ASIAN UNION NEW MEDIA
華億新媒體集團

ASIAN UNION NEW MEDIA (GROUP) LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 419)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31ST DECEMBER 2007

The board of directors (the "Board") of Asian Union New Media (Group) Limited (the "Company") is pleased to announce the results of the Company and its subsidiaries (the "Group") for the year ended 31st December 2007, together with the comparative figures for 2006, as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31st December 2007

	Notes	**2007** **HK$'000**	2006 HK$'000
Sales		**187,082**	304,902
Cost of sales		**(155,774)**	(192,256)
Gross profit		**31,308**	112,646
Other revenues		**18,632**	16,462
Marketing and selling expenses		**(32,203)**	(13,225)
Administrative expenses		**(38,843)**	(27,898)
Share of profits of jointly controlled entities		**3,990**	10,944
Other net gains		**—**	2,965
Operating (loss)/profit		**(17,116)**	101,894
Finance costs	*4*	**(48,184)**	(51,232)
Fair value (loss)/gain on financial assets at fair value through profit or loss		**(1,652)**	185,553
Fair value (loss)/gain on investment in preference shares	*11*	**(30,708)**	34,317
Share of profit of a former associated company		**—**	5,990
(Loss)/profit before taxation	*5*	**(97,660)**	276,522
Taxation	*6*	**16,380**	(12,065)
(Loss)/profit for the year		**(81,280)**	264,457
Attributable to:			
Equity holders of the Company		**(81,280)**	264,604
Minority interests		**—**	(147)
		(81,280)	264,457
Earnings per share for (loss)/profit attributable to the equity holders of the Company during the year		***HK Cents***	*HK Cents*
— Basic	*7*	**(0.56)**	2.36
— Diluted	*7*	**N/A**	2.34
Dividends	*8*	**—**	211,206

CONSOLIDATED BALANCE SHEET

As at 31st December 2007

	Notes	2007 HK$'000	2006 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**8,759**	7,057
Intangible assets	9	**1,296,322**	1,414,069
Interests in jointly controlled entities and its subsidiaries		**240,532**	70,259
Available for sale financial assets		—	360
Deferred tax assets — non-current		**34,629**	12,171
		1,580,242	1,503,916
CURRENT ASSETS			
Trade receivables	10	**77,711**	85,034
Due from a jointly controlled entity and its subsidiaries		**108,712**	84,384
Preference dividends receivable		—	2,422
Financial assets at fair value through profit or loss		**20,538**	11,150
Investment in preference shares	11	—	97,895
Prepayments, deposits and other receivables		**49,483**	28,301
Pledged bank deposits		**33,983**	17,000
Cash and bank balances		**131,305**	13,447
		421,732	339,633
CURRENT LIABILITIES			
Agency fee payable — current		**317,809**	181,836
Trade payables	12	—	283
Other payables and accrued liabilities		**30,204**	61,166
Current income tax liabilities		**26,594**	24,769
Short-term bank borrowings		**32,332**	22,776
		406,939	290,830
NET CURRENT ASSETS		**14,793**	48,803
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,595,035**	1,552,719
NON-CURRENT LIABILITIES			
Agency fee payable — non-current		**573,603**	691,544
Convertible notes		**40,931**	121,230
Deferred tax liabilities — non-current		**4,583**	—
		619,117	812,774
NET ASSETS		**975,918**	739,945
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Issued capital		**162,182**	120,386
Reserves		**813,736**	619,559
TOTAL EQUITY		**975,918**	739,945

Notes:

1. **Corporate information**

Asian Union New Media (Group) Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability on 27th May 2002 under the Company Law (2002 Revision) (Cap. 22) of the Cayman Islands.

2. **Principal accounting policies**

(a) Basis of preparation

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

The adoption of new/revised HKFRS

The following new standards, amendments to published standards and interpretations are mandatory for the Group's accounting periods beginning on or after 1st January 2007 and are relevant to the Group. The adoption of them has no material impact to the Group's financial statements.

— HKFRS 7, "Financial instruments: Disclosures", and the complementary amendment to HKAS 1, "Presentation of financial statements — Capital disclosures", introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the Group's financial instruments, or the disclosures relating to taxation and accounts payables.

— HK(IFRIC) — Int 8, "Scope of HKFRS 2", requires consideration of transactions involving the issuance of equity instruments, where the identificable consideration received is less than the fair value of the equity instruments issued in order to establish whether or not they fall within the scope of HKFRS 2. This standard does not have any impact on the Group's financial statements.

— HK(IFRIC) — Int 10, " Interim financial reporting and impairment", prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date. This standard does not have any impact on the Group's financial statements.

3. **Segment information**

At 31st December 2007, the Group is organized into two main business segments: (i) television advertising business; and (ii) film and TV dramas business. Other Group operations mainly comprise the provision of IP Telephony and related services. Neither of these constitutes a separately reportable segment for the year.

There are no sales between the business segments.

The Group's two business segments both operate in the PRC. No geographical segment information is presented.

	2007			
	Television advertising	**Film and TV drama**	**Others**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Sales	**146,796**	**39,581**	**705**	**187,082**
Segment results	**(58,098)**	**17,479**	**(2,826)**	**(43,445)**
Interest income on loan to a JCE				**12,669**
Exchange gain				**22,425**
Share of profits of jointly controlled entities				**3,990**
Unallocated costs, net				**(12,755)**
Operating loss				**(17,116)**
Finance costs				**(48,184)**
Fair value loss on financial assets at fair value through profit or loss				**(1,652)**
Fair value loss on investment in preference shares				**(30,708)**
Loss before taxation				**(97,660)**
Taxation				**16,380**
Loss for the year				**(81,280)**
Minority interests				**—**
Loss attributable to equity holders of the Company				**(81,280)**
Segment assets	**813,073**	**164,576**	**21,049**	**998,698**
Goodwill				**496,379**
Interests in jointly controlled entities				
— current				**108,712**
— non-current				**240,532**
Unallocated assets				**157,653**
Total assets				**2,001,974**
Segment liabilities	**928,622**	**54,034**	**—**	**982,656**
Unallocated liabilities				**43,400**
				1,026,056
Capital expenditure				
Allocated	**187**	**10,724**	**15**	**10,926**
Unallocated				**4,144**
Depreciation				
Allocated	**662**	**294**	**13**	**969**
Unallocated				**678**
Amortization	**173,677**	**6,553**	**—**	**180,230**

	2006			
	Television advertising *HK$'000*	Film and TV drama *HK$'000*	Others *HK$'000*	Total *HK$'000*
Sales	217,725	62,594	24,583	304,902
Segment results	44,623	32,121	6,877	83,621
Interest income on loan to a JCE				8,798
Exchange gain				9,446
Share of profits of jointly controlled entities				10,944
Unallocated costs, net				(10,915)
Operating profit				101,894
Finance costs				(51,232)
Fair value gain on financial assets at fair value through profit or loss				185,553
Fair value gain on investment in preference shares				34,317
Share of profits of a former associated company				5,990
Profit before taxation				276,522
Taxation				(12,065)
Profit for the year				264,457
Minority interests				147
Profit attributable to equity holders of the Company				264,604
Segment assets	919,129	129,918	15,748	1,064,795
Goodwill	378,988	117,096	—	496,084
Interests in jointly controlled entities				
— current				84,384
— non-current				70,259
Unallocated assets				128,027
Total assets				1,843,549
Segment liabilities	929,652	48,949	649	979,250
Unallocated liabilities				124,354
				1,103,604
Capital expenditure				
Allocated	979,322	40,038	42	1,019,402
Unallocated				1,608
Depreciation				
Allocated	520	399	68	987
Unallocated				319
Amortization	164,176	17,584	—	181,760

4. Finance costs

	Group 2007 HK$'000	2006 HK$'000
Interest expenses on:		
Bank loan wholly repayable within five years	**1,438**	3
Other loans wholly repayable within five years	**—**	556
	1,438	559
Notional non-cash interest accretion on:		
— Convertible notes	**4,842**	4,380
— Pre-agreed periodic payments on exclusive advertising agency right	**41,904**	46,293
	46,746	50,673
	48,184	51,232

5. (Loss)/profit before taxation

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

	Group 2007 HK$'000	2006 HK$'000
Other gains		
Exchange gain	**22,425**	9,446
Expenses by nature		
Depreciation of property, plant and equipment	**1,647**	1,306
Amortization of intangible assets	**180,230**	181,760
Auditors' remuneration	**1,980**	1,622
Provision for bad and doubtful debts	**27,038**	—
Loss on disposal of property, plant and equipment	**72**	—
Operating lease rentals — land and buildings	**4,532**	4,538
Donations	**795**	—
Staff costs (excluding directors' remuneration):		
Wages and salaries	**12,315**	16,101
Contributions to defined contribution pension schemes	**703**	457
	13,018	16,558

6. Taxation

Hong Kong profits tax has been provided at the rate of 17.5% on the estimated assessable profit for the year (2006: 17.5%). Taxation on profits outside Hong Kong has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the regions/countries in which the Group operates.

Provision for PRC Enterprise Income Tax is computed according to the relevant laws and regulations in the PRC. The applicable income tax rate was 33% for the year ended 31st December 2006. On 17th March 2007, the Corporate Income Tax Law of the People's Republic of China ("new tax law") was passed and will take effect on 1st January 2008. As a result of the new tax law, it is expected that the income tax rate applicable to the subsidiaries now comprising the Group will be reduced from 33% to 25% from 1st January 2008. The new rates were considered to measure the Group's deferred tax assets and deferred tax liabilities as at 31st December 2007. The enactment of the new tax law is not expected to have any financial effect on the amounts accrued in the balance sheet in respect of current tax payable.

	2007	2006
	HK$'000	*HK$'000*
Current income tax		
— Hong Kong profits tax	**—**	—
— Overseas taxation	**12**	24,003
Deferred income tax	**(16,392)**	(11,938)
	(16,380)	12,065

The taxation on the Group's (loss)/profit before taxation differs from the theoretical amount that would arise using the weighted average tax rate applicable to (losses)/profits of the consolidated entities as follows:

	2007	2006
	HK$'000	*HK$'000*
(Loss)/profit before taxation	**(97,660)**	276,522
Tax calculated at domestic tax rates applicable to profits in the respective countries	**(29,223)**	49,333
Income not subject to tax	**(556)**	(44,584)
Expenses not deductible for tax purposes	**7,397**	2,951
Utilization of previously unrecognized tax losses	**(5,983)**	—
Unrecognized tax losses	**2,718**	4,365
Effect on deferred taxation arising from change in statutory tax rate	**9,267**	—
Tax (credit)/charge	**(16,380)**	12,065

The weighted average applicable tax rate was 29.9% (2006: 17.8%). The increase is caused by a change in the profitability of the Group's subsidiaries in the respective countries.

7. Earnings per share

Basic

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

	2007	2006
	HK'000	*HK'000*
(Loss)/profit attributable to equity holders of the Company	**(81,280)**	264,604
Weighted average number of ordinary shares in issue (thousands)	**14,611,619**	11,236,269
Basic earnings per share (HK cents per share)	**(0.56)**	2.36

Diluted

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. The Company has three categories of potential ordinary shares: share options, convertible note and warrants. The convertible note is assumed to have been converted into ordinary shares, and the net (loss)/profit is adjusted to eliminate the interest expense less the tax effect. For the share options and warrants, 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 shares) 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.

There were no outstanding share options at 31st December 2007. The conversion of all potential ordinary shares arising from convertible notes and warrants would have an anti-dilutive effect on the earnings per share for the year ended 31st December 2007.

The conversion of all potential ordinary shares arising from convertible notes would have an anti-dilutive effect on the earnings per share for the year ended 31st December 2006.

The diluted earnings per share for the year ended 31st December 2006 is calculated as below:

	2006
	HK'000
Profit attributable to equity holders of the Company	264,604
Weighted average number of ordinary shares in issue (thousands)	11,236,269
Adjustments for assumed conversion of share options (thousands)	93,909
Weighted average number of ordinary shares for diluted earnings per share (thousands)	11,330,178
Diluted earnings per share (HK cents per share)	2.34

8. Dividends

The directors do not recommend the payment of a final dividend in respect of the year ended 31st December 2007 (2006: Nil).

The Group has paid interim dividend in specie of HK$211,206,000 (HK$0.022 per share) in May 2006 by distributing 113,318,812 ordinary shares of DVN (Holdings) Limited to its then shareholders. The distribution was made out of share premium account of the Company.

9. Intangible assets

	Goodwill *HK$'000*	Exclusive advertising agency right *HK$'000*	Program and film rights *HK$'000*	Program and film production in progress *HK$'000*	Total *HK$'000*
At 1st January 2006					
Cost	189,798	—	50,562	12,862	253,222
Accumulated amortization	—	—	(5,265)	—	(5,265)
Net book amount	189,798	—	45,297	12,862	247,957
Year ended 31st December 2006					
Opening net book amount	189,798	—	45,297	12,862	247,957
Acquisition of a subsidiary	3,846	—	—	—	3,846
Additional purchase consideration and transaction costs	302,329	—	—	—	302,329
Additions	—	976,180	8,857	29,060	1,014,097
Amortization expense	—	(164,176)	(17,584)	—	(181,760)
Exchange difference	111	24,948	1,406	1,135	27,600
Closing net book amount	496,084	836,952	37,976	43,057	1,414,069
At 31st December 2006					
Cost	496,084	1,004,342	58,503	43,057	1,601,986
Accumulated amortization	—	(167,390)	(20,527)	—	(187,917)
Net book amount	496,084	836,952	37,976	43,057	1,414,069
Year ended 31st December 2007					
Opening net book amount	**496,084**	**836,952**	**37,976**	**43,057**	**1,414,069**
Additions	**—**	**—**	**7,111**	**3,009**	**10,120**
Reclassification	**—**	**—**	**8,691**	**(8,691)**	**—**
Disposals	**—**	**—**	**—**	**(9,027)**	**(9,027)**
Amortization expense	**—**	**(173,677)**	**(6,553)**	**—**	**(180,230)**
Exchange difference	**295**	**55,988**	**2,431**	**2,676**	**61,390**
Closing net book amount	**496,379**	**719,263**	**49,656**	**31,024**	**1,296,322**
At 31st December 2007					
Cost	**496,379**	**1,078,894**	**75,211**	**31,024**	**1,681,508**
Accumulated amortization	**—**	**(359,631)**	**(25,555)**	**—**	**(385,186)**
Net book amount	**496,379**	**719,263**	**49,656**	**31,024**	**1,296,322**

During the year ended 31st December 2006, Beijing Hua Yi Qian Si Advertising Company Limited* ("Qiansi"), a wholly-owned subsidiary of the Group, has entered into an exclusive advertising agency agreement ("Agreement") with Hai Nan Haishi Tourist Satellite TV Media Co., Ltd.* ("Travel TV"), an associated company of a jointly controlled entity of the Group. Under the Agreement, Qiansi has been granted an exclusive right to sell all of the advertising resources of Travel TV in the period of up to six years since 1st January 2006. In return Qiansi has agreed to make pre-agreed monthly payments to Travel TV during the same period. Pre-agreed annual payment under the Agreement ranged from RMB180 million to RMB207 million per annum.

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

Amortization of HK$180,230,000 (2006: HK$181,760,000) is included in the cost of sales.

(*) 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.

10. Trade receivables

At 31st December 2007, the aging analysis of trade receivables is as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
0 — 3 months	**46,886**	26,306
4 — 6 months	**1,812**	32,974
Over 6 months	**56,665**	25,754
	105,363	85,034
Provision for doubtful debts (all made against trade receivables aged over 6 months)	**(27,652)**	—
	77,711	85,034

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

As at 31st December 2007, trade receivables of HK$27,652,000 (2006: Nil) were considered impaired and thus the same amount of provision for doubtful debts was made against the trade receivables (all aged over 6 months). Of the remaining net trade receivables aged over 6 months, subsequent settlement of approximately HK$15 million have been received.

11. Investment in preference shares

	Group 2007 HK$'000	2006 HK$'000
Investment in preference shares are split into:		
— Available-for-sale portion	—	48,750
— Derivative portion	—	49,145
End of year	—	97,895

Investment in preference shares represents 15,000,000 non-voting exchangeable preference shares of DVN (Group) Limited. These preference shares are exchangeable, after adjustment, to approximately 31,250,000 ordinary shares of DVN (Holdings) Limited, a listed company, at an adjusted conversion price of HK$3.72 per share, and are subject to adjustments.

The change in the fair value of the derivative position of the investment in preference shares is included in the income statement. During the year, fair value loss on the investment in preference shares amounted to HK$30,708,000 (2006: fair value gain of HK$34,317,000).

The investment in preference shares were sold to a third party at a consideration of approximately HK$68.6 million during the year. For details of the transaction, please refer to the announcement issued by the Company dated 21st June 2007.

12. Trade payables

At 31st December 2007, the aging analysis of trade payables is as follows:

	Group 2007 HK$'000	2006 HK$'000
0 — 3 months	—	17
4 — 6 months	—	231
Over 6 months	—	35
	—	283

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Prospects

The board of directors (the "Board") is pleased to present the annual results of the Group for the year ended 31st December 2007. In 2007, the Group reported a turnover of approximately HK$187,082,000 (2006: HK$304,902,000) and a loss attributable to shareholders of HK$81,280,000 (2006: a profit of HK$264,604,000). Excluding finance costs and fair value loss on investment in preference shares and financial assets at fair value through profit or loss, the Group made operating loss of HK$17,116,000 (2006: operating gain of HK$101,894,000).

The downturn of the Group's performance was mainly due to the absence in the current year of the one-off fair value gain on financial assets made in relation to the ordinary shares and preference shares of DVN (Holdings) Limited ("DVN") (Hong Kong stock code: 0500) held by the Group amounting to HK$184,799,000 and HK$34,317,000 respectively in the last fiscal year, and the incurring of the fair value loss on financial assets made in relation to preference shares of DVN of HK$30,708,000 for the year. These preference shares were disposed by the Group in June 2007. In addition, the Group has made provision for doubtful debts amounting to HK$27,038,000 during the year, while there was no such provision made in the last fiscal year.

During the year, the Group has strategically adjusted the advertising policies of Travel Channel by reducing the weight of direct marketing and classified advertisement in its advertising mix. As a result, a temporary drop in advertising revenue was recorded for the year as expected. However, revenue from selling commercial air time and embedded advertisements increased as a result of the Group's effort in enhancing the image of the Travel Channel, driving a much better performance of the Group in the second half of the year comparing to the first half of the year.

The Group has entered into an agreement with Poly Culture & Arts Co., Ltd. ("PCACL") through its wholly-owned subsidiary, Beijing Hua Yi Hao Ge Media Culture Co., Ltd. ("HYHG") to increase its share of future earnings of Asian Union Film and Media ("AUFM", which major investment is the 49% equity interests in the operating company of Travel Channel) from 50% to 75%. The Group's ownership in AUFM remains at 50%. The transaction will allow AUFM to realize its full business potential.

On 31st March 2008, the Group has entered into a share purchase agreement with Selamead Holdings Limited to acquire Blower Investments Limited ("Blower Investments") and its subsidiary Guangdong Zhong Guan Media Company Limited. Under this agreement, the consideration for the acquisition is determined based on the fair value and other conditions (including whether that the audited consolidated net profit of Blower Investments (subject to certain adjustments) for the years ending 31st December 2008 and 2009 is or exceeds HK$80,000,000 and HK$100,000,000 respectively), and the maximum number of consideration shares of 2,100,000,000 shares shall be issued in three tranches over a three-year period. Such shares are subject to a lock-up period of a maximum of 24 months from respective date of issuance.

Blower Investments operates mainly advertising agency business in China and is the exclusive advertising agent for a major satellite television channel in the country. Apart from directly increasing its advertising resources and sales income, the Group expects the new business and the Travel Channel advertising business to complement and present synergies to each other. Furthermore, the acquisition will facilitate the building of a centralized advertising sales system by the Group on a cross media platform, enabling the Group to boost its ability to serve advertising clients and its position in the China satellite TV market and as a TV advertising agency.

Television Advertising Business

The prospering Chinese economy has boosted the country's consumption power and in turn fueled demand for advertising. As television is the most popular platform for advertisers to promote their products and services, television advertising business continued to be the Group's main income source for the year. Through its wholly-owned subsidiary Beijing Hua Yi Qian Si Advertising Company Limited ("Qiansi"), the Group holds exclusive agency rights for all advertising resources of the Travel Channel, from which it derived an advertising revenue of approximately HK$146,796,000 (2006: HK$217,725,000), about 78% of the Group's total turnover.

The drop in advertising revenue against the previous year was mainly because certain kind of direct marketing and classified advertisements were barred from broadcast on all TV channels by the State Administration of Radio, Film and Television during the year, leading to customers adjusting their advertising strategies and shrinkage of income from direct marketing and classified advertisements. However, since classified advertisements have relatively low rating and no longer match with the profile of the Travel Channel, the management sees the drop as transient and beneficial to the Group in the long run. By adjusting the advertising schedule and selling to direct customers, the Group's advertising revenue from selling commercial air time and embedded advertisements to customers has increased during the year, with turnover amount in the second half of the year year being 27% higher than that in the first half of the year.

During the year, the Group continued to focus on producing more high quality programs for the Travel Channel to enhance its image and appeal to target viewers — middle to high class viewers with generally higher education, income level and consumption power, thereby ensured continuous growth of its advertising business. A CSM research found that Travel Channel is among the top 10 provincial satellite TV channels within its target viewer group (in term of prime time rating).

As for advertising customers, the unique positioning and fresh and popular contents on the Travel Channel had allowed the Group to expand its customer base with the high quality advertisers of reputable brands in China and across the world, covering different industries including finance, automobile, consumer products and travel/leisure, and internationally acclaimed brands such as BMW, Honda, Peugeot, Lexus, Sinopec, Nokia, Sony Ericsson, Samsung, LG, Canon, HP, Intel, VISA, Red Bull, Neutrogena, L'Oreal, Mengniu and National Geographic etc. Boasting strong promotional effect, Travel Channel was able to secure one-year advertising contracts with many famous brands involving title sponsorship of programs, trailer/slogan sponsorship and all-round brand promotion programs, etc. These contracts provided stable income to the Group and at the same time improved the profile of Travel Channel.

In addition, the Group and Hai Nan Haishi Tourist Satellite TV Media Co. Ltd. ("Hainan TV") has reached an agreement during the year wherein Hainan TV agreed to lower the exclusive agency fee for the year by approximately HK$33,000,000.

As the Beijing 2008 Olympics approaches, frenzy toward the global sports event is building and more and more enterprises, domestic and overseas, see that as the perfect chance to promote their products. This trend will provide major growth impetus to the media and advertising market in China. The Travel Channel, in particular, will be an ideal platform for upscale advertisers targeting quality customers, and the Group is confident of capturing the tremendous business opportunities.

To attract more new customers, the Group has expanded its program production team targeting to create more Olympics-themed content. It is looking into introduce more interactive elements in the programs (e.g. organizing large scale activities and social evenings) to encourage direct audience participation, boost ratings and expand source of revenue. The boosted contents will strengthen the premium image of Travel Channel and secure viewers for it, hence present an effective advertising platform for advertisers of prominent brands to capture viewers with high spending power. The Group expects its television advertising revenue will continue to grow in 2008.

Moreover, in order to build its cross media and centralized advertising sales system, management is actively seeking to expand the advertising resources in other satellite TV channels, boosting its ability to serve advertising clients so as to increase advertising revenue. The aforesaid acquisition of Blower Investments is a solid first step of the Group's growth strategy.

Movie and TV Drama

During the year, this segment recorded a revenue of HK$39,581,000 (2006: HK$62,594,000), making up 21% of the Group's total turnover. Apart from distributing films and TV dramas in China and overseas markets, the Group was also involved in investment of new movies and TV dramas productions. Premiere of one of the movies has been scheduled in the first half of 2008. With Chinese movies gaining popularity overseas, the Group will look to invest in small and medium scale projects with potentials, which will allow it to effectively control risk yet assure stable returns.

In 2008, the Group has sold part of its movie archive through new media distribution channels such as IPTV. To realize the full potential of the Group's movie and TV drama library, being one of the largest and richest in China, management is actively seeking to develop new distribution channel resources including digital TV channels, mobile TV and Internet TV. Through such moves the Group aims at establishing a full media platform across traditional and new media formats and thus expanding the distribution channels and potential value for the Group's rich movie and TV drama contents.

The emergence of new media and growing adoption of broadband application have fueled demand for high quality contents. The Group will actively enhance the brand value of its content by investing in movie and TV drama productions as well as developing and aggregating different content materials including sports, travel/leisure, lifestyle/entertainment, music and finance, and to bring lucrative returns to the Group.

Communication and Home Audio Division

With the Group focusing on developing media business in China, the management has decided to gradually exit from this non-core business. During the year, the Group completed the disposal of the operation, and the results and disposal of the operation had no major impact to the Group for the year.

Financial Review

Liquidity and financial resources

As at 31st December 2007, the Group held cash deposits of approximately HK$165,288,000, being an increase of 4.43 times compared to 31st December 2006. This is mainly because the funds raised through share placements during the year have not yet been fully invested and utilized. The current ratio slightly decreased from 1.17 as at 31st December 2006 to 1.04 as at 31st December 2007. The gearing ratio, representing long term liabilities to net worth, decreased from 1.10 at 31st December 2006 to 0.63 at 31st December 2007.

The Group mainly operates in China and is exposed to foreign exchange risk arising from Renminbi currency exposures, primarily with respect to the HK dollars. All borrowings during the year were based on market interest rate. Other than the outstanding short-term bank borrowings of approximately HK$32,332,000 (2006: HK$22,776,000), the Group had no long-term bank loan outstanding as at 31st December 2007 (2006: Nil). As at 31st December 2007, the Group has pledged bank deposits of HK$33,983,000 (2006: HK$17,000,000) against its short-term bank borrowings.

Capital structure

The Group has mainly relied on its internally generated cash flow and short-term bank borrowings to finance its operations. As at 31st December 2007, the Group has outstanding short-term bank borrowings of approximately HK$32,332,000 (2006: HK$22,776,000).

During the year, the Company has issued (i) 500,000,000 new ordinary shares at HK$0.07 each upon a share placement; (ii) 2,202,234,673 new ordinary shares upon the conversion of a convertible notes; (iii) 277,400,000 new ordinary shares at HK$0.054 each upon the exercise of outstanding share options; and (iv) 1,200,000,000 new ordinary shares at HK$0.16 each upon a share placement.

Number and remuneration of employees, remuneration policies, bonus and share option schemes and training schemes

As at 31st December 2007, the Group employed a total of 9 full-time employees in Hong Kong and a work force of about 117 in the PRC. The Group operates different remuneration schemes for sales and non-sales employees. Sales personnel are remunerated on the basis of on-target-earning packages comprising salary and sales commission. Non-sales personnel are remunerated by monthly salary which is reviewed by the Group from time to time and adjusted based on performance. In addition to salaries, the Group provides staff benefits including medical insurance, contribution to staff provident fund and discretionary training subsidies. Share options and bonuses are also available at the discretion of the Group and depending on the performance of the Group.

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

During the year ended 31st December 2007, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed shares of the Company.

AUDIT COMMITTEE

The Audit Committee comprises three Independent Non-executive Directors who possess the appropriate business and financial experience and skills to understand the financial statements. As at 31st December 2007, the Audit Committee is chaired by Mr. Yuen Kin and the other members of the Committee are Dr. Wong Yau Kar David and Mr. Yin Dikun. On 11th January 2008, Mr. Yin Dikun has resigned as Audit Committee member and on the same date, Mr. Li Ruigang has been appointed as audit committee member. The Audit Committee has adopted terms of references which are in line with the Code on Corporate Governance Practices. The Audit Committee has reviewed the Group's annual results for the year ended 31st December 2007.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

Throughout the year ended 31st December 2007, the Board has reviewed the Group's corporate governance practices and is satisfied that the Company has complied with the code provisions in the Code on Corporate Governance Practices ("the Code") set out in Appendix to the Listing Rules, except with the following deviation:

Code Provision A.2.1

During the year ended 31st December 2007, there was no separation of the role of Chairman ("Chairman") and Chief Executive Officer ("CEO") as set out in the code provision A.2.1. Mr. Dong Ping assumed the role of both the Chairman and the CEO of the Company. While the Company was still seeking for appropriate candidate for the position of Chief Executive Officer, Mr. Dong who is also the Chairman is utilizing his extensive experience and network in the media industry to oversee the daily operation and business development of the Group. The Group considers that such arrangement is for the best interests of the shareholders.

On 11th January 2008, Mr. Dong Ping has resigned as the Chairman and Mr. Edward Tian Suning has been appointed as the Chairman of the Company. In addition, Mr. Wang Hong has been appointed as the CEO of the Company. Subsequent to that, the roles of the Chairman and CEO are segregated and are not exercised by the same individual, and accordingly, code provision A.2.1 has been complied with.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors (the "Model Code") set out in Appendix 10 of the Listing Rules. Upon enquiry by the Company, all directors of the Company have confirmed that they have complied with the required standards set out in the Model Code during the year.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the websites of the Company (www.irasia.com/listco/hk/asianunion) and Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk). The annual report of the Company for 2007 containing all the information required by the Listing Rules will be despatched to shareholders and made available on the above websites in due course.

APPRECIATION

The Board would like to take this opportunity to express gratitude to our employees for their diligence and dedication to the Group. We also thank our shareholders, customers, banks and business partners for their continuous support.

By Order of the Board
Edward Tian Suning
Chairman

Hong Kong, 24th April 2008

As at the date of the this announcement, the board of directors of the Company comprised Mr. Edward Tian Suning (Chairman and non-executive Director), Mr. Zhao Anjian (executive Director), Mr. Zhang Changsheng (Vice Chairman and an independent non-executive Director), Mr. Li Ruigang, Mr. Jiang Jianning, Mr. Yuen Kin and Dr. Wong Yau Kar David (each of whom is an independent non-executive Director).