

mediachina

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

華 億 傳 媒 有 限 公 司

(incorporated in the Cayman Islands with limited liability)
(Stock Code : 419)

Interim Report 2012



BAYHOOD
NO.9
北湖九號

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MANAGEMENT DISCUSSION AND ANALYSIS

The board of directors is pleased to present the Group's interim report and condensed consolidated interim financial information for the six months ended 30 June 2012. The condensed consolidated interim income statement, condensed consolidated interim statement of comprehensive income, condensed consolidated interim cash flow statement and condensed consolidated interim statement of changes in equity for the Group for the six months ended 30 June 2012, and the condensed consolidated interim balance sheet as at 30 June 2012 of the Group, along with selected explanatory notes, are set out on pages 23 to 63 of this report.

The unaudited condensed consolidated financial information for the six months ended 30 June 2012 has been reviewed by the Company's Audit Committee and the Company's independent auditor in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

BUSINESS REVIEW AND PROSPECTS

Financial Performance

Major indicators of the financial results for the six months ended 30 June 2012 are summarized below:

	Six months ended 30 June		
	2012	2011	
	HK\$'000	HK\$'000	
Total sales revenue	93,886	36,256	+159%
Gross profit	73,830	13,424	+450%
Profit before taxation	23,293	13,145	+77%
Profit for the period	10,951	4,307	+154%
Diluted earnings per share (HK cents)	0.24	0.15	+60%

MANAGEMENT DISCUSSION AND ANALYSIS

Operational profits for the six months ended 30 June 2012 adjusted for exchange differences, fair value gain/loss on revaluation of investment properties and financial assets/liabilities at fair value through profit and loss, and share-based payment are stated below:

	Six months ended 30 June	
	2012 HK\$'000	2011 HK\$'000
Profit for the period	10,951	4,307
Adjusted for:		
– Exchange loss/(gain)	2,037	(12,351)
– Fair value gain on revaluation of investment properties	(3,936)	(27,755)
– Fair value loss on financial assets/liabilities at fair value through profit or loss	11,809	12,800
– Share-based payments	6,399	255
Adjusted profit/(loss) for the period	27,260	(22,744)

The global economy remained volatile in the first half of 2012. China's real GDP growth slowed down to 7.8% during the period amid the deteriorating external environment and the government's tightening policies. Nevertheless, per capita disposable income of China's urban citizens still increased by 9.7% when the price factors were excluded, outstripping overall economic performance. Underpinned by the strong spending power of the Chinese people, total revenue of domestic tourism industry reached RMB1.28 trillion in the first half of 2012, up 17.3% from the same period last year. The booming tourism sector created a favorable operating environment for the Group.

The Group completed the acquisition of the "Bayhood No. 9 Club" in July 2011 and has since been actively expanding the high-end recreational and tourism services operations. These are the first interim results fully reflecting the half year performance of the project.

During the period under review, "Bayhood No. 9 Club" produced encouraging results, while the performance of the Travel Channel's advertising business was satisfactory. Moreover, the Shenzhen Tian An International Building investment brought in stable rental income and property management fees. The Group's sales revenue soared 159% year-on-year to HK\$93,886,000 in the first half of 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

Market Review

The spending power of mainland tourists remained strong despite the slow down of China's economy. The Group targeted them and actively explored business opportunities that might have arisen. According to "The Chinese Luxury Traveler White Paper 2012" prepared by Hurun Fortune Institute in association with International Luxury Market Asia (ILTM Asia), Chinese tourists have been the world's top spenders for two consecutive years. They not only possessed robust spending power, but also had a growing demand for high-end recreational and tourism services. This created a favourable business environment for the Group.

Meanwhile, the performance of China's media and advertising sector was rather lackluster. According to CTR Market Research, advertising expenditure on domestic traditional media grew mildly at 3.9% year-on-year in the first half of 2012, with TV remaining the most preferred media for advertisement.

Business Review

	Sales Revenue		Segment Results	
	six months ended 30 June		six months ended 30 June	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
High-end Recreational and Tourism Services	70,205	—	33,595	—
Media	13,018	26,291	18,197	1,524
Property Investment	10,663	9,965	9,770	31,632
Total	93,886	36,256	61,562	33,156

High-end Recreational and Tourism Services

"Bayhood No. 9 Club" is a membership-based luxury club with a prime location close to the city hub of Beijing. Its revenue is mainly derived from the sale of memberships, annual membership fees, green fees, caddy and buggy fees, VIP room rental fees, golf academy tuition fees, sale of food and beverages at the theme dining rooms and the provision of other services. During the first half of 2012, the "Bayhood No. 9 Club" operation generated sales revenue and segment profit of HK\$70,205,000 and HK\$33,595,000 respectively, representing 75% and 55% of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

Media

The advertising business of the Travel Channel is operated through a joint venture in which the Group owns a 49% interest. Even though China's media and advertising sector moved on a slower path, the performance of the Travel Channel's advertising business was impressive. The Group shared a profit of HK\$12,632,000 from the joint venture in the first half of 2012, which was 4 times more than the same period last year.

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) have not reached a common ground in relation to the development strategy, operation and management of the Travel Channel. However, management is confident that an agreement among them will be reached. With a strong brand power and wide audience, the Travel Channel will continue to deliver stable advertising revenue to the Group.

On the other hand, in light of the gloomy performance of the Group's exclusive advertising operations at Beijing Railway Station and Beijing West Railway Station, management has gradually retreated from this business so as to focus its resources on the expansion of high-end recreational and leisure services.

Property Investment

During the period under review, the Shenzhen Tian An International Building investment brought in revenue of HK\$10,663,000, an increase of 7% year-on-year. Revaluation gain from this investment property dropped 86% to HK\$3,936,000 comparing to the same period in the prior year, as the growth of domestic property market contracted generally. If the revaluation gain were excluded, the investment would have generated segment profit of approximately HK\$5,834,000, up 50% year-on-year.

Business Outlook

Management believes that there is considerable room for the high-end recreational and tourism services sector to grow. As a result, the Group will continue to identify business opportunities in this area. In May 2012, the Group reached an agreement with Mr. Yuen Hoi Po, its major shareholder and chairman. Pursuant to it, the Group would acquire the development and operation rights of a land plot adjacent to "Bayhood No. 9 Club" with a site area of approximately 580 acres at a total consideration of HK\$900 million. The land plot situates in a prime location, which is west to the Fifth Ring Road in the north-eastern part of Beijing and has an easy access to the embassy areas and Beijing Capital Internal Airport. This strategic location caters the needs of high-end customers.

MANAGEMENT DISCUSSION AND ANALYSIS

“Bayhood No. 9 Club” is currently only equipped with golf, spa, dining and retail facilities. According to the development plan, the land plot next to it will be developed as the club’s extension, which will comprise low-density, double-storey deluxe hotel villas and conferencing facilities with a total floor area of 80,404 square metres. Those villas will be operated in the form of serviced apartments and leased out on short to medium terms. Current and potential members of “Bayhood No. 9 Club” are considered to be the target customers for the project. They can enjoy their vacations in a gorgeous natural environment after doing business in Beijing.

According to the Global Wealth Report by Credit Suisse, China had about 10.17 million millionaires and this figure was expected to double in the coming five years. Management believes that the high-end tourism sector has tremendous potential to grow. As this acquisition will create synergies to the Group’s existing operations at “Bayhood No. 9 Club”, it will drive the robust growth of its high-end leisure and tourism services, thereby delivering satisfactory investment returns to the Group.

The shareholders of the Company have already approved the resolutions relating to this acquisition in the Extraordinary General Meeting held on 23 August 2012. We expect to complete the acquisition within the third quarter of 2012.

As to the media business, the Group will continue to direct resources to the development of these operations and to resolve the disagreements among the shareholders of the Travel Channel so as to benefit from its full potential. The Travel Channel boasts a national coverage network. Its programs are very popular in the country. So management believes that the TV station still has a great potential to grow.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Sales revenue for the six months ended 30 June 2012 amounted to approximately HK\$94 million, being a 159% increase comparing to the same period in prior year. Revenue from the High-end Recreational and Tourism Services segment (which is newly acquired in the second half of 2011) accounted for 75% of the revenue during the period, leading to the significant increase in sales revenue. On the other hand, revenue from the Media segment further decreased from approximately HK\$26 million in the prior period to approximately HK\$13 million in the current period, due to the gradual scale down of the exclusive advertising agency business in certain sectors for Beijing Railway Station and Beijing West Railway Station. Revenue from the Properties Investment segment amounted to approximately HK\$11 million during the period, representing a stable increase of 7% comparing to the prior period.

Cost of sales for the current period mainly arose from the High-end Recreational and Tourism Services segment. Included in the current period cost of sales is a one-off write back of accrual of “operating lease rental — operation right” of approximately HK\$25 million. Excluding this factor, cost of sales for the period should be HK\$45 million. On the other hand, cost of sales for the prior period mainly represented the proportionate agency fees for the exclusive advertising agency right in certain sectors for Beijing Railway Station and Beijing West Railway Station.

As detailed in note 5 to the consolidated financial information, other income and other (losses)/gains changed from a net gain of approximately HK\$28 million in the prior period to a net loss of approximately HK\$9 million in the current period mainly due to the following factors:

- Fair value gain on revaluation of investment properties decreased significantly from approximately HK\$28 million in the prior period to approximately HK\$4 million in the current period; and
- There was an exchange gain of approximately HK\$12 million in the prior period mainly due to appreciation of RMB against HK\$, while there was an exchange loss of approximately HK\$2 million in the current period.

MANAGEMENT DISCUSSION AND ANALYSIS

Marketing and selling expenses mainly attributed to the exclusive advertising agency right in certain sectors for Beijing Railway Station and Beijing West Railway Station. As such business has been gradually scaled down, marketing and selling expenses decreased significantly.

Administrative expenses in the current period amounted to approximately HK\$50 million, representing an increase of approximately HK\$22 million or by 77% comparing to the prior period. The increase is mainly attributed to the High-end Recreational and Tourism Services segment, which was newly acquired in the second half of 2011.

Share of profit of an associated company, which mainly represents the share of profit of Hainan Haishi, the operating entity of the Travel Channel, in the current period increased to approximately HK\$13 million, representing an increase of approximately HK\$10 million or by 4 times comparing to the prior period. This reflects the gradual bounce back of operating performance of the Travel Channel from its shareholder conflicts.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity and Treasury Management

We have adopted prudent treasury management objectives aimed at principal protection and maintaining sufficient liquidity to meet our various funding requirements in accordance with the strategic plans and policies. As at 30 June 2012, the Group held cash and cash equivalents of approximately HK\$201,357,000, being a 0.4% increase comparing to the balance as at 31 December 2011.

The Group is at net current liability position of HK\$137,237,000 as at 30 June 2012 (31 December 2011: HK\$156,194,000). The current ratio, representing the total current assets to the total current liabilities, increased from 0.74 as at 31 December 2011 to 0.76 as at 30 June 2012. The net current liability position was mainly attributable to the high-end recreational and tourism service segment which was newly acquired in the second half of 2011. 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 and convertible notes to total equity, remains zero as at 31 December 2011 and 30 June 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

Foreign Currency Exchange Exposure

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

Capital Structure

The Group has mainly relied on its equity and internally generated cash flow to finance its operations. As at 30 June 2012, the Group had no outstanding borrowing.

On 6 January 2012, 550,000,000 warrants (with an exercise price of HK\$0.10 per warrant) of the Company have been placed at an issue price of HK\$0.005 per warrant. During the period under review, the Company has issued 20,000,000 new ordinary shares of HK\$0.10 each upon exercise of such warrants by the warrant holders.

PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

As at 30 June 2012, none of our assets was pledged.

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

Hua Yi Hao Ge appealed against the Beijing Intermediate Court Ruling and the appeal was heard by the Beijing People’s High Court (北京市高級人民法院) (the “Beijing High Court”) on 1 December 2011. On 11 December 2011, the Beijing High Court ordered that the legal proceedings shall be discontinued pursuant to section 136(6) of the Civil Procedure Law of the PRC (中華人民共和國民事訴訟法). Under the said section 136(6), the legal proceedings can be restored in accordance with the provisions thereof.

MANAGEMENT DISCUSSION AND ANALYSIS

HUMAN RESOURCES

As at 30 June 2012, the Group employed a total of approximately 680 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 depending on the performance of the Group.

OTHER INFORMATION

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

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

SHARE OPTIONS

As set out in note 16 to the condensed consolidated interim financial information, the Company adopted a share option scheme on 30 July 2002 (the "2002 Option Scheme") and 4 June 2012 (the "2012 Option Scheme") respectively. The purpose of these Option Schemes are to recognize and acknowledge the contributions of the Qualified Persons/Eligible Participants (as defined in the option schemes, including but not limit to, the directors, employees, partners and associates of the Group) to the Group.

OTHER INFORMATION

Details of the share option movements under 2002 Option Scheme during the period were as follows:

Name or Category of Grantees	Date of grant	Exercise price per share (HK\$)	No. of share options					Outstanding as at 30 June 2012	% of total issued share capital of the Company	Note
			Outstanding as at 1 January 2012	Adjusted during the period	Granted during the period	Cancelled during the period	Lapsed during the period			
Directors										
ZHANG										
Changsheng	5.5.2008	1.29	1,042,459	—	—	1,042,459	—	—	—	
	4.11.2008	0.43	2,084,918	—	—	2,084,918	—	—	—	
Edward										
TIAN Suning	5.5.2008	1.29	2,084,918	—	—	—	—	2,084,918	0.05	(2)
	4.11.2008	0.43	4,169,836	—	—	—	—	4,169,836	0.09	(2)
WONG Yau Kar,										
David	5.5.2008	1.29	1,042,459	—	—	1,042,459	—	—	—	
	4.11.2008	0.43	2,084,918	—	—	2,084,918	—	—	—	
YUEN Kin										
	5.5.2008	1.29	1,042,459	—	—	1,042,459	—	—	—	
	4.11.2008	0.43	2,084,918	—	—	2,084,918	—	—	—	
WANG Hong										
	4.11.2008	0.43	5,212,296	—	—	—	5,212,296	—	—	(5)
	7.3.2008	1.47	4,169,836	—	—	—	4,169,836	—	—	(5)
Continuous contract employee in aggregate										
	5.5.2008	1.29	6,254,756	—	—	—	6,254,756	—	—	
	7.3.2008	1.47	4,691,064	—	—	1,563,688	3,127,376	—	—	
	4.11.2008	0.43	19,280,439	—	—	1,037,404	18,243,035	—	—	
Others										
	7.3.2008	1.47	66,717,394 (Note 6)	(6)	—	—	—	66,717,388 (Note 6)	1.47	(1)
	4.11.2008	0.43	48,995,589 (Note 6)	(12)	—	—	—	48,995,577 (Note 6)	1.08	(3)
Total for all categories			170,958,259	(18)	—	11,983,223	37,007,299	121,967,719		

OTHER INFORMATION

Details of the share option movements under 2012 Option Scheme during the period were as follows:

Name or Category of Grantees	Date of grant	Exercise price per share (HK\$)	No. of share options				Outstanding as at 30 June 2012	% of total issued share capital of the Company	Note
			Outstanding as at 1 January 2012	Granted during the period	Cancelled during the period	Lapsed during the period			
Directors									
ZHANG									
Changsheng	15.6.2012	0.10	—	40,000,000	—	—	40,000,000	0.88	(7)
WEI Xin	15.6.2012	0.10	—	4,000,000	—	—	4,000,000	0.09	(7)
WONG Yau Kar,									
David	15.6.2012	0.10	—	4,000,000	—	—	4,000,000	0.09	(7)
YUEN Kin	15.6.2012	0.10	—	4,000,000	—	—	4,000,000	0.09	(7)
CHU Yuguo	15.6.2012	0.10	—	4,000,000	—	—	4,000,000	0.09	(7)
Continuous contract employee in aggregate									
	15.6.2012	0.10	—	42,000,000	—	—	42,000,000	0.93	(7)
Others									
	15.6.2012	0.10	—	95,000,000	—	—	95,000,000	2.09	(7)
Total for all categories			—	193,000,000	—	—	193,000,000		

Notes:

1. These options can be fully exercised from 1 April 2009 to 31 December 2012.
2. These options can be fully exercised from 1 April 2009 to 31 December 2015.
3. These options can be fully exercised from 8 March 2009 to 31 December 2015.
4. During the period, no share options were exercised under 2002 Option Scheme and 2012 Option Scheme.
5. Due to the resignation of Mr. WANG Hong as an Executive Director of the Company in March 2012, all the share options granted to him were lapsed.
6. These figures have been adjusted due to the accumulated fractional share options arising from the open offer, the share consolidation and the rights issue.
7. These options can be fully exercised from 15 June 2012 to 14 June 2017.

OTHER INFORMATION

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

As at 30 June 2012, the interests and short positions of the Director and Chief Executive in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)), as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”) were as follows:

Long positions in ordinary shares and underlying shares of the Company:

Name of Director	Capacity	Nature of interests	Number of shares held	Number of underlying shares held under equity derivatives (Note 4)	Total	% of total issue share capital of the Company
YUEN Hoi Po (Note 1)	Interest of a controlled corporation	Corporate interest	7,798,150,000	—	7,798,150,000	171.80 (Note 2)
ZHANG Changsheng	Beneficial owner	Personal interest	—	40,000,000	40,000,000	0.88
Edward TIAN Suning (Note 3)	Interest of a controlled corporation	Corporate interest & Personal interest	387,733,233 (Corporate)	6,254,754 (Personal)	393,987,987	8.68
WEI Xin	Beneficial owner	Personal Interest	—	4,000,000	4,000,000	0.09
WONG Yau Kar, David	Beneficial owner	Personal interest	—	4,000,000	4,000,000	0.09
YUEN Kin	Beneficial owner	Personal interest	—	4,000,000	4,000,000	0.09
CHU Yuguo	Beneficial owner	Personal interest	—	4,000,000	4,000,000	0.09

OTHER INFORMATION

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. Mr. YUEN is also deemed to be interested in 7,000,000,000 Shares which fall to be allotted and issued by the Company following the exercise of the conversion rights attached to the zero coupon convertible note in the amount of RMB569 million ("Convertible Note") held by Smart Concept Enterprise Limited which is a wholly-owned corporation of Mr. YUEN.
2. Assuming full conversion of the Convertible Note. However, it is provided in the conditions of the Convertible Note that the relevant holder of the Convertible Note is only allowed to exercise the conversion rights only to the extent that (i) any conversion of the Convertible Note does not render the relevant holder of the Convertible Note who exercises the conversion rights and parties acting in concert with such holder to hold (whether directly or indirectly), together with any Shares already owned or agreed to be acquired by such holder of Convertible Note and parties acting in concert Shares representing 30% or more of the consequential enlarged issued ordinary share capital of the Company and (ii) any conversion of the Convertible Note will not lead to the public float being less than 25% of the consequential enlarged issued ordinary share capital of the Company at the date of the relevant exercise.
3. Mr. Edward TIAN Suning is deemed to be interested in 387,733,233 Shares held by CBC China Media Limited.
4. The number of underlying shares held under equity derivatives is the share options (being unlisted physically settled equity derivatives) granted by the Company, details of which are set out in paragraph headed "Share Options" of this report.

Save as disclosed above, as at 30 June 2012, none of the Directors, Chief Executives nor their associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

OTHER INFORMATION

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

As at 30 June 2012, the interests and short positions of the following persons (other than Directors or Chief Executives of the Company) in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange were as follows:

Long positions in ordinary shares of the Company:

Name of Shareholder	Capacity	Nature of interests	Number of shares held	% of total issue share capital of the Company
Smart Concept Enterprise Limited	Beneficial owner	Beneficial interest	7,000,000,000	154.21 (Note a)
Rich Public Limited	Beneficial owner (Note b)	Beneficial interest	798,150,000	17.58
Ming Bang Limited	Interest of a controlled corporation (Note c)	Corporate interest	798,150,000	17.58
Sun Hung Kai Investment Services Limited	Beneficial owner (Note d)	Beneficial interest	827,435,214	18.23
Sun Hung Kai Securities Limited (name changed to Sun Hung Kai Financial Limited)	Interest of a controlled corporation (Note d)	Corporate interest	827,435,214	18.23

OTHER INFORMATION

Name of Shareholder	Capacity	Nature of interests	Number of shares held	% of total issue share capital of the Company
Sun Hung Kai & Co. Limited	Interest of a controlled corporation (Note d)	Corporate interest	827,435,214	18.23
Allied Properties (H.K.) Limited	Interest of a controlled corporation (Note d)	Corporate interest	827,435,214	18.23
Allied Group Limited	Interest of a controlled corporation (Note d)	Corporate interest	827,435,214	18.23
LEE Seng Hui	Interest of a controlled corporation (Note d)	Corporate interest	827,435,214	18.23
LEE Su Hwei	Interest of a controlled corporation (Note d)	Corporate interest	827,435,214	18.23
LEE Seng Huang	Interest of a controlled corporation (Note d)	Corporate interest	827,435,214	18.23
CBC China Media Limited	Beneficial owner (Note e)	Beneficial interest	387,733,233	8.54
HE Peng	Beneficial owner (Note f)	Beneficial interest	300,000,000	6.61

OTHER INFORMATION

Notes:

- a. Smart Concept Enterprise Limited is interested in 7,000,000,000 Shares which fall to be allotted and issued by the Company following the exercise of the conversion rights attached to the Convertible Note. However, it is provided in the conditions of the Convertible Note that the relevant holder of the Convertible Note is only allowed to exercise the conversion rights only to the extent that (i) any conversion of the Convertible Note does not render the relevant holder of the Convertible Note who exercises the conversion rights and parties acting in concert with such holder to hold (whether directly or indirectly), together with any Shares already owned or agreed to be acquired by such holder of Convertible Note and parties acting in concert Shares representing 30% or more of the consequential enlarged issued ordinary share capital of the Company and (ii) any conversion of the Convertible Note will not lead to the public float being less than 25% of the consequential enlarged issued ordinary share capital of the Company at the date of the relevant exercise. Mr. YUEN Hoi Po, the Chairman and an Executive Director of the Company, is beneficially interested in the entire issued share capital of Smart Concept Enterprise Limited. He is also a director of Smart Concept Enterprise 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. Sun Hung Kai Investment Services Limited is a wholly-owned subsidiary of Sun Hung Kai Securities Limited (name changed to Sun Hung Kai Financial 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 63.87% interest in Allied Group Limited as at 20 June 2012. Accordingly, they are deemed to have the same long position as Sun Hung Kai Investment Services Limited.
- e. 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.
- f. 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 in 2011, and 100,000,000 Shares will be issued by the Company to Mr. HE Peng upon fulfillment of the unconditional and irrevocable indemnity.

OTHER INFORMATION

Save as disclosed above, as at 30 June 2012, no other persons had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company has applied the principles in and complied with the code provisions on the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules (“CG Code”) throughout the six months ended 30 June 2012 except the code provisions A.2.1 and A.6.7 of the CG Code. The Chairman of the Company, Mr. YUEN Hoi Po, has also been appointed as Chief Executive Officer in March 2012 following the resignation of Mr. WANG Hong. As Mr. YUEN’s accumulated valuable experience in property development and tourism is a great benefit to the Group, the Board believes that the balance of power and authority is adequately (A.2.1) . One of the Independent Non-executive Directors, Prof. WEI Xin, was unable to attend the annual general meeting and extraordinary general meeting of the Company held in June 2012 due to his other business engagement (A.6.7).

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct for securities transactions and dealings (the “Code of Conduct”) on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules. The Code of Conduct applies to all the relevant persons as defined in the Code on Corporate Governance Practices, including Directors of the Company, any employee of the Company, or director or employee of a subsidiary or holding company of the Company who, because of such office or employment, are likely to be in possession of unpublished price sensitive information in relation to the Company or its securities. Having made specific enquiry, all Directors have fully complied with the required standard set out in the Model Code throughout the six months ended 30 June 2012.

REVIEW OF INTERIM REPORT

The Audit Committee comprises of three Independent Non-executive Directors, namely Mr. YUEN Kin (Audit Committee Chairman), Prof. WEI Xin and Dr. WONG Yau Kar, David, JP.

OTHER INFORMATION

The Group's unaudited interim report for the six months ended 30 June 2012 has been reviewed by the Company's independent auditor and the Audit Committee.

OTHER CHANGES IN DIRECTORS' INFORMATION

Other changes in Directors' information since the date of 2011 Annual Report are set out below.

1. With effect from 26 March 2012, Mr. YUEN Hoi Po was appointed as (i) chairman of Nomination Committee; (ii) chairman of Corporate Governance Committee and (iii) Chief Executive Officer of the Company. He was also redesignated as a member of Remuneration Committee.
2. Each of Prof. WEI Xin and Mr. CHU Yuguo was appointed as a member of Nomination Committee and Corporation Governance Committee with effect from 26 March 2012.
3. Dr. WONG Yau Kar, David was appointed as chairman of Remuneration Committee and a member of Nomination Committee with effect from 26 March 2012.
4. Mr. YUEN Kin was appointed as a member of Corporate Governance Committee with effect from 26 March 2012.
5. Mr. CHU Yuguo resigned as chairman and non-executive director of Beijing Beida Jade Bird Universal Sci-Tech Company Limited on 20 June 2012.
6. Mr. CHU Yuguo resigned as chairman of Xishui Strong Year Co., Ltd. Inner Mongolia on 19 May 2012.

Save as the information disclosed above, there is no change in Directors' information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

By Order of the Board

YUEN Hoi Po

Chairman

Hong Kong, 23 August 2012

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



羅兵咸永道

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

INTRODUCTION

We have reviewed the interim financial information set out on pages 23 to 63, which comprises the condensed consolidated interim balance sheet of Media China Corporation Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2012 and the related condensed consolidated interim statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

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REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

CONCLUSION

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

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 23 August 2012

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CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

For the six months ended 30 June 2012

		Six months ended 30 June	
		2012	2011
		(Unaudited)	(Unaudited)
Note		HK\$'000	HK\$'000
	Sales	93,886	36,256
	Cost of sales	(20,056)	(22,832)
	Gross profit	73,830	13,424
	Other income and other (losses)/gains, net	(9,373)	27,583
	Marketing and selling expenses	(85)	(1,917)
	Administrative expenses	(50,453)	(28,504)
	Share of profit of an associated company	12,632	2,559
	Finance costs	(3,258)	—
	Profit before taxation	23,293	13,145
	Taxation	(12,342)	(8,838)
	Profit for the period	10,951	4,307
	Attributable to:		
	Equity holders of the Company	10,959	4,426
	Non-controlling interests	(8)	(119)
		10,951	4,307
		HK Cents	HK Cents
	Earnings per share attributable to equity holders of the Company during the period		
	Basic earnings per share	0.24	0.15
	Diluted earnings per share	0.24	0.15

The notes on pages 29 to 63 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012

	Six months ended 30 June	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Profit for the period	10,951	4,307
Other comprehensive income:		
Currency translation differences	(3,636)	12,220
Other comprehensive income for the period, net of tax	(3,636)	12,220
Total comprehensive income for the period	7,315	16,527
Total comprehensive income attributable to:		
Equity holders of the Company	7,325	16,640
Non-controlling interests	(10)	(113)
	7,315	16,527

The notes on pages 29 to 63 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

At 30 June 2012

	Note	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	11	326,711	340,655
Intangible assets	11	520,858	520,586
Investment properties	11	416,033	414,395
Interest in an associated company	12	294,426	292,330
Deferred tax assets		19,684	25,882
Other non-current assets		1,544	1,644
		1,579,256	1,595,492
CURRENT ASSETS			
Deposit for exclusive advertising agency right	11	—	18,503
Trade receivables	14	17,865	18,018
Inventories		18,735	15,527
Amounts due from a jointly controlled entity and its subsidiaries	13	95,590	96,121
Financial assets at fair value through profit or loss		12,842	14,600
Prepayments, deposits and other receivables		99,244	74,425
Cash and cash equivalents		201,357	200,606
		445,633	437,800
CURRENT LIABILITIES			
Agency fee payables		142,474	143,265
Trade payables	15	9,204	7,170
Receipt in advance, other payables and accrued liabilities		244,557	253,073
Amount due to an associated company	12	34,912	35,105
Deferred revenue		66,787	75,383
Current income tax liabilities		84,936	79,998
		582,870	593,994

The notes on pages 29 to 63 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

At 30 June 2012

	Note	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
NET CURRENT LIABILITIES		(137,237)	(156,194)
TOTAL ASSETS LESS CURRENT LIABILITIES		1,442,019	1,439,298
NON-CURRENT LIABILITIES			
Other payables		504	24,860
Financial liabilities at fair value through profit or loss		10,958	—
Deferred revenue		58,357	56,509
Deferred tax liabilities		179,486	181,318
		249,305	262,687
NET ASSETS		1,192,714	1,176,611
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	16	453,918	451,918
Reserves		738,349	724,236
		1,192,267	1,176,154
Non-controlling interests		447	457
TOTAL EQUITY		1,192,714	1,176,611

The notes on pages 29 to 63 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

For the six months ended 30 June 2012

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash inflow/(outflow) from operating activities	2,062	(30,969)
Net cash (outflow)/inflow from investing activities	(8,808)	28,730
Net cash inflow from financing activities	4,350	251,067
(Decrease)/increase in cash and cash equivalents	(2,396)	248,828
Cash and cash equivalents at 1 January	200,606	236,678
Exchange difference on cash and cash equivalents	3,147	(14,408)
Cash and cash equivalents at 30 June	201,357	471,098

The notes on pages 29 to 63 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2012

(Unaudited)

	Attributable to equity holders of the Company										Non-controlling interests	Total
	Share Capital	Share premium	Merger reserve	Share option reserve	Statutory reserve	Capital redemption reserve	Currency translation reserve	Accumulated losses	Sub total			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 January 2012	451,918	1,457,483	860,640	94,163	170	1,206	83,280	(1,772,706)	1,176,154	457	1,176,611	
Comprehensive income:												
– Profit for the period	–	–	–	–	–	–	–	10,959	10,959	(8)	10,951	
Other comprehensive income:												
– Currency translation differences	–	–	–	–	–	–	(3,634)	–	(3,634)	(2)	(3,636)	
Issuance of shares upon warrants conversion	2,000	389	–	–	–	–	–	–	2,389	–	2,389	
Share-based payments	–	–	–	6,399	–	–	–	–	6,399	–	6,399	
Lapse of share options	–	–	–	(30,585)	–	–	–	30,585	–	–	–	
Balance at 30 June 2012	453,918	1,457,872	860,640	69,977	170	1,206	79,646	(1,731,162)	1,192,267	447	1,192,714	

(Unaudited)

	Attributable to equity holders of the Company										Non-controlling interests	Total
	Share Capital	Share premium	Merger reserve	Share option reserve	Statutory reserve	Capital redemption reserve	Currency translation reserve	Accumulated losses	Sub total			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Balance at 1 January 2011	287,945	1,342,589	860,640	93,908	596	1,206	60,780	(1,754,868)	892,796	837	893,633	
Comprehensive income:												
– Profit for the period	–	–	–	–	–	–	–	4,426	4,426	(119)	4,307	
Other comprehensive income:												
– Currency translation differences	–	–	–	–	–	–	12,214	–	12,214	6	12,220	
Issuance of shares upon rights issue	143,973	107,084	–	–	–	–	–	–	251,067	–	251,067	
Share-based payments	–	–	–	255	–	–	–	–	255	–	255	
Disposal of subsidiaries	–	–	–	–	(485)	–	(3,506)	–	(3,991)	(549)	(4,540)	
Balance at 30 June 2011	431,918	1,449,683	860,640	94,163	111	1,206	69,488	(1,750,442)	1,156,767	175	1,156,942	

The notes on pages 29 to 63 form an integral part of this condensed consolidated interim financial information.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. GENERAL INFORMATION

Media China Corporation Limited (the “Company”) and its subsidiaries (together, the “Group”) is principally engaged in the provision of high-end recreational and tourism services, media business and properties investment through jointly controlled entities. The Group has operations mainly in the People’s Republic of China (the “PRC”) and Hong Kong.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 27 May 2002 under the Company Law (2002 Revision) (Cap. 22) of the Cayman Islands. The 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.

This condensed consolidated interim financial information is presented in thousand Hong Kong dollars (HK\$’000), unless otherwise stated. This condensed consolidated interim financial information was approved for issue on 23 August 2012.

This condensed consolidated interim financial information has not been audited.

2. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2012 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2011, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

As at 30 June 2012, the Group had net current liabilities of approximately HK\$137,237,000 (31 December 2011: net current liabilities of approximately HK\$156,194,000.) 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 condensed consolidated interim financial information has been prepared on a going concern basis.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

3. ACCOUNTING POLICIES, ESTIMATES AND FINANCIAL RISK MANAGEMENT

(i) Accounting Policies

Except as described below, the accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2011, as described in the annual financial statements for the year ended 31 December 2011.

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

(a) *New, revised and amended standards and interpretations to existing standards effective in 2012*

The following amendments to standards are mandatory for the first time for the financial year beginning 1 January 2012, but are not currently relevant to the Group.

HKAS 12 (Amendment)	Deferred tax: Recovery of underlying assets
HKFRS 1 (Amendment)	Severe hyperinflation and removal of fixed dates for first-time adopters
HKFRS 7 (Amendment)	Disclosures — transfers of financial assets

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

3. ACCOUNTING POLICIES, ESTIMATES AND FINANCIAL RISK MANAGEMENT *(Continued)*

(i) Accounting Policies *(Continued)*

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

The following new/revised standards and amendments to standards have been issued but are not effective for the financial year beginning 1 January 2012 and have not been early adopted.

HKAS 1 (Revised) (Amendment)	Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income
HKAS 19 (2011)	Employee Benefits
HKAS 27 (2011)	Separate Financial Statements
HKAS 28 (2011)	Investments in Associates and Joint Ventures
HKAS 32 (Amendment)	Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities
HKFRS 1 (Amendment)	First-time Adoption of HKFRSs — Government Loans
HKFRS 7 (Amendment)	Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities
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
HKFRSs (Amendment)	Annual Improvements 2009–2011 Cycle
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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

3. ACCOUNTING POLICIES, ESTIMATES AND FINANCIAL RISK MANAGEMENT *(Continued)*

(ii) Estimates

The preparation of condensed consolidated financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2011.

In addition, for the fair value of financial instruments that are not traded in an active market which is determined by using valuation techniques, the Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

(iii) Financial Risk Management

(a) *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 condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2011.

There have been no changes in the risk management policies since year end.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

3. ACCOUNTING POLICIES, ESTIMATES AND FINANCIAL RISK MANAGEMENT *(Continued)*

(iii) Financial Risk Management *(Continued)*

(b) Fair value estimation

The table below analyses 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).

The following table presents the Group's assets and liabilities that are measured at fair value at 30 June 2012.

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Financial assets at fair value through profit or loss				
— Listed equity securities	12,842	—	—	12,842
Financial liabilities at fair value through profit or loss				
— Warrants	—	10,958	—	10,958

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

3. ACCOUNTING POLICIES, ESTIMATES AND FINANCIAL RISK MANAGEMENT *(Continued)*

(iii) Financial Risk Management *(Continued)*

(b) Fair value estimation *(Continued)*

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2011.

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Financial assets at fair value through profit or loss				
— Listed equity securities	14,600	—	—	14,600

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.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

4. SEGMENT INFORMATION

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

The management committee has determined that the Group is organized into three main operating segments: (i) High-end Recreational and Tourism Services; (ii) Media business; and (iii) Properties Investment. The management committee measures the performance of the segments based on their respective segment results.

The Group's three operating segments operate in the PRC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

4. SEGMENT INFORMATION *(Continued)*

The segment results for the six months ended 30 June 2012 are as follows:

	High-end Recreational and Tourism Services (Unaudited) HK\$'000	Media (Unaudited) HK\$'000	Properties Investment (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Sales	70,205	13,018	10,663	93,886
Segment results	33,595	18,197	9,770	61,562
Exchange loss				(2,037)
Share-based payments				(6,399)
Unallocated costs, net				(29,833)
Profit before taxation				23,293
Taxation				(12,342)
Profit for the period				10,951
Non-controlling interests				8
Profit attributable to equity holders of the Company				10,959
Capital expenditures				
— Allocated	1,131	7,420	4	8,555
— Unallocated				909
Depreciation				
— Allocated	12,413	317	45	12,775
— Unallocated				463
Amortization				
— Allocated	4,094	767	—	4,861
— Unallocated				225

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

4. SEGMENT INFORMATION *(Continued)*

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

	Media (Unaudited) HK\$'000	Properties Investment (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Sales	26,291	9,965	36,256
Segment results	1,524	31,632	33,156
Exchange gain			12,351
Share-based payments			(255)
Unallocated costs, net			(32,107)
Profit before taxation			13,145
Taxation			(8,838)
Profit for the period			4,307
Non-controlling interests			119
Profit attributable to equity holders of the Company			4,426
Capital expenditures			
– Allocated	63,584	9	63,593
– Unallocated			–
Depreciation			
– Allocated	261	47	308
– Unallocated			193
Amortization	17,680	–	17,680

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

4. SEGMENT INFORMATION *(Continued)*

The segment assets and liabilities at 30 June 2012 are as follows:

	High-end Recreational and Tourism Services (Unaudited) HK\$'000	Media (Unaudited) HK\$'000	Properties Investment (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Segment assets	721,697	281,614	447,309	1,450,620
Investment in an associated company	—	294,426	—	294,426
Goodwill	49,798	51,700	—	101,498
Amounts due from a jointly controlled entity and its subsidiaries				95,590
Unallocated assets				82,755
Total assets				2,024,889
Segment liabilities	243,653	268,124	28,232	540,009
Unallocated liabilities				292,166
Total liabilities				832,175

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

4. SEGMENT INFORMATION *(Continued)*

The segment assets and liabilities at 31 December 2011 are as follows:

	High-end Recreational and Tourism Services (Unaudited) HK\$'000	Media (Unaudited) HK\$'000	Properties Investment (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Segment assets	723,336	278,957	448,154	1,450,447
Investment in an associated company	—	292,330	—	292,330
Goodwill	50,075	52,140	—	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	270,312	275,610	30,484	576,406
Unallocated liabilities				280,275
Total liabilities				856,681

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

5. OTHER INCOME AND OTHER (LOSSES)/GAINS, NET

	Six months ended 30 June	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Interest income	618	592
Exchange (loss)/gain	(2,037)	12,351
Fair value gain on revaluation of investment properties	3,936	27,755
Fair value loss on financial assets at fair value through profit or loss	(2,812)	(12,800)
Fair value loss on financial liabilities at fair value through profit or loss (Note)	(8,997)	—
Loss on disposal of subsidiaries, net	—	(1,370)
Miscellaneous	(81)	1,055
	(9,373)	27,583

Note: The fair value loss on financial liabilities at fair value through profit or loss represented the change in fair value of warrants issued on 6 January 2012. The fair value of warrants was assessed by Grant Sherman Appraisal Limited, an independent professional valuer. In valuing the fair value of warrants the Black-Scholes option pricing model was applied.

6. FINANCE COSTS

	Six months ended 30 June	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Accrued interest on agency fee payable	3,258	—

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

7. PROFIT BEFORE TAXATION

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

	Six months ended 30 June	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Crediting:		
Gain on disposal of property, plant and equipment	—	210
Charging:		
Depreciation of property, plant and equipment	13,238	501
Amortization of intangible assets	5,086	17,680
Provision for doubtful receivables	—	226
Loss on disposal of property, plant and equipment	1	—
Share-based payments (excluding those disclosed in staff costs below)	3,330	—
Staff costs:		
Directors' fees	353	271
Wages and salaries	23,444	10,177
Share-based payments	3,069	255
Contributions to defined contribution pension schemes	4,227	1,592
	31,093	12,295

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

8. TAXATION

No Hong Kong profits tax has been provided as there was no assessable profit from Hong Kong for the period (2011: Nil). Taxation on profits outside Hong Kong has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the regions/countries in which the Group operates.

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current income tax		
— Hong Kong profits tax	—	—
— PRC corporate income tax	7,104	1,899
Deferred income tax	5,238	6,939
Income tax expense	12,342	8,838

9. EARNINGS PER SHARE

(a) Basic earnings per share

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

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares in issue (thousands)	4,520,663	2,966,950
Profit attributable to equity holders of the Company (HK\$'000)	10,959	4,426
Basic earnings per share attributable to equity holders of the Company (HK cents per share)	0.24	0.15

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

9. EARNINGS PER SHARE *(Continued)*

(b) Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. As at 30 June 2012, the Company has two categories of potential ordinary shares: share options and warrants (2011: share option only). A calculation is performed to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's share during the period) based on the monetary value of the subscription rights attached to outstanding share options and warrants. 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 and warrants.

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares in issue (thousands)	4,520,663	2,966,950
Adjustments for:		
— share options (thousands)	1,135	—
— warrants (thousands)	34,470	—
Weighted average number of ordinary shares for diluted earnings per share (thousands)	4,556,268	2,966,950
Profit attributable to equity holders of the Company (HK\$'000)	10,959	4,426
Diluted earnings per share attributable to equity holders of the Company (HK cents per share)	0.24	0.15

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

10. DIVIDENDS

The directors do not recommend the payment of any dividend in respect of the six months ended 30 June 2012 (2011: Nil).

11. CAPITAL EXPENDITURES

(i) Property, plant and equipment

Six months ended 30 June 2012

	Golf course (Unaudited) HK\$'000	Buildings (Unaudited) HK\$'000	Machinery and equipment (Unaudited) HK\$'000	Furniture, computer and equipment (Unaudited) HK\$'000	Leasehold improvements (Unaudited) HK\$'000	Motor vehicles (Unaudited) HK\$'000	Construction in progress (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Opening net book amount at 1 January 2012	107,180	191,174	7,757	8,083	14,881	11,580	—	340,655
Additions for the period	—	—	288	162	—	364	369	1,183
Depreciation for the period	(4,276)	(3,763)	(955)	(774)	(309)	(3,161)	—	(13,238)
Disposals during the period	—	—	—	—	—	(38)	—	(38)
Reclassification during the period	—	369	—	—	—	—	(369)	—
Exchange difference	(579)	(1,059)	(41)	(46)	(80)	(46)	—	(1,851)
Closing net book amount at 30 June 2012	102,325	186,721	7,049	7,425	14,492	8,699	—	326,711

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

11. CAPITAL EXPENDITURES *(Continued)*

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

Six months ended 30 June 2011

	Buildings (Unaudited) HK\$'000	Furniture, computer and equipment (Unaudited) HK\$'000	Leasehold improvements (Unaudited) HK\$'000	Motor vehicles (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Opening net book amount at 1 January 2011	492	939	394	1,905	3,730
Additions for the period	—	118	—	—	118
Depreciation for the period	(10)	(144)	(70)	(277)	(501)
Disposals during the period	—	(16)	—	—	(16)
Exchange difference	69	19	—	29	117
Closing net book amount at 30 June 2011	551	916	324	1,657	3,448

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

11. CAPITAL EXPENDITURES (Continued)

(ii) Intangible assets

Six months ended 30 June 2012

	Non-current assets					Current asset	
	Goodwill (Unaudited) HK\$'000	Programme and film rights (Unaudited) HK\$'000	Programme and films in progress (Unaudited) HK\$'000	Cooperating construction and operating agreement (Unaudited) HK\$'000	Licence plate (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Exclusive advertising agency right (Unaudited) HK\$'000
Opening net book amount at 1 January 2012	102,215	23,070	66,910	328,391	—	520,586	18,503
Additions for the period	—	—	7,381	—	900	8,281	—
Amortization for the period	—	(767)	—	(4,094)	(225)	(5,086)	—
Transfer out (Note)	—	—	—	—	—	—	(18,503)
Exchange difference	(717)	(15)	(390)	(1,801)	—	(2,923)	—
Closing net book amount at 30 June 2012	101,498	22,288	73,901	322,496	675	520,858	—
At 30 June 2012							
Cost	592,561	124,825	73,901	329,980	900	1,122,167	—
Accumulated amortization and impairment	(491,063)	(102,537)	—	(7,484)	(225)	(601,309)	—
Net book amount	101,498	22,288	73,901	322,496	675	520,858	—

Note:

In December 2010, the Group has acquired a three-year exclusive advertising agency right in certain sectors for Beijing Railway Station and Beijing West Railway Station. The amount of “exclusive advertising agency right” as at 1 January 2012 represents the relevant deposit paid by the Group. During the period, the Group has entered into an early termination agreement with the counterparty, pursuant to which the said exclusive advertising agency right is early terminated and the deposit paid by the Group shall be refunded to the Group by the end of 2012. As such, the deposit is transferred to “prepayments, deposits and other receivables” as of 30 June 2012.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

11. CAPITAL EXPENDITURES (Continued)

(ii) Intangible assets (Continued)

Six months ended 30 June 2011

	Non-current assets			Current asset	
	Goodwill (Unaudited) HK\$'000	Programme and film rights (Unaudited) HK\$'000	Programme and films production in progress (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Exclusive advertising agency right (Unaudited) HK\$'000
Opening net book amount at					
1 January 2011	43,611	20,429	50,630	114,670	51,121
Additions for the period	—	—	63,475	63,475	—
Reclassification during the period	—	25,067	(25,067)	—	—
Disposals for the period	—	(9,509)	(1,189)	(10,698)	—
Amortization for the period	—	(741)	—	(741)	(16,939)
Exchange difference	2,778	93	1,427	4,298	990
Closing net book amount at 30 June 2011	46,389	35,339	89,276	171,004	35,172
At 30 June 2011					
Cost	527,757	123,272	103,682	754,711	52,308
Accumulated amortization and impairment	(481,368)	(87,933)	(14,406)	(583,707)	(17,136)
Net book amount	46,389	35,339	89,276	171,004	35,172

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

11. CAPITAL EXPENDITURES *(Continued)*

(iii) Investment properties

Six months ended 30 June 2012

(Unaudited)
HK\$'000

At fair value:	
Opening balance at 1 January 2012	414,395
Fair value gain on revaluation of investment properties	3,936
Exchange difference	(2,298)
	416,033
Closing balance at 30 June 2012	
Six months ended 30 June 2011	
At fair value:	
Opening balance at 1 January 2011	359,890
Fair value gain on revaluation of investment properties	27,755
Exchange difference	13,199
	400,844
Closing balance at 30 June 2011	

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

12. INTEREST IN AN ASSOCIATED COMPANY

	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
Share of net assets of an associated company	152,794	148,341
Goodwill	141,632	143,989
	294,426	292,330

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

The particulars of the associated company as at 30 June 2012 are as follows:

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

12. INTEREST IN AN ASSOCIATED COMPANY *(Continued)*

The results and financial position of the associated company at 30 June 2012 were as follows:

	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
Assets:		
Non-current assets	116,039	119,059
Current assets	441,618	419,811
	557,657	538,870
Liabilities:		
Current liabilities	(141,890)	(135,220)
Net assets	415,767	403,650

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

12. INTEREST IN AN ASSOCIATED COMPANY (Continued)

	Six months ended 30 June	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Sales	159,723	105,232
Cost of sales	(84,133)	(71,209)
Gross profit	75,590	34,023
Other gains, net	6,860	791
Marketing and selling expenses	(22,370)	(15,884)
Administrative expenses	(11,956)	(9,647)
Profit before taxation	48,124	9,283
Taxation	(13,752)	(2,321)
Profit for the period	34,372	6,962

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

13. AMOUNTS DUE FROM A JOINTLY CONTROLLED ENTITY AND ITS SUBSIDIARIES

	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
Amounts due from a jointly controlled entity and its subsidiaries — current	95,590	96,121

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

13. AMOUNTS DUE FROM A JOINTLY CONTROLLED ENTITY AND ITS SUBSIDIARIES *(Continued)*

The particulars of the jointly controlled entity and its subsidiaries as at 30 June 2012 are as follows:

Name	Place of incorporation and kind of legal entity	Registered capital	Interest		Principal activities and place of operation
			held	indirectly	
Shenzhen ITC Tian An Co., Ltd.	The PRC, Sino-foreign equity joint venture	US\$8,880,000	50%		Holding and rental of investment properties in the PRC
Shenzhen Tian An International Building Property Management Co., Ltd.	The PRC, Sino-foreign equity joint venture	RMB3,000,000	50%		Property management in the PRC
Hainan Hailu Advertising Limited Liability Company (2)	The PRC, limited liability company	RMB1,000,000	50%		Advertising agency, design and production
AUFM Group					
Asian Union Film and Media (1) (2)	The PRC, limited liability company	RMB120,000,000	50%		Investment in television drama, film production and advertising production in the PRC
Beijing Ying Shi Film & Television Art Limited Liability Company (2)	The PRC, limited liability company	RMB500,000	30%		Television drama production in the PRC
Beijing Hua Yi Shan He Shui Advertising Company Limited (2)	The PRC, limited liability company	RMB1,020,000	25.50%		Advertisement production in the PRC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

13. AMOUNTS DUE FROM A JOINTLY CONTROLLED ENTITY AND ITS SUBSIDIARIES *(Continued)*

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

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

- (2) The names of the companies referred to above represent management’s best effort in translating the Chinese names of the companies as no English names for these companies have been registered.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

14. TRADE RECEIVABLES

At 30 June 2012, the aging analysis of the trade receivables based on invoice date were as follows:

	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
0–3 months	1,440	2,017
4–6 months	753	1,328
Over 6 months	26,086	25,145
	28,279	28,490
Provision for doubtful debts (all made against trade receivables aged over 6 months)	(10,414)	(10,472)
	17,865	18,018

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

15. TRADE PAYABLES

At 30 June 2012, the aging analysis of the trade payables based on invoice date were as follows:

	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
0–3 months	5,218	2,960
4–6 months	1,280	1,528
Over 6 months	2,706	2,682
	9,204	7,170

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

16. SHARE CAPITAL

	Ordinary shares of HK\$0.1 each		Preference shares of HK\$0.01 each		Total HK\$'000
	No. of shares '000	HK\$'000	No. of shares '000	HK\$'000	
Authorized:					
At 30 June 2012 (Unaudited) (Note (a))	30,000,000	3,000,000	240,760	2,408	3,002,408
At 31 December 2011 (Audited)	6,000,000	600,000	240,760	2,408	602,408
Issued and fully paid:					
At 1 January 2012	4,519,179	451,918	—	—	451,918
Issue of shares upon warrant conversion (Note (b))	20,000	2,000	—	—	2,000
At 30 June 2012 (Unaudited)	4,539,179	453,918	—	—	453,918
At 1 January 2011	2,879,453	287,945	—	—	287,945
Issue of shares upon rights issue (Note (c))	1,439,726	143,973	—	—	143,973
At 30 June 2011 (Unaudited)	4,319,179	431,918	—	—	431,918

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

16. SHARE CAPITAL *(Continued)*

Notes:

(a) Increase in authorized share capital

The Company proposed to increase its authorized share capital to HK\$3,002,407,600 divided into 30,000,000,000 ordinary shares of HK\$0.1 each and 240,760,000 preference shares of HK\$0.01 each. The increase in authorized share capital has been approved at the extraordinary general meeting of the Company held on 10 February 2012.

(b) Warrants

On 19 December 2011, the Company 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, on best effort basis, at 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. On 6 January 2012, the warrants have been fully placed. Up to 30 June 2012, 20,000,000 warrants have been converted to shares of the Company.

(c) Rights Issue

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

(d) Proposed Share Consolidation

On 30 May 2012, the Company proposed a share consolidation pursuant to which every two issued and unissued shares of HK\$0.10 each in the share capital of the Company will be consolidated into one consolidated share of HK\$0.20 each. The proposed share consolidation has been approved at the extraordinary general meeting of the Company held on 23 August 2012, and will be effective since 24 August 2012.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

16. SHARE CAPITAL *(Continued)*

Share Option

Pursuant to a resolution passed on the extraordinary general meeting of the Company dated 4 June 2012, the share option scheme adopted by the Company on 30 July 2002 (“Terminated Option Scheme”) has been terminated and the Company has adopted a new 10-year term share option scheme (“New Option Scheme”) on the same date. Outstanding share options granted under the Terminated Option Scheme shall continue to be valid and exercisable. Pursuant to the New Option Scheme, the Company can grant options to Qualified Persons (as defined in the New 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 said resolution passed on 4 June 2012, the Company can grant up to 451,917,945 share options to the Qualified Persons.

Subscription price in relation to each option pursuant to the New Option Scheme shall not be less than the higher of (i) the closing price of the shares as stated in Stock Exchange’s daily quotation sheets on the date on which the option is offered to a Qualified Person; or (ii) the average of the closing prices of the shares as stated in the Stock Exchange’s daily quotation sheets for the 5 trading days immediately preceding the date of offer; or (iii) the nominal value of the shares of the Company. There shall be no minimum holding period for the vesting or exercise of the options and the options are exercisable within the option period as determined by the Board of Directors of the Company. For the six months ended 30 June 2012, 193,000,000 share options have been granted under the New Option Scheme and share-based payment expense of approximately HK\$6,399,000 has been charged to the condensed consolidated interim income statement (2011: HK\$255,000).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

16. SHARE CAPITAL (Continued)

Movement of share options during the period is as follows:

Tranche	Date of share options granted	Outstanding as at 1 January 2012	(Unaudited) Number of share options			Outstanding as at 30 June 2012	Exercisable as at 30 June 2012	Exercise Price (adjusted) HK\$	Vesting date	Expiry date
			Granted during the period	Cancelled/ lapsed during the period	Adjusted during the period					
1	7 March 2008	75,578,294	—	(8,860,900)	(6)	66,717,388	66,717,388	1.47	From 1 April 2008 to 1 March 2011	31 December 2012
2	5 May 2008	11,467,051	—	(9,382,133)	—	2,084,918	2,084,918	1.29	From 1 April 2009	31 December 2015
3	4 November 2008	83,912,914	—	(30,747,489)	(12)	53,165,413	53,165,413	0.43	From 8 March 2009 to 8 March 2011	31 December 2015
4	15 June 2012	—	193,000,000	—	—	193,000,000	193,000,000	0.10	From 15 June 2012	14 June 2017
		170,958,259	193,000,000	(48,990,522)	(16)	314,967,719	314,967,719			

Tranche	Date of share options granted	Outstanding as at 1 January 2011	(Unaudited) Number of share options			Outstanding as at 30 June 2011	Exercisable as at 30 June 2011	Exercise Price (adjusted) HK\$	Vesting date	Expiry date
			Granted during the period	Cancelled/ lapsed during the period	Adjusted during the period					
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			

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

17. SIGNIFICANT BUSINESS COMBINATION AND DISPOSAL

(a) Significant business combination

For the six months ended 30 June 2012

On 25 May 2012, the Group and Smart Concept Enterprise Limited (“Smart Concept”), a wholly-owned company of Mr. Yuen Hoi Po, the chairman and a substantial shareholder of the Company, has entered into a sale and purchase agreement, pursuant to which the Group has conditionally agreed to acquire from Smart Concept the entire equity interests in Yuan Shun Investments Limited (“Yuan Shun”) free from encumbrances for the consideration of HK\$900 million. The consideration of HK\$900 million shall be settled in the following manner upon completion of the proposed acquisition:

- (i) HK\$50 million of the consideration shall be paid in cash;
- (ii) HK\$150 million of the consideration shall be settled by way of promissory note (“Promissory Note”); and
- (iii) the remaining consideration shall be settled by the issuance by the Company of 3-year term zero-coupon convertible note with principal amount of RMB569 million (equivalent to approximately HK\$700 million) and an initial conversion price of HK\$0.10 per share (“Convertible Note”).

The repayment date of the Promissory Note is the date falling on the last day of the 24th month from the date of issuance (the “Repayment Date”), and the Group could, at its discretion, repay the Promissory Note in whole or in part prior to the Repayment Date. The Promissory Note shall bear interest from the date of the issue at the best lending rate of The Hongkong and Shanghai Banking Corporation Limited on the outstanding amount of the Promissory Note and shall be payable by in arrears on the Repayment Date.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

17. SIGNIFICANT BUSINESS COMBINATION AND DISPOSAL *(Continued)*

(a) Significant business combination *(Continued)*

For the six months ended 30 June 2012 (Continued)

The key assets of Yuan Shun and its subsidiaries (the “Target Group”) is the cooperation agreement relating to the development and operation rights of the 580 acres (equivalent to approximately 387,000 square metres) of the subject land located at Beijing Chao Lai Football Activities Centre, which is adjacent to “Bayhood No. 9 Club”, up to 31 May 2048. The Group intends to develop the Subject Land as the extension of “Bayhood No. 9 Club”. Low density, double-storey deluxe hotel villas and conferencing facilities equipped with basement, luxurious amenities and gardening will be built on it. They will be operated in the form of serviced apartments and leased out on short to medium terms. As “Bayhood No. 9 Club” is currently only equipped with golf, spa, dining and retail facilities, the development and operation of serviced apartments in the vicinity enables the Group to provide more comprehensive services to customers. Current and potential members of “Bayhood No. 9 Club” are considered to be the target customers for the project, which will also be branded as “Bayhood No. 9”.

The said acquisition has not yet been completed as at the date of this interim report.

For the six months ended 30 June 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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

17. SIGNIFICANT BUSINESS COMBINATION AND DISPOSAL *(Continued)*

(a) Significant business combination *(Continued)*

For the six months ended 30 June 2011 (Continued)

- (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 “Smart Title 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 Smart Title 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 Smart Title 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 Smart Title Group.

The said acquisition has been completed on 28 July 2011.

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

17. SIGNIFICANT BUSINESS COMBINATION AND DISPOSAL *(Continued)*

(b) Significant business disposal

For the six months ended 30 June 2012

There was no significant business disposal during the period.

For the six months ended 30 June 2011

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

18. COMMITMENTS

At 30 June 2012, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Land and buildings	
	30 June	31 December
	2012	2011
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Not later than one year	6,861	23,397
Later than one year and not later than five years	20,139	79,454
Later than five years	211,840	838,750
	238,840	941,601

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

18. COMMITMENTS *(Continued)*

Pursuant to the Cooperation Construction and Operating Agreement for the construction and operation of the club facilities of “Bayhood No. 9 Club” up to 31 December 2051, acquired by the Group through a business combination completed in July 2011, the Group is committed to pay an annual operating lease rental of RMB15 million with a 5% increment for each five-year period. During the period, the Group has agreed with the counterparty that the annual committed operating lease rental is adjusted to RMB4 million with a 5% increment for each five-year period, in return that the Group will borne all costs of caddies and utilities relevant to “Bayhood No. 9 Club” operation upon actual incurrence. Accordingly, the amount of aggregate minimum lease payments under non-cancellable operation leases reduced significantly during the period.

19. CONTINGENCIES

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

Hua Yi Hao Ge appealed against the Beijing Intermediate Court Ruling and the appeal was heard by the Beijing People’s High Court (the “Beijing High Court”) on 1 December 2011. On 11 December 2011, the Beijing High Court ordered that the legal proceedings shall be discontinued pursuant to section 136(6) of the Civil Procedure Law of the PRC. Under the said section 136(6), the legal proceedings can be restored in accordance with the provisions thereof.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive directors

Mr. YUEN Hoi Po (*Chairman*)
Mr. ZHANG Changsheng

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

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

Fred Kan & Co
Woo Kwan Lee & Lo

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