mediachina
CORPORATION LIMITED
華億傳媒有限公司

MEDIA CHINA CORPORATION LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 419)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2008

HIGHLIGHTS

— Despite the challenging operating environment in 2008, our television advertising revenue still grew by 21% to HK$177,818,000 for the year ended 31 December 2008 (2007: HK$146,796,000).

— Strong cash position with total cash on hand amounted to approximately HK$216,511,000 as at 31 December 2008 (2007: HK$165,288,000). There was no outstanding bank borrowing as at 31 December 2008 (2007: HK$32,332,000).

— Excluding minority interests, taxation, finance costs and the non-cash asset impairment expense and share-based payment expense, the net loss of the Group was approximately HK$75,302,000.

The board of directors (the "Board") of Media China Corporation Limited (the "Company") is pleased to announce the results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2008, together with the comparative figures for 2007, as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2008

	Notes	**2008** **HK$'000**	2007 HK$'000 (Note 13)
Sales		**179,431**	187,082
Cost of sales		**(230,144)**	(155,774)
Gross (loss)/profit		**(50,713)**	31,308
Other gains/(losses), net		**12,588**	(13,728)
Marketing and selling expenses		**(25,862)**	(32,203)
Administrative expenses		**(177,681)**	(38,843)
Provision for impairment of intangible assets	9	**(173,843)**	—
		(415,511)	(53,466)
Finance costs	4	**(40,963)**	(48,184)
Share of profits of jointly controlled entities		**13,328**	3,990
Loss before taxation	5	**(443,146)**	(97,660)
Taxation	6	**2,091**	16,380
Loss for the year		**(441,055)**	(81,280)
Attributable to:			
Equity holders of the Company		**(441,117)**	(81,280)
Minority interests		**62**	—
		(441,055)	(81,280)
Loss per share for loss attributable to the equity holders of the Company during the year		***HK Cents***	*HK Cents*
– Basic	7	**(2.49)**	(0.56)
– Diluted	7	**N/A**	N/A
Dividend	8	**—**	—

CONSOLIDATED BALANCE SHEET
As at 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**7,489**	8,759
Intangible assets	9	**978,060**	1,296,322
Interests in jointly controlled entities		**267,639**	240,532
Deferred tax assets		**35,794**	34,629
		1,288,982	1,580,242
CURRENT ASSETS			
Exclusive advertising agency right	9	**401,911**	—
Trade receivables	10	**55,248**	77,711
Amounts due from a jointly controlled entity and its subsidiaries		**106,798**	108,712
Financial assets at fair value through profit or loss		**11,130**	20,538
Prepayments, deposits and other receivables		**121,196**	49,483
Pledged bank deposits		**—**	33,983
Cash and cash equivalents		**216,511**	131,305
		912,794	421,732
CURRENT LIABILITIES			
Agency fee payables - current		**785,367**	317,809
Trade payables	11	**24,880**	—
Receipt in advance, other payables and accrued liabilities	11	**79,532**	30,204
Current income tax liabilities		**30,062**	26,594
Short-term bank borrowing		**—**	32,332
		919,841	406,939
NET CURRENT (LIABILITIES)/ASSETS		**(7,047)**	14,793
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,281,935**	1,595,035
NON-CURRENT LIABILITIES			
Agency fee payables - non-current		**418,209**	573,603
Convertible notes		**44,271**	40,931
Deferred tax liabilities		**4,076**	4,583
		466,556	619,117
NET ASSETS		**815,379**	975,918
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital		**186,976**	162,182
Reserves		**627,762**	813,736
		814,738	975,918
Minority interests		**641**	—
TOTAL EQUITY		**815,379**	975,918

Notes:

1. Corporate information

Media China Corporation Limited (formerly known as Asian Union New Media (Group) Limited) (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.

2. 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"). These consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial asset at fair value through profit or loss which is carried at fair value.

As at 31 December 2008, the Group had net current liabilities of approximately HK$7 million (2007: net current assets of approximately HK$15 million). The directors are of the opinion that, having taken into account the expected operating cash inflow and the available financial resources of the Group, the Group has sufficient financial resources to meet its liabilities as and when they fall due for the foreseeable future and the Group will be able to continue as a going concern. Consequently, the consolidated financial statements have been prepared on a going concern basis.

(a) ***Amendment and interpretations effective in 2008***

- HKAS 39, 'Financial Instruments: Recognition and measurement', amendment on reclassification of financial assets permits reclassification of certain financial assets out of the held-for-trading and available-for-sale categories if specified conditions are met. The related amendment to HKFRS 7, 'Financial Instruments: Disclosures', introduces disclosure requirements with respect to financial assets reclassified out of the held-for-trading and available-for-sale categories. The amendment is effective prospectively from 1 July 2008. This amendment does not have any impact on the Group's financial statements, as the Group has not reclassified any financial assets.

- HK(IFRIC) - Int 11, 'HKFRS 2 - Group and Treasury Share Transactions', provides guidance on whether share-based transactions involving treasury shares or involving group entities (for example, options over a parent's shares) should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone financial statements of the parents and group companies. The adoption of this interpretation did not result in any significant changes to the Group's accounting policies.

(b) ***Interpretation effective in 2008 but not relevant***

The following interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2008 but they are not relevant to the Group's operations:

- HK(IFRIC) - Int 14, 'HKAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction'; and

- HK(IFRIC) - Int 12, 'Service Concession Arrangements'.

(c) ***Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group***

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2009 or later periods, but the Group has not early adopted them:

- HKAS 1 (Revised), 'Presentation of Financial Statements' (effective from 1 January 2009). The revised standard will prohibit the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the consolidated income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The Group will apply HKAS 1 (Revised) from 1 January 2009. It is likely that both the consolidated income statement and statement of comprehensive income will be presented as performance statements.

- HKAS 23 (Revised), 'Borrowing Costs' (effective from 1 January 2009). The amendment requires an entity to capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The Group will apply HKAS 23 (Revised) from 1 January 2009 but is currently not applicable to the Group as there are no qualifying assets.

- HKFRS 8, 'Operating Segments' (effective from 1 January 2009). HKFRS 8 replaces HKAS 14 'Segment Reporting' and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about Segments of an Enterprise and Related Information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply HKFRS 8 from 1 January 2009. The expected impact is still being assessed in detail by management, but it appears likely that the number of reportable segments, as well as the manner in which the segments are reported, will change in a manner that is consistent with the internal reporting provided to the chief operating decision-maker. As goodwill is allocated to groups of cash-generating units based on segment level, the change will also require management to reallocate goodwill to the newly identified operating segments. Management does not anticipate that this will result in any material impairment to the goodwill balance.

- HKAS 32 (Amendment), 'Financial Instruments', and HKAS 1 (Amendment), 'Puttable Financial Instruments and Obligations Arising on Liquidation' (effective from 1 January 2009). The amendments require some puttable financial instruments and some financial instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation to be classified as equity. The Group will apply HKAS 32 and HKAS 1 Amendments from 1 January 2009, but it is not expected to have any impact on the Group's consolidated financial statements.

- HKAS 27 (Revised) 'Consolidated and Separate Financial Statements' (effective from 1 July 2009). The revised standard requires non-controlling interests to be presented in the consolidated statement of financial position within equity, separately from the equity of the owners of the parent. Total comprehensive income must be attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Changes in a parent's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity. When control of a subsidiary is lost, the assets and liabilities and related components of the former subsidiary are derecognized. Any gain or loss is recognized in the consolidated income statement. Any components of the former subsidiary are measured at its fair value at the date when control is lost. The Group will apply HKAS 27 (Revised) from 1 January 2010.

- HKFRS 3 (Revised) 'Business Combination' (effective from business combinations with acquisition date on or after the beginning of the first annual reporting period beginning on or after 1 July 2009). The revised standard may bring more transactions into acquisition accounting as combinations by contract alone and combinations of mutual entities are brought into the scope of the standard and the definition of a business has been amended slightly. It now states that the elements are "capable of being conducted" rather than "are conducted and managed". It requires considerations (including contingent consideration), each identifiable asset and liability to be measured at its acquisition-date fair value, except leases and insurance contracts, reacquired right, indemnification assets as well as some assets and liabilities required to be measured in accordance with other HKFRSs. They are income taxes, employee benefits, share-based payment and non-current assets held for sale and discontinued operations. The Group will apply HKFRS 3 (Revised) from 1 January 2010.

- HKFRS 2 (Amendment) 'Share-based Payment Vesting Conditions and Cancellations' (effective from 1 January 2009). The amendment clarifies the definition of "vesting conditions" and specifies the accounting treatment of "cancellations" by the counterparty to a share-based payment arrangement. Vesting conditions are service conditions (which require a counterparty to complete a specified period of service) and performance conditions (which require a specified period of service) and performance conditions (which require a specified period of service and specified performance targets to be met) only. All "non-vesting conditions" and vesting conditions that are market conditions shall be taken into account when estimating the fair value of the equity instruments granted. All cancellations are accounted for as an acceleration of vesting and the amount that would otherwise have been recognized over the remainder of the vesting period is recognized immediately. The Group will apply HKFRS 2 (Amendment) from 1 January 2009, but it is not expected to have any impact on the Group's consolidated financial statements.

- HK(IFRIC) - Int 16, 'Hedges of a Net Investment in a Foreign Operation' (effective from 1 October 2008). HK(IFRIC) - Int 16 clarifies the accounting treatment in respect of net investment hedging. This includes the fact that net investment hedging relates to differences in functional currency not presentation currency, and hedging instruments may be held anywhere in the Group. The requirements of HKAS 21, 'The Effects of Changes in Foreign Exchange Rates', do apply to the hedged item. The Group will apply HK(IFRIC) - Int 16 from 1 January 2009. It is not expected to have a material impact on the Group's financial statements.

- HK(IFRIC) - Int 17, 'Distributions of Non-Cash Assets to Owners' (effective from 1 July 2009). This interpretation applies to non-reciprocal distributions of non-cash assets (or with a cash alternative) except for common control transactions and clarifies that:

  — a dividend payable shall be recognized when the dividend is appropriately authorized and is no longer at the discretion of the entity.

  — the dividend payable shall be measured at the fair value of the assets to be distributed.

  — the difference between the dividend paid and the carrying amount of the assets distributed shall be recognized in profit or loss.

  HK (IFRIC) - Int 17 is not relevant to the Group's operations because none of the Group's companies have distributed non-cash assets to owners.

- HK(IFRIC) - Int 18, 'Transfers of Assets from Customers' (effective for transfers on or after 1 July 2009). It clarifies that an asset received from a customer should be recognized initially at fair value, and the related income should be recognized immediately or if there is a future service obligation, over the relevant service period. This Interpretation also applies to cash received from a customer for the acquisition or construction of an asset. HK(IFRIC)-Int 18 is not relevant to the Group's operations because none of the Group's companies have received any assets nor cash from customers.

- Certain HKICPA's improvements to HKFRS published in October 2008.

(d) ***Interpretations and amendments to existing standards that are not yet effective and not relevant for the Group's operations***

The following interpretations and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2009 or later periods, but are not relevant for the Group operations:

- HK(IFRIC) - Int 13, 'Customer Loyalty Programmes' (effective from 1 July 2008). HK(IFRIC) - Int 13 clarifies that where goods or services are sold together with a customer loyalty incentive, the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. HK(IFRIC) - Int 13 is not relevant to the Group's operations because none of the Group's companies operate any loyalty programmes.

- HKFRS 1 (Amendment), 'First-time Adoption of Hong Kong Financial Reporting Standards and HKAS 27 (Revised), 'Consolidated and Separate Financial Statements' (effective from 1 January 2009). The amended standard allows first-time adopters to use a deemed costs of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements. The amendment also removes the definition of the cost method from HKAS 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor. This amendment is not relevant to the Group.

- Certain HKICPA's improvements to HKFRS published in October 2008.

3. Segment information

At 31 December 2008, the Group is organized into two main business segments: (i) television advertising business; and (ii) content production business (formerly known as film and TV drama business). Others mainly comprise securities investment business, which does not constitute a separately reportable segment for the year.

There are no sales between the business segments.

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

	2008			
	Television advertising	**Content production**	**Others**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Sales	**177,818**	**1,613**	**—**	**179,431**
Segment results	**(100,766)**	**(48,627)**	**(9,437)**	**(158,830)**
Interest income on loans from a JCE				**19,381**
Exchange gain				**22,891**
Provision for impairment of intangible assets	**—**	**(173,843)**	**—**	**(173,843)**
Share-based payments				**(77,135)**
Unallocated costs, net				**(47,975)**
				(415,511)
Finance costs				**(40,963)**
Share of profits of jointly controlled entities				**13,328**
Loss before taxation				**(443,146)**
Taxation				**2,091**
Loss for the year				**(441,055)**
Minority interests				**(62)**
Loss attributable to equity holders of the Company				**(441,117)**
Segment assets	**1,114,971**	**90,580**	**11,196**	**1,216,747**
Goodwill	**397,433**	**—**	**—**	**397,433**
Interests in jointly controlled entities				
- current				**106,798**
- non-current				**267,639**
Unallocated assets				**213,159**
Total assets				**2,201,776**
Segment liabilities	**1,299,505**	**4,649**	**—**	**1,304,154**
Unallocated liabilities				**82,243**
Total liabilities				**1,386,397**
Capital expenditure				
Allocated	**393,688**	**2,293**	**—**	**395,981**
Unallocated				**579**
Depreciation				
Allocated	**599**	**339**	**—**	**938**
Unallocated				**1,418**
Amortization	**185,071**	**1,164**	**—**	**186,235**

	2007			
	Television advertising	Content production	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 loans from a JCE				12,669
Exchange gain				22,425
Unallocated costs, net				(45,115)
				(53,466)
Finance costs				(48,184)
Share of profits of jointly controlled entities				3,990
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	778,444	163,746	21,049	963,239
Goodwill	379,213	117,166	—	496,379
Interests in jointly controlled entities				
- current				108,712
- non-current				240,532
Unallocated assets				193,112
Total assets				2,001,974
Segment liabilities	913,995	37,484	—	951,479
Unallocated liabilities				74,577
Total liabilities				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

Segment assets consist primarily of tangible and intangible assets, other non-current assets, receivables and operating cash. They exclude financial assets at fair value through profit and loss, deferred tax assets and cash and cash equivalents for the corporate use.

Segment liabilities comprise operating liabilities including payable and accrued liabilities. They exclude items such as convertible note, 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.

4. Finance costs

	2008	2007
	HK$'000	*HK$'000*
Interest expenses on bank loan wholly repayable within 5 years	**1,492**	1,438
Notional non-cash interest accretion on:		
- Convertible notes	**3,340**	4,842
- Pre-agreed periodic payments on exclusive advertising agency right	**36,131**	41,904
	39,471	46,746
	40,963	48,184

5. Loss before taxation

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

	2008	2007
	HK$'000	*HK$'000*
Other gains		
Exchange gain	**22,891**	22,425
Expenses by nature		
Depreciation of property, plant and equipment	**2,356**	1,647
Amortization of intangible assets	**186,235**	180,230
Auditor's remuneration	**2,321**	1,980
Provision for impairment of trade and other receivables	**75,903**	27,038
Provision for impairment of intangible assets	**173,843**	—
Loss on disposal of property, plant and equipment	**82**	72
Operating lease rentals - land and buildings	**5,156**	4,532
Share-based payments (excluding those disclosed in staff costs below)	**57,748**	—
Staff costs:		
Directors' fees	**720**	576
Wages and salaries	**17,330**	12,315
Share-based payments	**19,387**	—
Contributions to defined contribution pension schemes	**731**	703
	38,168	13,594

6. Taxation

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profit of the year. Taxation on profits outside Hong Kong has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the regions/countries in which the Group operates.

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

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

	2008	2007
	HK$'000	*HK$'000*
Current income tax		
– Hong Kong profits tax	**—**	—
– PRC Corporate Income Tax	**924**	12
Deferred income tax	**(3,015)**	(16,392)
	(2,091)	(16,380)

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

	2008	2007
	HK$'000	*HK$'000*
Loss before taxation	**(443,146)**	(97,660)
Tax calculated at domestic tax rates applicable to the profit or loss in the respective countries	**(82,750)**	(29,223)
Income not subject to tax	**(1,904)**	(556)
Expenses not deductible for tax purposes	**33,215**	6,943
Utilization of previously unrecognized tax losses	**—**	(5,983)
Unrecognized tax losses	**49,348**	2,718
Effect on deferred taxation arising from change in statutory tax rate	**—**	9,721
Tax credit	**(2,091)**	(16,380)

The weighted average applicable tax rate was 18.7% (2007: 29.9%). The decrease is mainly caused by the decrease of statutory tax rate of the Group's subsidiaries in the PRC from 33% to 25% since 1 January 2008.

7. Loss per share

Basic

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

	2008	2007
Loss attributable to equity holders of the Company (HK$'000)	**(441,117)**	(81,280)
Weighted average number of ordinary shares in issue (thousands)	**17,708,924**	14,611,619
Basic loss per share (HK cents per share)	**(2.49)**	(0.56)

Diluted

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. As at 31 December 2008, the Company has two categories of potential ordinary shares: share options and convertible notes (2007: convertible notes and warrants). The convertible notes are assumed to have been converted into ordinary shares, and the net loss 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 market share price of the Company's shares during the year) based on the monetary value of the subscription rights attached to outstanding share options 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.

The conversion of all potential ordinary shares arising from convertible notes, share options and warrants would have an anti-dilutive effect on the loss per share for the year ended 31 December 2008 (2007: Same).

8. Dividend

The directors do not recommend the payment of a final dividend in respect of the year ended 31 December 2008 (2007: Nil).

9. Intangible assets

	Non-current assets						Current assets
	Goodwill	Exclusive advertising agency right	Programme and film rights	Programme and film production in progress	Others	Total	Exclusive advertising agency right
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2007							
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 31 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 31 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	—

	Non-current assets						Current assets
	Goodwill	Exclusive advertising agency right	Programme and film rights	Programme and film production in progress	Others	Total	Exclusive advertising agency right
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2008							
Opening net book amount	496,379	719,263	49,656	31,024	—	1,296,322	—
Acquisition of subsidiaries	17,984	—	—	—	1,284	19,268	373,563
Additions	—	—	2,101	—	—	2,101	28,348
Provision for impairment	(117,166)	—	(43,499)	(13,178)	—	(173,843)	—
Disposals	—	—	(1,134)	(14,849)	—	(15,983)	—
Amortization expense	—	(184,120)	(1,164)	—	(951)	(186,235)	—
Exchange difference	236	34,284	1,052	858	—	36,430	—
Closing net book amount	397,433	569,427	7,012	3,855	333	978,060	401,911
At 31 December 2008							
Cost	397,433	1,138,853	82,832	17,440	1,284	1,637,842	401,911
Accumulated amortization and impairment	—	(569,426)	(75,820)	(13,585)	(951)	(659,782)	—
Net book amount	397,433	569,427	7,012	3,855	333	978,060	401,911

Amortization of HK$186,235,000 (2007: HK$180,230,000) is included in the cost of sales.

During the year ended 31 December 2006, Beijing Hua Yi Qian Si Advertising Company Limited ("Qiansi"), a wholly-owned subsidiary of the Group, has entered into an exclusive advertising agency agreement ("Agreement") with Hai Nan Haishi Tourist Satellite TV Media Co., Ltd. ("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 1 January 2006. In return Qiansi has agreed to make pre-agreed monthly payments to Travel TV during the same period.

During the year, the Group has acquired an exclusive advertising agency right through acquisition of Blower Investment Limited and its subsidiaries (Note 12).

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

10. Trade receivables

At 31 December 2008, the aging analysis of trade receivables were as follows:

	2008	2007
	HK$'000	*HK$'000*
0 - 3 months	**47,943**	46,886
4 - 6 months	**6,326**	1,812
Over 6 months	**30,638**	56,665
	84,907	105,363
Provision for doubtful debts (all made against trade receivables aged over 6 months)	**(29,659)**	(27,652)
	55,248	77,711

The net carrying amounts of the trade receivable of the Group were denominated in the following currencies:

	2008	2007
	HK$'000	*HK$'000*
HK$	**—**	35,000
RMB	**55,248**	42,711
	55,248	77,711

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

Credit risk represents the accounting loss that would be recognized at the reporting date if counterparties failed to perform as contracted. As at 31 December 2008, trade receivables of HK$29,659,000 (2007: HK$27,652,000) were considered impaired and thus the same amount of provision for doubtful debts was made against those trade receivables balance (all aged over 6 months).

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

	2008	2007
	HK$'000	*HK$'000*
4 - 6 months	**6,326**	1,812
Over 6 months	**979**	29,013
	7,305	30,825

Management does not expect any material losses from non-performance by these counterparties.

Movements on the provision for doubtful debts were as follows:

	2008	2007
	HK$'000	*HK$'000*
At 1 January	**27,652**	—
Provision for doubtful debts	**49,971**	27,038
Write-off against trade receivables	**(49,284)**	—
Exchange differences	**1,320**	614
At 31 December	**29,659**	27,652

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

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

The maximum exposure to credit risk at the balance sheet date is the fair value of trade receivables disclosed above.

11. Trade payables, receipt in advance, other payables and accrued liabilities

	2008	2007
	HK$'000	*HK$'000*
Trade payables	**24,880**	—
Receipt in advance	**43,282**	13,282
Other payables and accrued liabilities	**36,250**	16,922
Total	**104,412**	30,204

At 31 December 2008, the aging analysis of trade payables were as follows:

	2008	2007
	HK$'000	*HK$'000*
0 - 3 months	**20,170**	—
4 - 6 months	**4,710**	—
	24,880	—

12. Significant acquisition

Details of net assets and goodwill acquired through business combinations during the year are as follows:

	HK$'000
Cash paid	536
Transaction costs	4,831
Fair value of shares issued	29,400
Total purchase consideration	34,767

The fair value of the shares issued was based on the published share price.

The assets and liabilities acquired through business combinations as of respective dates of acquisition are as follow:

	Fair value	**Acquiree's carrying amount**
	HK$'000	*HK$'000*
Net assets acquired:		
Intangible assets	374,847	—
Prepayments, deposits and receivables	30,938	30,938
Cash and cash equivalents	3,786	3,786
Receipt in advance, other payables and accrued liabilities	(387,908)	(30,415)
Deferred tax liabilities	(4,301)	—
	17,362	4,309
Minority interests	(579)	
Goodwill	17,984	
Total purchase consideration	34,767	

In October 2008, the Company has completed the acquisition of the entire issued share capital of Blower Investments Limited. 700 million ordinary shares of the Company have been issued as the first tranche of considerations for the acquisition. Pursuant to the acquisition agreement, a maximum of another 1,400 million ordinary shares of the Company will be issued as the second and third tranche of the considerations for the acquisition subject to certain conditions, one of which being whether the consolidated net profit of Blower Investments Limited and its subsidiaries (the "Blower Group") for the 12 months ending 30 June 2009 and 30 June 2010 (subject to certain adjustments) is or exceeds HK$80 million and HK$100 million respectively. For details, please refer to the Circular issued by the Group on 17 September 2008.

One of the key assets of the Blower Group is the exclusive advertising agency agreement with Guangdong Provincial Satellite Television ("Guangdong SAT TV"), pursuant to which Guangzhou Zhanshi Advertising Co., Ltd, a wholly-owned subsidiary of the Blower Group, has been appointed as the exclusive advertising agency for Guangdong SAT TV for the period from 1 January 2009 to 31 December 2011.

During the year, the Blower Group contributed sales and profits attributable to equity holders of the Company of HK$6,171,000 and HK$1,585,000 respectively for the period from October 2008 to 31 December 2008. If the acquisition had occurred on 1 January 2008, the Group's sales and profits attributable to equity holders of the Company would have been increased by HK$4,223,000 and HK$3,093,000 respectively.

There was no acquisition in the year ended 31 December 2007.

13. Comparative figures

Certain 2007 comparative figures have been reclassified in order to be consistent with the current year presentation. The fair value losses on financial assets at fair value through profit or loss and investment in preference shares have been included in other gains/(losses), net.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Prospects

The financial tsunami spread across the world in 2008, inflicting a heavy blow to the economies of China and the Asian region. Nevertheless, underpinned by a series of stimulus measures introduced by the Chinese government, China achieved a 9% growth in GDP last year and the disposable income per capita of urban residents increased by 8.4% year on year. China's economy still remained the driving force in the development of the global economy.

As the overall performance of the national economy was relatively good, China's media advertising industry excelled over its counterparts elsewhere last year. According to CTR Market Research, media advertising expenditure in China grew 15% over 2007 on the back of the Beijing Olympic Games. Meanwhile, media advertising expenditure in many developed countries edged up by less than 5% during the period, and those in a few developed countries even registered a decline. In terms of total media advertising expenditure, China was behind only the U.S.. Expenditure on television advertising exceeded that of other media, accounting for 76% of total media advertising expenditure in China. Last year, television advertising expenditure increased by 16%, beating the overall growth rate of the media advertising industry. Cosmetics/bathroom products, food, pharmaceuticals, commercial/service industries and beverages were the five sectors that spent the most on television advertising. Expenditures made by commercial and service industries posted the fastest growth at 34%.

Financial performance

The Group achieved a turnover of HK$179,431,000 in 2008, a decrease of 4% from HK$187,082,000 in 2007. Revenue from television advertising maintained satisfactory growth, increasing by 21% comparing to 2007. The competitive edges of the Group were further strengthened by successfully obtaining the exclusive advertising agency right of Guangdong Satellite TV. On the other hand, revenue from content production stagnated during 2008 as the Group took a relatively conservative approach to developing the business and did not make any major investment in this field.

Loss attributable to shareholders for 2008 was HK$441,117,000 (2007: loss of HK$81,280,000). Basic loss per share was HK cents 2.49 (2007: loss per share of HK cents 0.56). The enlarged loss was primarily attributable to the fact that taking the deteriorating economic environment into consideration, the management decided to make a non-cash impairment provision of HK$249,746,000 on goodwill, programme and film rights, programme and film production in progress and receivables arising from sales made in prior years. The management believes that the provision should be adequate to cover the potential losses occurred in 2008 and does not foresee further provisions of a similar scale in 2009. In addition, certain stock options were granted during the year according to the Company's share option scheme, and non-cash share-based payment expense of HK$77,135,000 were incurred as a result. Excluding minority interests, taxes, finance costs and the non-cash asset impairment expense and share-based payment expense, the net loss of the Group was reduced to HK$75,302,000 and loss per share was reduced to HK cents 0.43.

Business review

Year 2008 marked a milestone in the Group's corporate development. After China Broadband Capital Partners, L.P. became the single largest shareholder of the Company, the board of directors underwent a major reshuffle and new talents with extensive media management experience were introduced into it. The strategic goal for the Group was adjusted towards becoming a leading cross media enterprise in China.

The Company's name was changed from Asian Union New Media (Group) Limited to Media China Corporation Limited, effective from 20 October 2008, to better reflect the future business development and direction of the Group. While continuing to expand traditional satellite TV channels, the Group will also explore and develop new media platforms such as digital TV, mobile TV and IPTV so as to establish a cross media platform that integrates traditional media and new media.

Television advertising

Despite a challenging operating environment, the Group's television advertising segment grew well last year. 2008 saw plenty of breaking news, which not only increased the popularity of provincial satellite TVs, but also boosted advertising expenditure on these channels. Revenue from television advertising amounted to HK$177,818,000 for the year ended 31 December 2008, an increase of 21% over 2007. Revenue was mainly derived from the following three areas: (1) being an exclusive advertising agency for the Travel Channel; (2) being an exclusive advertising agency for Guangdong Satellite TV; and (3) provision of media resources procurement services to international advertising agencies. As the last two businesses were developed after the completion of an acquisition in the fourth quarter of 2008, the majority of advertising revenue for 2008 still came from the Travel Channel.

As the audience of the Travel Channel in general possesses greater purchasing power and a taste for a better lifestyle, marketing efforts of many famous brands are aimed at appealing to this group of audience. In order to draw their attention, the Group recruited talented content producers during the year to produce a wide variety of creative and interesting TV programs which featured travel, lifestyle, drama, golf etc. As a result, the position of the Travel Channel as a travel, leisure and lifestyle program provider was further strengthened and its brand value was further enhanced. According to CTR Market Research, the popularity rating of the Travel Channel continued to rise. It showed that 86.6% of viewers rated its programs as "health-conscious and trendy". The Travel Channel was ranked the third among the "Ten Most Influential Provincial Satellite TV Channels in 2007" by the "2008 Report on the influence of TV networks in China". These results clearly demonstrate that Travel Channel is widely recognized in China and exerts great influence upon its viewers. The accurate position of the Travel Channel in the market helped draw advertisers from different industries in China and overseas such as financial services, automobile makers, consumer products and travel and leisure companies. These advertisers signed contracts for title sponsor, trailer sponsor, slogan sponsor and a whole range of brand marketing programs which lasted for a year or so. These transactions not only generated steady revenue to the Group, but also strengthened the image of the Travel Channel.

In October 2008, the Group successfully acquired the entire equity interests in Blower Investments Limited, whose subsidiary, Guangzhou Zhanshi Advertising Company Limited, was named as the exclusive advertising agency of Guangdong Satellite TV for a 3-year period from 1 January 2009 to 31 December 2011. Guangdong Satellite TV's broadcasting footprint covers 690 million viewers in China and 2 billion viewers worldwide. It airs a variety of programs such as dramas, news and documentaries, and grasped the second largest market share among TV channels covering the Guangdong Province. Combined annual advertising value of Guangdong Satellite TV and the Travel Channel owned and managed by the Group amounted to RMB 6 billion. The management believes that the Group will benefit from synergistic effects of the two satellite TV operations. We are confident that the Group's share in China's media advertising industry will be further enlarged, laying a solid foundation for its future development.

Meanwhile, the Group expanded its operation to the provision of media resources procurement services through Guangdong Sinofocus Media Limited, a subsidiary of Blower Investments Limited. Its target customers are mainly major international advertising agencies. Through centralized procurement of the media resources from regional TV stations across the nation, the Group provides the customers with one-stop solutions ranging from broadcasting and monitoring of advertising to the arrangement of payment. With its extensive marketing experience and good connections in China's media advertising market, we believe that Guangdong Sinofocus Media Limited can make a breakthrough in the media resources procurement business with the financial support of the Group. It should be one of the catalysts to propel the growth of our television advertising operation.

While actively expanding new businesses, the Group made relentless efforts in reducing costs during the year. The ratio of marketing and selling expense to sales for 2008 was 14%, down from 17% in 2007.

Content production

Revenue from content production segment for 2008 was HK$1,613,000 (2007: 39,581,000), down 96% year-on-year. The lower revenue of this segment was due to a lack of investment in new projects during the year. The Group has taken a relatively long-term strategy to develop this business, and will invest in the production of films and TV programs in a prudent manner with an emphasis on small scale investments with a reasonable return. This strategy will help us to better control our risk and to secure a stable source of revenue. At the end of last year, the production house jointly established by the Group and BAZAAR, a renowned magazine, rolled out two series of lifestyle programs at the prime time on Travel Channel. The programs were warmly received by their audiences.

The market for new media has been flourishing. According to research, users of Internet Protocol TV (IPTV) increased to some 1.97 million while mobile TV users were over 1.2 million during the Beijing Olympic Games. Moreover, switching of broadcast signals to digital is scheduled in 2015. As such, China is stepping up efforts in preparing the transformation. New media is expected to experience phenomenal growth in the nation. The management firmly believes it will not only provide more channels for distributing our films and TV programs, but will also create synergy effects with our existing businesses such as television advertising business.

Business outlook

Global economies are expected to remain volatile under the impact of financial tsunami. We foresee that the media industry in China will be full of challenges. Nonetheless, in order to maintain the steady growth of the national economy, the central government and local governments may launch new stimulus measures to boost demand. These measures would likely give support to the development of media industry.

By taking advantage of the combined resources of the Travel Channel and Guangdong Satellite TV, as well as accurate market positioning and unique programs, the Group will continue to increase its market coverage and grasp the opportunities brought about by a booming domestic media sector. We will beef up efforts in cost control and streamline the management process. An integrated platform for traditional media and new media will be developed, setting a solid foundation for becoming a leading cross media operator in China. In doing so, the Group will create greater value for shareholders.

Financial Review

Liquidity and financial resources

As at 31 December 2008, the Group held cash and bank balances of approximately HK$216,511,000, being a 31% increase compared to 31 December 2007. This is mainly because the funds raised through share issuances during the year have not yet been fully invested and utilized. The current ratio slightly decreased from 1.04 as at 31 December 2007 to 0.99 as at 31 December 2008. The gearing ratio, representing long term liabilities to net assets, decreased from 0.63 at 31 December 2007 to 0.57 at 31 December 2008.

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. The Group had no bank loan outstanding as at 31 December 2008 (2007: short-term bank loan of HK$32,332,000).

Capital structure

The Group has mainly relied on its equity and internally generated cash flow to finance its operations. As at 31 December 2008, the Group has no outstanding borrowings (2007: short-term bank loan of HK$32,332,000).

During the year, the Company has (i) issued 1,900,000,000 new ordinary shares at HK$0.0991 each upon the exercise of warrants; (ii) issued 700,000,000 new ordinary shares upon completion of an acquisition; and (iii) repurchased 120,600,000 ordinary shares at an average cost of HK$0.038 each.

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

As at 31 December 2008, the Group employed a total of 5 full-time employees in Hong Kong and a work force of about 79 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, the Company has repurchased a total of 120,600,000 ordinary shares of HK$0.01 each in the capital of the Company on The Stock Exchange of Hong Kong Limited at prices ranging from HK$0.025 to HK$0.046 per share. The total consideration paid for the repurchase amounted to HK$4,578,550.

Save as disclosed above, neither the Company nor any of its subsidiaries has 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 financial statements. The Audit Committee is chaired by Mr. Yuen Kin and the other members of the Committee are Dr. Wong Yau Kar David and Mr. Li Ruigang. 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 consolidated financial statements for the year ended 31 December 2008 including the accounting principles and policies adopted by the Company.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

For the year ended 31 December 2008, the Board has reviewed the Group's corporate governance practices and is satisfied that the Company has applied the principles in and complied with the code provisions on the Code on Corporate Governance Practices set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"), save for certain deviations from the code provisions in respect of the separation of the role of Chairman and Chief Executive Officer and the appointment of the non-executive directors, details of which will be explained below.

Code Provision A.2.1 stipulates that the roles of Chairman and Chief Executive Officer should be separated and should not be performed by the same individual. The division of responsibilities between the Chairman and Chief Executive Officer should be clearly established and set out in writing.

Following the appointment of Mr. Edward Tian Suning and Mr. Wang Hong as the Chairman and the Chief Executive Officer of the Company respectively on 11 January 2008, the Company complied with such provision.

Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specified term, subject to re-election.

Mr. Edward Tian Suning was not appointed for a specific term, but is subject to retirement by rotation and re-election in accordance with the Company's Articles of Association on 11 January 2008.

Following the entering into the agreement with Mr. Edward Tian Suning to fix the term of his appointment to 3 years and subject to the retirement by rotation and re-election in accordance with the articles of association of the Company, the Company complied with such provision.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct for securities transactions and dealings (the "Code of Conduct") on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules. The Code of Conduct applies to all the relevant persons as defined in the Model Code, including Directors of the Company, any employee of the Company, director or employee of a subsidiary or holding company of the Company who, because of such office or employment, are likely to be in possession of unpublished price sensitive information in relation to the Company or its securities. Having made specific enquiry, all Directors have fully complied with the required standard set out in the Model Code throughout the year of 2008.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the websites of the Company (www.mediachina-corp.com) and Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk). The annual report of the Company for 2008 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, 8 April 2009

As at the date hereof, the board of Directors comprises Mr. Edward TIAN Suning (Chairman and a 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 an independent non-executive Director).