Seng Huang	Interest of a controlled corporation *(Note a)*	Corporate interest	827,435,214	18.31
Rich Public Limited	Beneficial owner *(Note b)*	Beneficial interest	798,150,000	17.66
Ming Bang Limited	Interest of a controlled corporation *(Note c)*	Corporate interest	798,150,000	17.66
CBC China Media Limited	Beneficial owner *(Note d)*	Beneficial interest	387,733,233	8.58
HE Peng	Beneficial owner *(Note e)*	Beneficial interest	300,000,000	6.64

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

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 shares have been issued by the Company to Mr. HE Peng on 28 July 2011, and 100,000,000 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 31 December 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.

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.

REPORT OF THE DIRECTORS

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.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, it is confirmed that there is sufficient public float of at least 25% of the Company's issued shares as at 23 March 2012.

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.

OTHER CHANGES IN DIRECTORS' INFORMATION

Other changes in Directors' information since the date of the 2010 Annual Report are set out below.

1. The annual remuneration of Mr. ZHANG Changsheng was revised to HK$1,500,000 with effect from 1 January 2012.

2. The annual remuneration of Mr. YUEN Kin, Dr. WONG Yau Kar, David and Prof. WEI Xin revised to HK$200,000 with effect from 1 January 2012.

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, 23 March 2012

INDEPENDENT AUDITOR'S REPORT

pwc 羅兵咸永道

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 121, which comprise the consolidated and company balance sheets as at 31 December 2011, 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.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

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 2011, 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, 23 March 2012

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
Sales	5	**125,224**	171,308
Cost of sales		**(94,226)**	(116,944)
Gross profit		**30,998**	54,364
Other income and other gains, net	5	**49,480**	35,526
Marketing and selling expenses		**(2,430)**	(19,462)
Administrative expenses		**(75,750)**	(76,660)
Provision for impairment of intangible assets	15	**(11,596)**	(478,428)
Share of profit of an associated company		**9,754**	6,931
Finance costs	7	**(6,393)**	(1,125)
Loss before taxation	8	**(5,937)**	(478,854)
Taxation	9	**(11,690)**	(4,813)
Loss for the year		**(17,627)**	(483,667)
Attributable to:			
Equity holders of the Company		**(17,779)**	(483,463)
Non-controlling interests		**152**	(204)
		(17,627)	(483,667)
Loss per share attributable to the equity holders of the Company for the year		**HK Cents**	HK Cents (Restated)
Basic loss per share	11	**(0.48)**	(17.05)
Diluted loss per share	11	**(0.48)**	(17.05)
Dividend	12	**—**	—

The notes on pages 46 to 121 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	2011 HK$'000	2010 HK$'000
Loss for the year	**(17,627)**	(483,667)
Other comprehensive income:		
— Currency translation differences	**26,023**	13,582
Other comprehensive income for the year, net of tax	**26,023**	13,582
Total comprehensive income/(loss) for the year	**8,396**	(470,085)
Total comprehensive income/(loss) attributable to:		
Equity holders of the Company	**8,227**	(469,913)
Non-controlling interests	**169**	(172)
	8,396	(470,085)

The notes on pages 46 to 121 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

As at 31 December 2011

	Notes	As at 31 December 2011 HK$'000	2010 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	*14*	**340,655**	3,730
Intangible assets	*15*	**520,586**	114,670
Investment properties	*16*	**414,395**	359,890
Interest in an associated company	*18*	**292,330**	268,986
Loan to a jointly controlled entity	*19*	**—**	64,809
Deferred tax assets	*9*	**25,882**	18,737
Other non-current assets		**1,644**	1,741
		1,595,492	832,563
CURRENT ASSETS			
Exclusive advertising agency right	*15*	**18,503**	51,121
Trade receivables	*21*	**18,018**	22,474
Inventories	*22*	**15,527**	—
Amounts due from a jointly controlled entity and its subsidiaries	*19*	**96,121**	26,747
Financial assets at fair value through profit or loss	*23*	**14,600**	28,000
Prepayments, deposits and other receivables	*24*	**74,425**	36,849
Cash and cash equivalents	*25*	**200,606**	236,678
		437,800	401,869
Assets of disposal group held for sale	*31*	**—**	118,347
		437,800	520,216
CURRENT LIABILITIES			
Agency fee payables		**143,265**	136,492
Trade payables	*26*	**7,170**	2,383
Receipt in advance, other payables and accrued liabilities	*26*	**253,073**	159,413
Amount due to an associated company	*20*	**35,105**	32,848
Deferred revenue	*27*	**75,383**	—
Current income tax liabilities		**79,998**	17,533
		593,994	348,669
Liabilities of disposal group held for sale	*31*	**—**	36,347
		593,994	385,016
NET CURRENT (LIABILITIES)/ASSETS		**(156,194)**	135,200
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,439,298**	967,763

CONSOLIDATED BALANCE SHEET

As at 31 December 2011

	Notes	As at 31 December 2011 HK$'000	2010 HK$'000
NON-CURRENT LIABILITIES			
Other payables		**24,860**	—
Deferred revenue	*27*	**56,509**	—
Deferred tax liabilities	*9*	**181,318**	74,130
		262,687	74,130
NET ASSETS		**1,176,611**	893,633
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	*28*	**451,918**	287,945
Reserves	*29*	**724,236**	604,851
		1,176,154	892,796
Non-controlling interests	*29*	**457**	837
TOTAL EQUITY		**1,176,611**	893,633

The financial statements on pages 39 to 121 were approved by the Board of Directors on 23 March 2012 and were signed on its behalf.

YUEN Hoi Po
Director

ZHANG Chang Sheng
Director

The notes on pages 46 to 121 are an integral part of these consolidated financial statements.

BALANCE SHEET

As at 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
NON-CURRENT ASSET			
Interests in subsidiaries	*17*	**1,146,906**	855,917
CURRENT ASSETS			
Prepayments, deposits and other receivables	*24*	**15**	14
Cash and cash equivalents	*25*	**7,693**	56,476
		7,708	56,490
CURRENT LIABILITIES			
Receipt in advance, other payables and accrued liabilities	*26*	**17,043**	41,850
NET CURRENT (LIABILITIES)/ASSETS		**(9,335)**	14,640
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,137,571**	870,557
NET ASSETS		**1,137,571**	870,557
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	*28*	**451,918**	287,945
Reserves	*29*	**685,653**	582,612
TOTAL EQUITY		**1,137,571**	870,557

The financial statements on pages 39 to 121 were approved by the Board of Directors on 23 March 2012 and were signed on its behalf.

YUEN Hoi Po	**ZHANG Chang Sheng**
Director	*Director*

The notes on pages 46 to 121 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
Cash flows from operating activities			
Cash used in operations	30	**(2,544)**	(48,546)
Income tax paid		**(4,154)**	(1,214)
Net cash used in operating activities		**(6,698)**	(49,760)
Cash flows from investing activities			
Interest received		**1,016**	9,574
Purchases of property, plant and equipment		**(4,336)**	(2,447)
Acquisition of subsidiaries and jointly controlled entities — net of cash acquired	31	**(276,754)**	(254,237)
Disposal of subsidiaries		**82,017**	—
Purchases of intangible assets		**(64,274)**	(115,733)
Disposals of property, plant and equipment		**283**	229
Disposals of intangible assets		**34,905**	—
Deposits received for proposed disposal		**—**	40,000
Deposits refunded for lapsed proposed disposal		**(40,000)**	—
Net cash used in investing activities		**(267,143)**	(322,614)
Cash flows from financing activities			
Proceeds from issuance of shares on rights issue and placements — net of expenses		**251,067**	—
Proceeds from issuance of shares on exercise of share options		**—**	2
Net cash generated from financing activities		**251,067**	2
Net decrease in cash and cash equivalents		**(22,774)**	(372,372)
Cash and cash equivalents at 1 January		**236,678**	648,072
Exchange losses on cash and cash equivalents		**(13,298)**	(18,006)
Cash and cash equivalents at 31 December		**200,606**	257,694
Analysis of cash and cash equivalents			
Cash and cash equivalents of the Group		**200,606**	257,694
Reclassification to assets of disposal group held for sale		**—**	(21,016)
		200,606	236,678

The notes on pages 46 to 121 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011

	Attributable to equity holders of the Company				
	Share capital HK$'000	**Other reserves** HK$'000	**Accumulated losses** HK$'000	**Non-controlling interests** HK$'000	**Total equity** HK$'000
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
Balance at 1 January 2011	**287,945**	**2,359,719**	**(1,754,868)**	**837**	**893,633**
Comprehensive income:					
— Loss for the year	**—**	**—**	**(17,779)**	**152**	**(17,627)**
Other comprehensive income:					
— Currency translation differences	**—**	**26,006**	**—**	**17**	**26,023**
Issuance of shares upon rights issue	**143,973**	**107,094**	**—**	**—**	**251,067**
Issuance of shares upon acquisition of subsidiaries	**20,000**	**7,800**	**—**	**—**	**27,800**
Share-based payments	**—**	**255**	**—**	**—**	**255**
Transfer to statutory reserve	**—**	**59**	**(59)**	**—**	**—**
Disposal of subsidiaries	**—**	**(3,991)**	**—**	**(549)**	**(4,540)**
Balance at 31 December 2011	**451,918**	**2,496,942**	**(1,772,706)**	**457**	**1,176,611**

The notes on pages 46 to 121 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 media business, properties investment through jointly controlled entities, and the provision of high-end recreational and tourism services. 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. These financial statements have been approved for issue by the Board of Directors on 23 March 2012.

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.

As at 31 December 2011, the Group had net current liabilities of approximately HK$156,194,000 (2010: net current assets of approximately HK$135,200,000). The directors are of the opinion that, having taken into account the expected operating cash inflow and the available financial resources of the Group, the Group has sufficient financial resources to meet its liabilities as and when they fall due for the foreseeable future and the Group will be able to continue as a going concern. Consequently, the consolidated financial statements have been prepared on a going concern basis.

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.

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(a) Basis of preparation *(Continued)*

The Group has restated the comparative figures on the loss per shares. The restatement is to account for the impact of the share consolidation (Note 29) on the weighted average number of ordinary shares in issue for the purpose of calculating the basic and diluted loss per shares for the year ended 31 December 2011. As a result of the share consolidation, the weighted average number of ordinary shares for the year ended 31 December 2010 has decreased from 28,794,529,691 shares to 2,879,452,969 shares, and hence, the loss per share has been restated from HK$1.70 per share to HK$17.05 per share for the year ended 31 December 2010.

Changes in accounting policy and disclosures:

(i) 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 year beginning on 1 January 2011:

- HKAS 24 (Revised) — Related party disclosures
- HKAS 27 (Amendment) — Consolidated and separate financial statements
- HKAS 32 (Amendment) — Classification of rights issues
- HKAS 34 (Amendment) — Interim financial reporting
- HKFRS 7 (Amendment) — Financial instruments: Disclosures
- HK(IFRIC)-Int 13 (Amendment) — Customer loyalty programmes
- HK(IFRIC)-Int 14 (Amendment) — Prepayments of a minimum funding requirement
- HK(IFRIC)-Int 19 — Extinguishing financial liabilities with equity instruments

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.

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(a) Basis of preparation *(Continued)*

(ii) 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 (Amendment)	Employee benefits
HKAS 27 (Revised 2011)	Separate financial statements
HKAS 28 (Revised 2011)	Investments in associates and joint ventures
HKAS 32 (Amendment)	Financial instruments: Presentation — Offsetting financial assets and financial liabilities
HKFRS 7 (Amendment)	Financial instruments: Disclosure — Transfers of financial assets
HKFRS 7 (Amendment)	Financial instruments: Disclosure — Offsetting financial assets and financial liabilities
HKFRS 7 (Revised)	Financial instruments: Disclosure
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
HK(IFRIC)-Int 20	Stripping costs in the production phase of a surface mine

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.

(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. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise from circumstances such as enhanced minority rights or contractual terms between shareholders, etc.

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(b) Group accounting *(Continued)*

(ii) Subsidiaries *(Continued)*

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.

Inter-company transactions balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognized in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(iii) Business combinations

The Group applies the acquisition method 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 to the former owners of the acquiree 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. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with IAS/HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(b) Group accounting *(Continued)*

(iv) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions — that is, as transactions with the owners in their capacity as owners. The difference between fair value of 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.

(v) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised 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 recognised 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 recognised in other comprehensive income are reclassified to profit or loss.

(vi) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment, which excludes acquisition-related expenses. The results of subsidiaries are accounted for by the company on the basis of dividend and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

(vii) 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 using the equity method of accounting, under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognised the investor's share of profit or loss of the investee after the date of acquisition. The Group's interest in an associated company includes goodwill identified on acquisition, net of any accumulated impairment loss.

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(b) Group accounting *(Continued)*

(vii) Associated company *(Continued)*

If the ownership interest in an associated company is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income is reclassified to consolidated income statement where appropriate.

The Group's share of post-acquisition profit or loss is recognized in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associated company equals or exceeds its interest in the associated company, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associated company.

The Group determines at each reporting date whether there is any objective evidence that the interest in the associated company is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associated company and its carrying value and recognizes the amount adjacent to share of profit/(loss) of an associated company in the income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associated company are recognized in the Group's financial statements only to the extent of unrelated investor's interests in the associated company. Unrealized losses are 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.

(viii) 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.

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.

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(b) Group accounting *(Continued)*

(viii) 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 an impairment loss.

HKICPA has published HKFRS 11 "Joint Arrangements", which eliminates the choice of proportionate consolidation as a method to account for an entity's investment in a jointly controlled entity. Upon HKFRS 11 becomes effective since 1 January 2013, the Group will be required to change its accounting policy for the interests in jointly controlled entities from proportionate consolidation to equity method.

(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 or valuation where items are re-measured. 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, except when deferred in equity as qualifying cash flow hedges and qualifying net investment.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in consolidated income statement as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(c) Foreign currency translation *(Continued)*

(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

(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. Exchange differences arising are recognised in equity.

(iv) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the company are reclassified to consolidated profit and loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognized in consolidated income statement. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or jointly controlled entities that do not result in the Group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to consolidated income statement.

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(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.

(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 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:

Golf courses	30 years
Buildings	20–30 years
Leasehold improvement	5 years
Furniture, computer and equipment	3–5 years
Machinery and equipment	5–10 years
Motor vehicles	4–5 years

Construction in progress is stated at historical cost less impairment losses. Historical cost includes expenditure that is directly attributable to the construction and consultancy fee.

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(e) Property, plant and equipment *(Continued)*

Major costs in restoring property, plant and equipment to their normal working conditions are charged to the consolidated income statement. Improvements are capitalized and depreciated over their expected useful lives to the Group.

No depreciation is provided on construction in progress since they are not ready for use. On completion, the costs are transferred to the appropriate property, plant and equipment.

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(x)).

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

When revalued assets are sold, the amounts included in other reserves are transferred to retained earnings.

(f) Intangible assets

(i) Goodwill

Goodwill arises on the acquisition of subsidiaries, associated company and JCE and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or Groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(f) Intangible assets *(Continued)*

(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.

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.

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(f) Intangible assets *(Continued)*

(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.

(v) Cooperation Construction and Operating agreement

Cooperation Construction and Operating Agreement represents the rights to construct and operate the club facilities of "Bayhood No. 9 Club" up to 31 December 2051 obtained through a business combination completed in year 2011. The cost of the Cooperation Construction and Operating Agreement represents of fair value of such asset as at the completion of the relevant business combination, and is amortized on a straight-line basis until the expiry of the relevant agreement. The Cooperation Construction and Operating Agreement is stated at cost net of accumulated amortization and impairment losses, if any.

(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, if expected to be settled within 12 months; otherwise, they are classified as non-current.

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(h) Financial assets *(Continued)*

Classification *(Continued)*

(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 the amounts that are settled or expected to be settled more 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.

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(j).

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(i) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

(j) 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.

(k) Cash and cash equivalents

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

(l) 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.

(m) 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.

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(n) 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.

(o) 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.

(p) 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.

(i) Current income tax

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.

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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

(ii) Deferred income tax

Inside basis difference

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, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill, 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 only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Outside basis differences

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.

(iii) Offsetting

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 taxes 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.

(q) 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.

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(q) Provisions *(Continued)*

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.

(r) Revenue recognition

Revenue is measured at 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.

(1) 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.

(2) 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.

(3) 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.

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(r) Revenue recognition *(Continued)*

(4) Food and beverage income and club activities income are accounted for when the services are rendered. Members' annual fees are recognized on a straight-line basis over the subscription period. Membership entrance fees represent non-refundable upfront registration fee for lifetime entitlement by members for using the golf facilities and enjoying certain privileges in other facilities in the club and are recognized on a reducing balance method for which the membership is granted and the reducing rate is based upon historical usage pattern of existing members. The portion of membership entrance fees which relates to services not yet rendered as at year end is included in the financial information as deferred revenue.

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

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

(s) 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.

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(s) Employee benefits *(Continued)*

(ii) Retirement benefit costs *(Continued)*

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.

(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.

(t) 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;

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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

- 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.

Non-market performance and service 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. In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expenses during the period between service commencement period and grant date. 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.

When the options are exercised, the Company issue new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

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.

(u) Borrowing Costs

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

(v) Operating leases

Leases where substantially a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor), are charged to the consolidated income statement on a straight-line basis over the period of the lease.

(w) 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 management committee that makes strategic decisions.

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(x) Impairment of non-financial assets

Assets that have an indefinite useful life, for example, goodwill or intangible assets are not subject to amortization and are tested annually for impairment. Assets that are subject to amortisation 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.

Based on the simulations performed on cash balances placed with banks carried at floating interest rate, 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 2011 would have been approximately HK$1,204,000 (2010: HK$1,420,000) lower/higher, respectively.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(i) Financial risk factors *(Continued)*

(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.

As at 31 December 2011, 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$25,108,000 (2010: loss decrease/increase by HK$26,435,000), 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.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(i) Financial risk factors *(Continued)*

(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.

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 HK$'000	**Between 1 and 2 years** HK$'000	**Between 2 and 5 years** HK$'000
Group			
At 31 December 2011			
Agency fee payables	143,265	—	—
Trade payables, other payables and accrued liabilities	260,243	—	—
Amount due to an associated company	35,105	—	—
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	—	—
Company			
At 31 December 2011			
Other payables and accrued liabilities	17,043	—	—
At 31 December 2010			
Other payables and accrued liabilities	41,850	—	—

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(i) Financial risk factors *(Continued)*

(e) Price risk

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

(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 2011, 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 2011 was 0% (2010: 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).

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:

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
At 31 December 2011				
Financial assets at fair value through profit or loss				
— Listed equity securities	14,600	—	—	14,600
At 31 December 2010				
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 revenue growth rate and terminal growth rate applied to the discounted cash flow been lower than the management's estimate, the goodwill might result in impairment. Details of the assumptions are described in note 15 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 cash flows generated by the rights been lower than 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 revenue been lower than 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.

(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.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(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 16.

5 SALES AND OTHER INCOME AND OTHER GAINS, NET

The Group is principally engaged in Media business, Properties Investment business through jointly controlled entities and High-end Recreational and Tourism Services. Revenues recognized during the year are as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
Sales		
Advertising and licensing of film and TV programmes	**39,920**	166,127
Rental and management fee income	**20,690**	5,181
High-end recreational and tourism services	**64,614**	—
	125,224	171,308
Other income and other gains, net		
Fair value gain on revaluation of investment properties *(note 16)*	**31,234**	—
Loss on disposal of subsidiaries, net	**(1,363)**	—
Interest income	**1,016**	9,574
Fair value loss on financial assets at fair value through profit or loss	**(13,400)**	(1,836)
Negative goodwill *(note 31)*	**—**	10,344
Exchange gain	**24,473**	15,963
Miscellaneous	**7,520**	1,481
	49,480	35,526
Total	**174,704**	206,834

The non-cash revenue arising from exchange of goods or services during the year included in sales from Media business amounted to approximately HK$5,204,000 (2010: HK$8,686,000).

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) Media business; (ii) Properties Investment; and (iii) High-end Recreational and Tourism Services. The management committee measures the performance of the segments based on their respective segment results.

There are sales between the operating segments in year 2011 which is disclosed below (2010: nil).

6 SEGMENT INFORMATION *(Continued)*

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

	2011			
	Media HK$'000	Properties Investment HK$'000	High-end Recreational and Tourism Services HK$'000	Total HK$'000
Sales	39,920	20,690	71,062	131,672
Inter-segment revenue	—	—	(6,448)	(6,448)
Revenue from external customers	39,920	20,690	64,614	125,224
Segment results	(14,313)	41,948	11,876	39,511
Exchange gain				24,473
Share-based payments				(255)
Finance costs				(6,393)
Unallocated costs, net				(63,273)
Loss before taxation				(5,937)
Taxation				(11,690)
Loss for the year				(17,627)
Non-controlling interests				(152)
Loss attributable to the equity holders of the Company				(17,779)
Segment assets	278,957	448,154	723,336	1,450,447
Interest in an associated company	292,330	—	—	292,330
Goodwill	52,140	—	50,075	102,215
Amounts due from a jointly controlled entity and its subsidiaries				96,121
Unallocated assets				92,179
Total assets				2,033,292
Segment liabilities	275,610	30,484	270,312	576,406
Unallocated liabilities				280,275
Total liabilities				856,681
Capital expenditures				
— Allocated	65,277	16	666,645	731,938
— Unallocated				1,626
Depreciation				
— Allocated	498	92	12,686	13,276
— Unallocated				566
Amortization	35,805	—	3,338	39,143

6 SEGMENT INFORMATION *(Continued)*

	2010		
	Media HK$'000	Properties Investment HK$'000	Total HK$'000
Sales	166,127	5,181	171,308
Segment results	5,353	1,974	7,327
Exchange gain			15,963
Share-based payments			(3,011)
Provision for impairment of goodwill			(470,444)
Negative goodwill			10,344
Finance costs			(1,125)
Unallocated costs, net			(37,908)
Loss before taxation			(478,854)
Taxation			(4,813)
Loss for the year			(483,667)
Non-controlling interests			204
Loss attributable to the equity holders of the Company			(483,463)
Segment assets	245,214	391,853	637,067
Interest in an associated company	268,986	—	268,986
Goodwill	43,611	—	43,611
Amounts 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	255,434	29,941	285,375
Liabilities of disposal group held for sale			36,347
Unallocated liabilities			137,424
Total liabilities			459,146
Capital expenditures			
— Allocated	117,132	672	117,804
— Unallocated			1,903
Depreciation			
— Allocated	822	25	847
— Unallocated			1,317
Amortization	1,828	—	1,828

6 SEGMENT INFORMATION *(Continued)*

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 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 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.

7 FINANCE COSTS

	Group	
	2011 **HK$'000**	2010 HK$'000
Accrued interest on agency fee payable *(note 33)*	**6,393**	—
Notional non-cash interest accretion on convertible notes	**—**	1,125
	6,393	1,125

8 LOSS BEFORE TAXATION

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

	Group	
	2011	2010
	HK$'000	HK$'000
Crediting		
Gain on disposal of property, plant and equipment	**246**	127
Bad debt recovery	**1,831**	—
Charging		
Depreciation of property, plant and equipment *(note 14)*	**13,842**	2,164
Amortization of intangible assets *(note 15)*	**39,143**	1,828
Auditor's remuneration	**2,800**	3,352
Provision for impairment of trade receivables *(note 21)*	**224**	9,548
Provision for impairment of other receivables	**117**	671
Operating lease rentals — land and buildings	**3,395**	6,708
Operating lease rentals — operating right	**9,396**	—
Donations	**4**	114
Staff costs:		
Directors' fees	**487**	656
Wages and salaries	**26,915**	23,943
Share-based payments	**255**	3,011
Contributions to defined contribution pension schemes	**4,219**	3,381
	31,876	30,991

9 TAXATION

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 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.

9 TAXATION *(Continued)*

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	
	2011	2010
	HK$'000	HK$'000
Current income tax		
— Hong Kong profits tax	**—**	—
— PRC Corporate Income Tax	**6,370**	4,453
Deferred income tax	**5,320**	360
Income tax expense	**11,690**	4,813

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

	Group	
	2011	2010
	HK$'000	HK$'000
Loss before taxation	**(5,937)**	(478,854)
Tax calculated at domestic tax rates applicable to the profit or loss in the respective countries	**(1,647)**	(81,010)
Income not subject to tax	**(18,333)**	(9,202)
Expenses not deductible for tax purposes	**14,295**	82,991
Utilization of previously unrecognized tax losses	**(250)**	(389)
Unrecognized tax losses	**17,625**	12,423
Income tax expense	**11,690**	4,813

The weighted average applicable tax rate was 27.7% (2010: 16.9%).

9 TAXATION *(Continued)*

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	
	2011	2010
	HK$'000	HK$'000
Deferred tax assets to be recovered after more than 12 months	**25,882**	18,737
Deferred tax liabilities to be recovered after more than 12 months	**(181,318)**	(74,130)
Deferred tax liabilities, net	**(155,436)**	(55,393)

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	**Amortization of operating lease**	**Impairment losses**	**Tax losses**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2010	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
Acquisition of subsidiaries *(note 31)*	—	5,748	—	—	5,748
Charged to the consolidated income statement	—	347	—	—	347
Exchange difference	360	120	390	180	1,050
At 31 December 2011	7,604	6,215	8,251	3,812	25,882

9 TAXATION *(Continued)*

Deferred tax liabilities:

	Group			
	Accelerated tax depreciation HK$'000	**Investment properties** HK$'000	**Intangible assets** HK$'000	**Total** HK$'000
At 1 January 2010	—	—	—	—
Acquisition of subsidiaries and jointly controlled entities *(note 31)*	—	(74,130)	—	(74,130)
At 31 December 2010	—	(74,130)	—	(74,130)
Acquisition of subsidiaries *(note 31)*	(13,320)	—	(81,322)	(94,642)
Credited to the consolidated income statement	1,307	(7,809)	835	(5,667)
Exchange difference	(205)	(5,063)	(1,611)	(6,879)
At 31 December 2011	(12,218)	(87,002)	(82,098)	(181,318)

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 2011, the Group had unrecognized tax losses of approximately HK$426,043,000 (2010: HK$346,217,000) 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 (2010: HK$65,898,000) and HK$26,537,000 (2010: 26,537,000) expire in 2013 and 2015 respectively.

Deferred income tax liabilities of HK$12,520,000 (2010: HK$8,994,000) 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$125,201,000 as at 31 December 2011 (2010: HK$89,944,000).

10 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$12,108,000 (2010: HK$368,057,000).

11 LOSS PER SHARE

Basic loss per share

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

	2011	2010
Weighted average number of ordinary shares in issue (thousands) disclosed in 2010 annual report	**N/A**	28,356,759
Weighted average number of ordinary shares in issue (thousands) (restated as described in note 2)	**3,734,649**	2,835,676
Loss attributable to equity holders of the Company (HK$'000)	**(17,779)**	(483,463)
Basic loss per share attributable to equity holders of the Company (HK cents per share) (restated as described in note 2)	**(0.48)**	(17.05)

Diluted loss per share

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. As at 31 December 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 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 per share for the year ended 31 December 2011 (2010: same).

12 DIVIDEND

The directors do not recommend the payment of a final dividend in respect of the year ended 31 December 2011 (2010: nil).

13 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:

	2011 HK$'000	2010 HK$'000
Fees	**487**	656
Salaries, bonuses, allowances and benefits in kind	**3,325**	3,423
Contributions to defined contribution pension schemes	**12**	20
Sub-total	**3,824**	4,099
Share-based payments *(i)*	**30**	358
Total	**3,854**	4,457

(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.

The remuneration of each director for the year ended 31 December 2011 is set out below:

Name of director	**Fees** HK$'000	**Salaries, bonuses, allowances and benefits in kind** HK$'000	**Contributions to defined contribution pension schemes** HK$'000	**Sub-total** HK$'000	**Share-based payments** *(i)* HK$'000	**Total** HK$'000
Mr. YUEN Hoi Po	—	—	—	—	—	—
Mr. Hugo SHONG	—	—	—	—	—	—
Mr. ZHANG Changsheng	—	1,596	—	1,596	—	1,596
Mr. WANG Hong	—	1,729	12	1,741	30	1,771
Mr. Edward TIAN Suning	—	—	—	—	—	—
Professor WEI Xin	144	—	—	144	—	144
Dr. WONG Yau Kar David	144	—	—	144	—	144
Mr. YUEN Kin	144	—	—	144	—	144
Mr. JIANG Jianning *(ii)*	55	—	—	55	—	55

(ii) Resigned in May 2011.

13 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 *(iii)*	—	—	—	—	—	—
Mr. Hugo SHONG	—	—	—	—	—	—
Mr. ZHANG Changsheng	80	615	—	695	—	695
Mr. WANG Hong *(iii)*	—	1,576	12	1,588	359	1,947
Mr. Edward TIAN Suning	—	—	—	—	—	—
Mr. JIANG Jianning	144	—	—	144	—	144
Professor WEI Xin *(iv)*	26	—	—	26	—	26
Dr. WONG Yau Kar David	144	—	—	144	—	144
Mr. YUEN Kin	144	—	—	144	—	144
Mr. ZHAO Anjian *(v)*	—	1,232	8	1,240	—	1,240
Mr. LI Ruigang *(vi)*	118	—	—	118	—	118

(iii) Appointed in August 2010.

(iv) Appointed in October 2010.

(v) Resigned in August 2010.

(vi) Resigned in October 2010.

Other than as presented above, for 2010 and 2011 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.

13 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 (2010: two) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the three (2010: three) individuals during the year are as follows:

	Group	
	2011 HK$'000	2010 HK$'000
Salaries, bonuses, allowances and benefits in kind	**2,955**	4,393
Share-based payments	**8**	1,117
Contributions to defined contribution pension schemes	**106**	35
	3,069	5,545

The emoluments fell within the following bands:

	Number of individuals	
	2011	2010
Emolument bands		
HK$500,001–HK$1,000,000	**2**	—
HK$1,500,001–HK$2,000,000	**1**	2
HK$2,000,001–HK$2,500,000	**—**	1
	3	3

14 PROPERTY, PLANT AND EQUIPMENT — GROUP

	Golf course HK$'000	Buildings HK$'000	Machinery and equipment HK$'000	Furniture, computer and equipment HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
Cost								
At 1 January 2010	—	—	—	4,982	1,416	4,266	—	10,664
Additions	—	—	—	688	1,191	1,085	—	2,964
Acquisition of subsidiaries and jointly controlled entities *(note 31)*	—	455	—	66	—	489	—	1,010
Disposals	—	—	—	(2,260)	(2,178)	(559)	—	(4,997)
Exchange difference	—	43	—	141	—	134	—	318
Reclassification to assets of disposal group held for sale *(note 31)*	—	—	—	(138)	(11)	(1,193)	—	(1,342)
At 31 December 2010	—	498	—	3,479	418	4,222	—	8,617
Accumulated depreciation								
At 1 January 2010	—	—	—	3,390	1,144	2,314	—	6,848
Disposals	—	—	—	(1,262)	(2,178)	(466)	—	(3,906)
Depreciation	—	5	—	356	1,061	742	—	2,164
Exchange difference	—	1	—	101	—	72	—	174
Reclassification to assets of disposal group held for sale *(note 31)*	—	—	—	(45)	(3)	(345)	—	(393)
At 31 December 2010	—	6	—	2,540	24	2,317	—	4,887
Net book value:								
At 31 December 2010	—	492	—	939	394	1,905	—	3,730

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

	Golf course HK$'000	Buildings HK$'000	Machinery and equipment HK$'000	Furniture, computer and equipment HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
Cost								
At 1 January 2011	—	498	—	3,479	418	4,222	—	8,617
Additions	—	—	586	1,260	285	1,626	579	4,336
Acquisition of subsidiaries *(note 31)*	108,578	180,795	8,067	6,707	14,245	12,885	8,389	339,666
Reclassification	—	8,929	—	—	—	—	(8,929)	—
Disposals	—	—	—	(26)	—	(16)	—	(42)
Exchange difference	2,178	4,000	177	334	293	423	(39)	7,366
At 31 December 2011	110,756	194,222	8,830	11,754	15,241	19,140	—	359,943
Accumulated depreciation								
At 1 January 2011	—	6	—	2,540	24	2,317	—	4,887
Disposals	—	—	—	(5)	—	—	—	(5)
Depreciation	3,489	2,961	1,047	984	331	5,030	—	13,842
Exchange difference	87	81	26	152	5	213	—	564
At 31 December 2011	3,576	3,048	1,073	3,671	360	7,560	—	19,288
Net book value:								
At 31 December 2011	107,180	191,174	7,757	8,083	14,881	11,580	—	340,655

Depreciation expense of HK$12,234,000 (2010: nil) and HK$1,608,000 (2010: HK$2,164,000) has been charged in cost of sales and administrative expenses, respectively.

15 INTANGIBLE ASSETS — GROUP

	Non-current assets					Current assets
	Goodwill	Programmes and film rights	Programmes and film production in progress	Cooperating construction and operating agreement	Total	Exclusive advertising agency right
	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	514,055	105,965	50,630	—	670,650	51,121
Accumulated amortization and impairment	(470,444)	(85,536)	—	—	(555,980)	—
Net book amount	43,611	20,429	50,630	—	114,670	51,121

15 INTANGIBLE ASSETS — GROUP *(Continued)*

	Non-current assets					Current assets
	Goodwill HK$'000	Programmes and film rights HK$'000	Programmes and film production in progress HK$'000	Cooperating construction and operating agreement HK$'000	Total HK$'000	Exclusive advertising agency right HK$'000
Year ended 31 December 2011						
Opening net book amount	43,611	20,429	50,630	—	114,670	51,121
Additions	—	—	64,274	—	64,274	—
Acquisition of subsidiaries *(note 31)*	49,090	—	—	325,288	374,378	—
Reclassification	—	50,463	(50,463)	—	—	—
Disposals	—	(34,905)	—	—	(34,905)	—
Amortization expense	—	(1,501)	—	(3,338)	(4,839)	(34,304)
Impairment expense	—	(11,596)	—	—	(11,596)	—
Exchange difference	9,514	180	2,469	6,441	18,604	1,686
Closing net book amount	102,215	23,070	66,910	328,391	520,586	18,503
At 31 December 2011						
Cost	596,004	125,262	66,910	331,812	1,119,988	53,657
Accumulated amortization and impairment	(493,789)	(102,192)	—	(3,421)	(599,402)	(35,154)
Net book amount	102,215	23,070	66,910	328,391	520,586	18,503

Amortization of HK$39,143,000 (2010: HK$1,828,000) is included in the cost of sales. Impairment of HK$11,596,000 (2010: HK$478,428,000) is included in administrative expenses.

Cooperation Construction and Operating Agreement represents the rights to construct and operate the club facilities of "Bayhood No. 9 Club" up to 31 December 2051 acquired through a business combination completed in July 2011.

15 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:

	2011 HK$'000	2010 HK$'000
Media business	52,140	43,611
High-end recreational and tourism services	50,075	—
Total	102,215	43,611

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:

	Media business		High-end recreational and tourism services	
	2011	2010	2011	2010
— Compound annual growth rate of revenue in five-year/fifteen-year period	20%	22%	5%	N/A
— Annual growth rate beyond the five-year/fifteen-year period	4%	4%	0%	N/A
— Discount rate	16.5%	17.4%	15.5%	N/A

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.

If the compound annual growth rate of revenue in the first five-year/fifteen-year period applied had been 1% lower and the discount rate applied had been 1% higher than management's estimates as at 31 December 2011 with all other variables held constant, no further impairment provision would be required for the goodwill associated with the media business and high-end recreational and tourism services CGU, respectively, as at 31 December 2011.

16 INVESTMENT PROPERTIES

	Group	
	2011	2010
	HK$'000	HK$'000
At fair value:		
Opening balance at 1 January	**359,890**	—
Acquisitions of subsidiaries and jointly controlled entities *(note 31)*	**—**	359,004
Fair value gain on revaluation of investment properties *(note 5)*	**31,234**	—
Exchange difference	**23,271**	886
Closing balance at 31 December	**414,395**	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

	2011	2010
	HK$'000	HK$'000
Rental and management fee income	**20,690**	5,181
Direct operating expenses from property that generated rental income	**(12,681)**	(3,011)
Direct operating expenses from property that did not generate rental income	**—**	—
	8,009	2,170

16 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 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.

(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 recognized in the financial statements are receivable as follows:

	2011 **HK$'000**	2010 HK$'000
Within one year	**9,902**	9,125
Later than one year but no later than 5 years	**32,787**	28,651
Later than 5 years	**40,240**	49,196
	82,929	86,972

17 INTERESTS IN SUBSIDIARIES — COMPANY

	Company	
	2011	2010
	HK$'000	HK$'000
Unlisted shares at cost *(note a)*	**759,937**	793,913
Provision for impairment loss	**(634,827)**	(634,827)
	125,110	159,086
Loans advance to subsidiaries	**1,330,121**	1,058,788
Provision for impairment loss	**(308,325)**	(361,957)
	1,021,796	696,831
	1,146,906	855,917

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.*

18 INTEREST IN AN ASSOCIATED COMPANY

	Group	
	2011	2010
	HK$'000	HK$'000
At 1 January	**268,986**	253,144
Share of profits	**9,754**	6,931
Exchange differences	**13,590**	8,911
At 31 December	**292,330**	268,986
Included in the above balances:		
Goodwill:		
At 1 January	**137,181**	132,577
Exchange differences	**6,808**	4,604
At 31 December	**143,989**	137,181

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.

The particulars of the associated company as at 31 December 2011 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.

18 INTEREST IN AN ASSOCIATED COMPANY *(Continued)*

The Group's share of the results and its aggregated assets (including goodwill) and liabilities of the associated company at 31 December 2011 were as follows:

	2011 HK$'000	2010 HK$'000
Assets:		
Non-current assets	**119,059**	121,205
Current assets	**419,811**	327,320
	538,870	448,525
Liabilities:		
Current liabilities	**(135,220)**	(89,873)
Net assets	**403,650**	358,652
Revenue	**273,567**	197,582
Profit for the year	**26,542**	18,859

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.

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

	Group	
	2011 HK$'000	2010 HK$'000
Loan to a jointly controlled entity — non-current	**—**	64,809
Amounts due from a jointly controlled entity and its subsidiaries — current	**96,121**	26,747
	96,121	91,556

As at 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.

19 AMOUNTS DUE FROM A JOINTLY CONTROLLED ENTITY AND ITS SUBSIDIARIES — GROUP *(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 principal jointly controlled entities and its subsidiaries as at 31 December 2011 are as follows:

Name	Place of establishment and kind of legal entity	Registered capital	Interest held indirectly		Principal activities and place of operation
			2011	2010	
Shenzhen ITC Tian An Co., Ltd.	The PRC, Sino-foreign equity joint venture	US$8,880,000	**50%**	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%**	50%	Property management in the PRC
Hainan Hailu Advertising Limited Liability Company *(2)*	The PRC, limited liability company	RMB1,000,000	**50%**	50%	Advertising agency, design and production

19 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 2011	Interest held indirectly 2010	Principal activities and place of operation
AUFM GROUP					
Asia Union Film and Media *(1) (2)*	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 *(2)*	The PRC, limited liability company	RMB500,000	**30%**	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%**	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) 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.

20 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
As at 31 December 2011			
Trade receivables	**18,018**	**—**	**18,018**
Amounts due from a jointly controlled entity and its subsidiaries	**96,121**	**—**	**96,121**
Financial assets at fair value through profit or loss	**—**	**14,600**	**14,600**
Prepayments, deposits and other receivables	**74,425**	**—**	**74,425**
Cash and cash equivalents	**200,606**	**—**	**200,606**
Total	**389,170**	**14,600**	**403,770**
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

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

Group

Liabilities as per consolidated balance sheet

	Other financial liabilities at amortized cost
	HK$'000
As at 31 December 2011	
Agency fee payables	**143,265**
Trade payables	**7,170**
Receipts in advance, other payables and accrued liabilities	**253,073**
Amount due to an associated company	**35,105**
Total	**438,613**
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

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

Company

Assets as per balance sheet

	Loans and receivables HK$'000
As at 31 December 2011	
Prepayments, deposits and other receivables	**15**
Amounts due from subsidiaries	**1,021,796**
Cash and cash equivalents	**7,693**
Total	**1,029,504**
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

Company

Liabilities as per balance sheet

	Other financial liabilities at amortized cost HK$'000
As at 31 December 2011	
Other payables and accrued liabilities	**17,043**
Total	**17,043**
As at 31 December 2010	
Other payables and accrued liabilities	41,850
Total	41,850

21 TRADE RECEIVABLES — GROUP

At 31 December 2011, the aging analysis of the trade receivables is as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
0–3 months	**2,017**	64,030
4–6 months	**1,328**	7,158
Over 6 months	**25,145**	14,051
	28,490	85,239
Reclassification to assets of disposal group held for sale *(note 31)*	**—**	(53,051)
	28,490	32,188
Provision for doubtful debts (all made against trade receivables aged over 6 months)	**(10,472)**	(9,714)
	18,018	22,474

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 2011, HK$10,472,000 of the trade receivables was considered impaired (2010: HK$9,714,000).

21 TRADE RECEIVABLES — GROUP *(Continued)*

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

	Group	
	2011	2010
	HK$'000	HK$'000
4–6 months	**1,328**	7,158
Over 6 months	**14,673**	4,337
	16,001	11,495
Reclassification to assets of disposal group held for sale	**—**	(3,438)
	16,001	8,057

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	
	2011	2010
	HK$'000	HK$'000
At 1 January	**9,714**	—
Provision for doubtful debts *(note 8)*	**224**	9,548
Exchange differences	**534**	166
At 31 December	**10,472**	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.

22 INVENTORIES

	Group	
	2011	2010
	HK$'000	HK$'000
Raw materials	**396**	—
Finished goods	**15,131**	—
	15,527	—

The cost of inventories recognized as expense and included in cost of sales and administrative expenses amounted to approximately HK$6,352,000 (2010: nil) and HK$2,151,000 (2010: nil) respectively.

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

	Group	
	2011	2010
	HK$'000	HK$'000
Equity security:		
Listed in Hong Kong	**14,600**	28,000
Market value of listed security	**14,600**	28,000

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).

Changes in fair value of financial assets at fair value through profit or loss are recorded in "other income and 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

The carrying amounts of prepayments, deposits and other receivables of the Group and the Company are denominated in the following currencies:

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
HK$	**19,400**	19,100	**15**	14
RMB	**55,025**	17,749	**—**	—
	74,425	36,849	**15**	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.

25 CASH AND CASH EQUIVALENTS — GROUP AND COMPANY

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**200,606**	236,678	**7,693**	56,476
	200,606	236,678	**7,693**	56,476
Denominated in:				
HK$	**56,549**	147,415	**7,691**	56,474
RMB	**143,543**	79,859	**—**	—
United States Dollar (USD)	**466**	9,404	**2**	2
British Pound	**48**	—	**—**	—
	200,606	236,678	**7,693**	56,476
Maximum exposure to credit risk	**199,509**	236,368	**7,693**	56,476

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

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables	**7,170**	2,383	**—**	—
Receipt in advance	**30,165**	5,358	**—**	—
Other payables and accrued liabilities	**222,908**	154,055	**17,043**	41,850
Total	**260,243**	161,796	**17,043**	41,850

At 31 December 2011, the aging analysis of the trade payables is as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
0–3 months	**2,960**	11,382
4–6 months	**1,528**	5
Over 6 months	**2,682**	2,383
	7,170	13,770
Reclassification to liabilities of disposal group held for sale *(note 31)*	**—**	(11,387)
	7,170	2,383

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

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

27 DEFERRED REVENUE

Deferred revenue includes the deferred membership entrance fee income and rental income during the year.

	Group	
	2011	2010
	HK$'000	HK$'000
Balance as at 1 January		
— Current portion	**—**	—
— Non-current portion	**—**	—
	—	—
Acquisition of subsidiaries *(note 31)*	**141,119**	—
Additions during the year	**12,874**	—
Recognized in the consolidated income statement	**(26,039)**	—
Exchange differences	**3,938**	—
Balance as at 31 December	**131,892**	—
Less: Current portion	**75,383**	—
Non-current portion	**56,509**	—

28 SHARE CAPITAL

	Ordinary shares of HK$0.1 each *(note (a))*		Preference shares of HK$0.01 each		
	No. of shares *(note (a))* '000	HK$'000	No. of shares '000	HK$'000	Total HK$'000
Authorized:					
At 31 December 2011	**6,000,000**	**600,000**	**240,760**	**2,408**	**602,408**
At 31 December 2010	**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**
Issue of shares upon acquisition of subsidiaries *(note 31)*	**200,000**	**20,000**	**—**	**—**	**20,000**
At 31 December 2011	**4,519,179**	**451,918**	**—**	**—**	**451,918**
At 1 January 2010	2,772,926	277,293	—	—	277,293
Issue of shares upon conversion of convertible notes *(note (c))*	106,522	10,652	—	—	10,652
Issue of shares upon exercise of share options	5	—	—	—	—
At 31 December 2010	2,879,453	287,945	—	—	287,945

28 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 issued 1,439,726,484 new ordinary shares of HK$0.10 each by way of a rights issue 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.

(c) In May 2010, all of the remaining second Tranche Convertible Note has been converted in to 106,521,739 ordinary shares of the Company at an adjusted conversion price of HK$0.46 each.

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 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. During the year, share-based payment expense of approximately HK$255,000 is charged to the consolidated income statement (2010: HK$3,011,000).

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 2011	Cancelled/ lapsed during the period	Adjusted during the period	Outstanding as at 31 December 2011	Exercisable as at 31 December 2011	Exercise Price (adjusted) HK$	Vesting date	Expiry date
		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 December 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	Exercised during the period	Outstanding as at 31 December 2010	Exercisable as at 31 December 2010	Exercise Price (adjusted) HK$	Vesting date	Expiry date
		Number of share options (after adjustment for share consolidation effective on 16 May 2011)							
1	7 March 2008	78,890,625	—	—	78,890,625	63,112,500	1.49	From 1 April 2008 to 1 March 2011	31 December 2012
2	5 May 2008	13,406,250	(1,031,250)	—	12,375,000	12,375,000	1.30	From 1 April 2009	31 December 2015
3	4 November 2008	90,750,000	(2,062,500)	(5,000)	88,682,500	83,526,250	0.43	From 8 March 2009 to 8 March 2011	31 December 2015
		183,046,875	(3,093,750)	(5,000)	179,948,125	159,013,750			

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

Warrants

On 19 December 2011, the Company has appointed a sole and exclusive placing agent to procure not less than six placees to subscribe for up to 550,000,000 warrants of the Company which are not listed on the Stock Exchange, on best efforts basis, at the Issue Price of HK$0.005 per warrant. Such warrant has an exercise price of HK$0.10 per warrant (subject to adjustment), and could be exercised within three years since the date of issue. The warrants have been fully placed and issued to not less than six placees on 6 January 2012.

29 RESERVES

Group

	Share premium HK$'000 *(note ii)*	Merger reserve HK$'000 *(note i)*	Equity component of convertible notes HK$'000	Statutory reserve HK$'000 *(note iii)*	Share option reserve HK$'000	Capital redemption reserve HK$'000 *(note iv)*	Currency translation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
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

29 RESERVES *(Continued)*

Group *(Continued)*

	Share premium HK$'000 *(note ii)*	Merger reserve HK$'000 *(note i)*	Equity component of convertible notes HK$'000	Statutory reserve HK$'000 *(note iii)*	Share option reserve HK$'000	Capital redemption reserve HK$'000 *(note iv)*	Currency translation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
Balance at 1 January 2011	1,342,589	860,640	—	596	93,908	1,206	60,780	(1,754,868)	604,851	837	605,688
Loss for the year	—	—	—	—	—	—	—	(17,779)	(17,779)	152	(17,627)
Share-based payment expense	—	—	—	—	255	—	—	—	255	—	255
Issuance of shares upon right issue	107,094	—	—	—	—	—	—	—	107,094	—	107,094
Issue of shares upon acquisition of subsidiaries *(note 31)*	7,800	—	—	—	—	—	—	—	7,800	—	7,800
Currency translation differences	—	—	—	—	—	—	26,006	—	26,006	17	26,023
Transfer to statutory reserve	—	—	—	59	—	—	—	(59)	—	—	—
Disposal of subsidiaries	—	—	—	(485)	—	—	(3,506)	—	(3,991)	(549)	(4,540)
Balance at 31 December 2011	1,457,483	860,640	—	170	94,163	1,206	83,280	(1,772,706)	724,236	457	724,693

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 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
At 1 January 2011	1,342,589	—	93,908	1,206	(855,091)	582,612
Share-based payment expense	—	—	255	—	—	255
Issuance of shares upon rights issue	107,094	—	—	—	—	107,094
Issue of shares upon acquisition of subsidiaries *(note 31)*	7,800	—	—	—	—	7,800
Loss for the year	—	—	—	—	(12,108)	(12,108)
At 31 December 2011	1,457,483	—	94,163	1,206	(867,199)	685,653

29 RESERVES *(Continued)*

Company *(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.

30 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	2011 HK$'000	2010 HK$'000
Loss before taxation	**(5,937)**	(478,854)
Adjustments for:		
— Share of profits of an associated company	**(9,754)**	(6,931)
— Interest income	**(1,016)**	(9,574)
— Depreciation	**13,842**	2,164
— Gain on disposal of property, plant and equipment	**(246)**	(127)
— Loss on disposal of subsidiaries, net	**1,363**	—
— Provision for impairment of intangible assets	**11,596**	478,428
— Amortization of intangible assets	**39,143**	1,828
— Membership entrance fee income and rental income recognized	**(26,039)**	—
— Share-based payments	**255**	3,011
— Fair value loss on financial assets at fair value through profit or loss	**13,400**	1,836
— Fair value gain on revaluation of investment properties	**(31,234)**	—
— Negative goodwill	**—**	(10,344)
— Finance costs	**6,393**	1,125
Operating profit/(loss) before working capital changes	**11,766**	(17,438)
Changes in working capital:		
— Decrease in amounts due from a jointly controlled entity and its subsidiaries	**—**	5,748
— (Increase)/decrease in trade receivables, prepayments, deposits and other receivables	**(41,187)**	19,621
— Increase in inventories	**(8,125)**	—
— Increase/(decrease) in agency fee payables, trade payables, receipt in advance, other payables and accrued liabilities and amount due to an associated company	**22,128**	(26,641)
— Increase in short-term investments	**—**	(29,836)
— Cash inflow from membership entrance fee and rental income	**12,874**	—
Cash used in operations	**(2,544)**	(48,546)

31 SIGNIFICANT BUSINESS COMBINATION AND DISPOSAL

(a) Significant Business combination

For year 2011

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.

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 high-end 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.

31 SIGNIFICANT BUSINESS COMBINATION AND DISPOSAL *(Continued)*

(a) Significant Business combination *(Continued)*

For year 2011 *(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. The fair value of the consideration related to new ordinary shares issued and to be issued were determined based on the market price of the Company's shares at the acquisition date.

	2011 HK$'000
Consideration:	
— Cash	395,000
— Issuance of shares	27,800
— Shares to be issued	13,900
Total consideration	436,700
Recognized amounts of identifiable assets acquired and liabilities assumed	
Property, plant and equipment *(note 14)*	339,666
Intangible assets *(note 15)*	325,288
Deferred tax assets *(note 9)*	5,748
Prepayments, deposits and other receivables	18,592
Amounts due from entities related to the Vendor offsetted against cash consideration payable upon completion	99,920
Inventories	7,402
Cash and cash equivalent	18,326
Trade payables	(8,639)
Receipt in advance, other payables and accrued liabilities	(124,646)
Deferred revenue *(note 27)*	(141,119)
Current income tax liabilities	(58,286)
Deferred tax liabilities *(note 9)*	(94,642)
Total identifiable net assets	387,610
Goodwill *(note 15)*	49,090
Net cash outflow on business combinations:	
Cash consideration payable	395,000
Amounts due from entities related to the Vendor offsetted against cash consideration payable upon completion	(99,920)
Cash and cash equivalents in subsidiaries and jointly controlled entities acquired	(18,326)
Total	276,754

31 SIGNIFICANT BUSINESS COMBINATION AND DISPOSAL *(Continued)*

(a) Significant Business combination *(Continued)*

For year 2011 *(Continued)*

The sales included in the consolidated income statement since respective acquisition dates contributed by the subsidiaries acquired was HK$64,614,000 (2010: HK$5,181,000). These acquired subsidiaries also contributed profit of HK$11,876,000 (2010: HK$12,534,000) over the same period. Had these acquires subsidiaries been consolidated from 1 January 2011, the consolidated income statement would show sales of HK$150,940,000 (2010: HK$19,543,000) and profit of HK$27,818,000 (2010: HK$11,818,000).

For year 2010

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.

31 SIGNIFICANT BUSINESS COMBINATION AND DISPOSAL *(Continued)*

(a) Significant Business combination *(Continued)*

For year 2010 *(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:

	2010 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 14)*	1,010
Investment properties *(note 16)*	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	(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

31 SIGNIFICANT BUSINESS COMBINATION AND DISPOSAL *(Continued)*

(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.

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

	HK$'000
Property, plant and equipment *(note 14)*	949
Trade receivables *(note 21)*	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

32 COMMITMENTS

Operating lease commitment — group companies as lessee

At 31 December 2011, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Land and buildings	
	2011	2010
	HK$'000	HK$'000
Not later than one year	**23,397**	5,838
Later than one year and not later than five years	**79,454**	5,049
Later than five years	**838,750**	—
	941,601	10,887

33 RELATED PARTY TRANSACTIONS

(i) Included in finance costs is an accrued interest on agency fee payable to an associated company amounting to approximately HK$6,393,000 (2010: nil).

(ii) Remuneration for key management personnel, including amounts paid to the Company's directors, is disclosed in note 13(a) and certain of the highest paid employees is disclosed in note 13(b).

34 CONTINGENCIES

Beijing Hua Yi Hao Ge Media Culture Limited ("Hua Yi Hao Ge"), a wholly-owned subsidiary of the Group, has received a civil ruling issued by the Beijing Second Intermediate People's Court (the "Beijing Intermediate Court") dated 17 October 2011 (the "Beijing Intermediate Court Ruling"). Pursuant to the Beijing Intermediate Court Ruling, the Beijing Intermediate Court has ruled that, inter alia, Hua Yi Hao Ge is obliged to repay Hainan Haishi Tourist Satellite TV Media Co., Ltd. ("Hainan Haishi") an amount of approximately RMB79.9 million, plus the accrued interests since 14 December 2010 based on market borrowing rate, within 10 days of the effective date of the Beijing Intermediate Court Ruling. The alleged amount arose from the Group's exclusive advertising agency business with Hainan Haishi before 31 December 2008. The alleged amount claimed by 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.

35 APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Directors on 23 March 2012.

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 *(4)*	PRC, co-operative liability company	RMB5,000,000	100%	Advertising agency in the PRC
Effort Wonder Limited *(1)*	British Virgin Islands, limited company	US$1 ordinary	100%	Investment holding

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
Unique Talent Group *(1)*	British Virgin Islands, limited company	US$1 ordinary	100%	Investment holding
Smart Title Limited *(3)*	British Virgin Islands, limited company	US$1 ordinary	100%	Investment holding
Power Progress Limited *(2)(3)*	Hong Kong, limited company	HK$1 ordinary	100%	Investment holding
Nengrong Culture (Beijing) Limited *(3)(4)*	PRC, wholly-owned foreign enterprise	US$100,000	100%	Business administration consultancy in the PRC
Happy Era Culture Development (Beijing) Limited *(3)(4)*	PRC, limited liability enterprise	RMB100,000	100%	Media and marketing consultancy in the PRC
Beijing Bayhood No. 9 Business Hotel Company Limited *(3)(4)*	PRC, limited liability company	RMB50,000,000	100%	Provision of recreational and tourism services through the management of "Bayhood No. 9 Club", a membership-based club 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 2011 are audited by PricewaterhouseCoopers.

(3) Acquired in 2011 (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.

	2011 HK$'000	2010 HK$'000	2009 HK$'000	2008 HK$'000	2007 HK$'000
Sales — continuing operations	**125,224**	171,308	284,058	186,008	187,082
Profit/(Loss) before taxation — continuing operations	**(5,937)**	(478,854)	66,415	(443,200)	(97,660)
Taxation — continuing operations	**(11,690)**	(4,813)	(421)	2,078	16,380
Minority interests — continuing operations	**(152)**	204	7	5	—
Profit/(Loss) from continuing operations attributable to shareholders	**(17,779)**	(483,463)	66,001	(441,117)	(81,280)
Loss from discontinued operation attributable to shareholders	**—**	—	(64,618)	—	—
Profit/(Loss) attributable to shareholders	**(17,779)**	(483,463)	1,383	(441,117)	(81,280)
Property, plant and equipment	**340,655**	3,730	3,816	8,654	8,759
Intangible assets	**520,586**	114,670	511,141	1,054,263	1,296,322
Investment properties	**414,395**	359,890	—	—	—
Loan to/Interests in jointly controlled entities and its subsidiaries	**—**	64,809	62,634	62,534	240,532
Interests in an associated company	**292,330**	268,986	253,144	285,287	—
Other non-current assets	**27,526**	20,478	20,320	61,038	34,629
Current assets	**437,800**	520,216	849,036	861,212	421,732
Total assets	**2,033,292**	1,352,779	1,700,091	2,332,988	2,001,974
Current liabilities	**593,994**	385,016	340,511	1,036,360	406,939
Non-current liabilities	**262,687**	74,130	47,875	480,874	619,117
Total liabilities	**856,681**	459,146	388,386	1,517,234	1,026,056
Net assets	**1,176,611**	893,633	1,311,705	815,754	975,918

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 year 2007 have not been adjusted for this change of accounting policy.