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 2009

HIGHLIGHTS

	2009	2008	
	HK$'000	*HK$'000*	
From continuing operations:			
Total sales	**276,451**	179,431	+54%
Gross profit/(loss)	**96,979**	(50,713)	N/A
Profit/(loss) before taxation	**66,497**	(443,146)	N/A
Profit/(loss) for the year	**66,084**	(441,055)	N/A
From discontinued operation:			
Loss for the year from discontinued operation	**(64,618)**	—	N/A
Total profit/(loss) for the year	**1,466**	(441,055)	N/A

— Achieved revenues of HK$276,451,000 from continuing operations, an increase of 54% compared to 2008.

— Returned to profitability and recorded gross profit and net profit from continuing operations of HK$96,979,000 and HK$66,084,000, respectively.

— Completed an open offer and a share placement in December 2009 and raised net proceeds of approximately HK$430 million. IDG Capital Partners, a well-known professional investment fund, was introduced as our strategic shareholder, and the Group's shareholding structure and capital base were further strengthened.

— Financial and liquidity position was further improved, cash and bank balances reached HK$643,037,000 at the end of 2009, almost tripled that at the end of 2008.

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 2009, together with the comparative figures for 2008, as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
Continuing operations			
Sales	3	**276,451**	179,431
Cost of sales		**(179,472)**	(230,144)
Gross profit/(loss)		**96,979**	(50,713)
Other gains, net	3	**84,408**	12,588
Marketing and selling expenses		**(24,006)**	(25,862)
Administrative expenses		**(51,251)**	(177,681)
Provision for impairment of intangible assets	11	**—**	(173,843)
		106,130	(415,511)
Share of (losses)/profits of jointly controlled entities		**(8,342)**	13,328
Finance costs	5	**(31,291)**	(40,963)
Profit/(Loss) before taxation	6	**66,497**	(443,146)
Taxation	7	**(413)**	2,091
Profit/(Loss) for the year from continuing operations		**66,084**	(441,055)
Discontinued operation			
Loss for the year from discontinued operation	8	**(64,618)**	—
Profit/(Loss) for the year		**1,466**	(441,055)
Attributable to:			
Equity holders of the Company		**1,383**	(441,117)
Minority interests		**83**	62
		1,466	(441,055)

	Notes	**2009** *HK$'000*	2008 *HK$'000*
Earnings/(Loss) per share for profit/(loss) attributable to the equity holders of the Company during the year		***HK Cents***	*HK Cents*
Basic earnings/(loss) per share			
— From continuing operations	*9*	**0.35**	(2.49)
— From discontinued operation	*9*	**(0.34)**	—
		0.01	(2.49)
Diluted earnings/(loss) per share		**N/A**	N/A
Dividend	*10*	**—**	—

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009

	2009 *HK$'000*	2008 *HK$'000*
Profit/(Loss) for the year	**1,466**	(441,055)
Other comprehensive income/(loss):		
Currency translation differences	**58,819**	(10,279)
Other comprehensive income/(loss) for the year, net of tax	**58,819**	(10,279)
Total comprehensive income/(loss) for the year	**60,285**	(451,334)
Total comprehensive income/(loss) attributable to:		
Equity holders of the Company	**60,202**	(451,396)
Minority interests	**83**	62
	60,285	(451,334)

CONSOLIDATED BALANCE SHEET

As at 31 December 2009

	Notes	**2009**	2008
		HK$'000	*HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**3,131**	7,489
Intangible assets	*11*	**434,938**	978,060
Interests in jointly controlled entities		**264,260**	267,639
Deferred tax assets		**18,468**	35,794
		720,797	1,288,982
CURRENT ASSETS			
Exclusive advertising agency right	*11*	**—**	401,911
Trade receivables	*12*	**129,054**	55,248
Amounts due from a jointly controlled entity and its subsidiaries		**91,300**	106,798
Financial assets at fair value through profit or loss		**—**	11,130
Prepayments, deposits and other receivables		**26,680**	121,196
Cash and cash equivalents		**643,037**	216,511
		890,071	912,794
CURRENT LIABILITIES			
Agency fee payables — current	*11*	**167,117**	785,367
Trade payables	*13*	**34,811**	24,880
Receipt in advance, other payables and accrued liabilities	*13*	**36,222**	79,532
Current income tax liabilities		**13,423**	30,062
		251,573	919,841
NET CURRENT ASSETS/ (LIABILITIES)		**638,498**	(7,047)
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,359,295**	1,281,935

	Notes	**2009** **HK$'000**	2008 *HK$'000*
NON-CURRENT LIABILITIES			
Agency fee payables — non-current	*11*	**—**	418,209
Convertible notes		**47,875**	44,271
Deferred tax liabilities		**—**	4,076
		47,875	466,556
NET ASSETS		**1,311,420**	815,379
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital		**277,293**	186,976
Reserves		**1,033,403**	627,762
		1,310,696	814,738
Minority interests		**724**	641
TOTAL EQUITY		**1,311,420**	815,379

Notes:

1. General information

Media China Corporation Limited (the "Company") and its subsidiaries (together, the "Group") is principally engaged in television advertising business and content production business. The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 27 May 2002 under the Company Law (2002 Revision) (Cap. 22) of the Cayman Islands.

The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

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

These financial statements are presented in thousand Hong Kong dollars (HK$'000), unless otherwise stated.

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 assets at fair value through profit or loss which is carried at fair value.

Changes in accounting policy and disclosures:

(i) New and amended standards adopted by the Group

The group has adopted the following new and amended HKFRSs as of 1 January 2009:

- HKFRS 7 'Financial Instruments — Disclosures' (amendment) — effective 1 January 2009. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on earnings per share.

- HKAS 1 (revised). 'Presentation of financial statements' — effective 1 January 2009. The revised standard prohibits 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 in a statement of comprehensive income. As a result, the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

- HKAS 23, 'Borrowing costs'. In respect of borrowing costs relating to qualifying assets for which the commencement date for capitalization is on or after 1 January 2009, borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset should be capitalized as part of the cost of that asset. The Group and the Company have no borrowing costs for the financial year ended 31 December 2009. The standard does not have a material impact on the Group's or Company's financial statements.

- HKFRS 2 (amendment), 'Share-based payment' — effective 1 January 2009 deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. These features would need to be included in the grant date fair value for transactions with employees and others providing similar services; they would not impact the number of awards expected to vest or valuation there of subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Group and Company have adopted HKFRS 2 (amendment) from 1 January 2009. The amendment does not have a material impact on the Group's or Company's financial statements.

- HKFRS 8, 'Operating segments' — effective 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. This does not change the number of reportable segments presented. In addition, the segments are reported in a manner that is more consistent with the internal reporting provided to the chief operating decision-maker. This has not resulted in any reallocation of goodwill or any material impairment to the goodwill balance.

(ii) Standards, amendments and interpretations that have been issued but are not yet effective for 2009 and have not been early adopted by the Group:

HKFRS 1 (Revised)	'First-time adoption of HKFRS', effective for annual periods beginning on or after 1 July 2009
HKFRS 3 (Revised)	'Business combinations', effective for annual periods beginning on or after 1 July 2009
HKFRS 9	'Financial Instruments', effective for annual periods beginning on or after 1 January 2013
HKAS 24 (Revised)	'Related Party Disclosures', effective for annual periods beginning on or after 1 January 2011
HKAS 27 (Revised)	'Consolidated and separate financial statements', effective for annual periods beginning on or after 1 July 2009
Amendment to HKAS 32	'Classification of Rights Issues', effective for annual periods beginning on or after 1 February 2010
Amendment to HKAS 39	'Financial instruments: Recognition and measurement' on eligible hedged items, effective for annual periods beginning on or after 1 July 2009
Amendment to HK(IFRIC) 14	'Prepayment of Minimum Funding Requirements', effective for annual periods beginning on or after 1 January 2011
HK(IFRIC) 17	'Distributions of non-cash assets to owners', effective for annual periods beginning on or after 1 July 2009
HK(IFRIC) 18	'Transfers of assets from customers', effective for annual periods beginning on or after 1 July 2009
HK(IFRIC) 19	'Extinguishing financial liabilities with equity instruments', effective for annual periods beginning on or after 1 July 2010
Amendment to HKFRS 1	'Additional Exemptions for First-time Adopters', effective for annual periods beginning on or after 1 January 2010
Amendment to HKFRS 2	'Group Cash-settled Share-based Payment Transactions', effective for annual periods beginning on or after 1 January 2010

Certain HKICPA's improvements to HKFRS published in May 2009.

The Group has commenced an assessment of the impact of these new standards, amendments to standards or interpretations listed above but is not yet in a position to state whether these new standards, amendments and interpretations to existing standards would have a significant impact on its results of operations and financial position.

3. Sales and other gains, net

The Group is principally engaged in television advertising business and content production business. Revenues recognized during the year are as follows:

	2009	2008
	HK$'000	*HK$'000*
Sales		
Television advertising	**274,410**	177,818
Licensing and sub-licensing of film and TV programs	**2,041**	1,613
	276,451	179,431
Other gains, net		
Gain on disposal of exclusive advertising agency right *(note 11)*	**66,290**	—
Dividend income on financial assets at fair value through profit or loss	**277**	246
Interest income	**9,216**	21,411
Fair value gain/(loss) on financial assets at fair value through profit or loss	**8,176**	(9,408)
Miscellaneous	**449**	339
	84,408	12,588
Total	**360,859**	192,019

The non-cash revenue arising from exchange of goods or services during the year included in sales from television advertising amounted to approximately HK$8,191,000 (2008: HK$6,755,000).

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 two main operating segments: (i) television advertising business; and (ii) content production business. Other group operations mainly comprise the trading of investment securities which does not constitute a separately reportable segment for the year. The management committee measures the performance of the segments based on their respective segment results.

There are no sales between the operating segments.

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

	2009					
	Television advertising *HK$'000*	**Content production** *HK$'000*	**Others** *HK$'000*	**Total continuing operations** *HK$'000*	**Discontinued operation** *HK$'000*	**Total** *HK$'000*
Sales	**274,410**	**2,041**	**—**	**276,451**	**206,240**	**482,691**
Segment results	**66,107**	**(3,386)**	**8,388**	**71,109**	**(34,242)**	**36,867**
Interest income on loan to a jointly controlled entity				**8,249**	**—**	**8,249**
Exchange gain				**806**	**—**	**806**
Share-based payments				**(13,762)**	**—**	**(13,762)**
Provision for impairment of intangible assets				**—**	**(21,173)**	**(21,173)**
Loss on disposal of a subsidiary, net of provision for consideration receivable				**—**	**(13,159)**	**(13,159)**
Gain on disposal of exclusive advertising agency right				**66,290**	**—**	**66,290**
Unallocated costs, net				**(26,562)**	**—**	**(26,562)**
				106,130	**(68,574)**	**37,556**
Share of losses of jointly controlled entities				**(8,342)**	**—**	**(8,342)**
Finance costs				**(31,291)**	**—**	**(31,291)**
Profit/(Loss) before taxation				**66,497**	**(68,574)**	**(2,077)**
Taxation				**(413)**	**3,956**	**3,543**
Profit/(Loss) for the year				**66,084**	**(64,618)**	**1,466**
Minority interests				**(83)**	**—**	**(83)**
Profit/(Loss) attributable to equity holders of the Company				**66,001**	**(64,618)**	**1,383**
Segment assets	**225,388**	**69,381**	**—**	**294,769**	**—**	**294,769**
Goodwill	**427,681**	**—**	**—**	**427,681**	**—**	**427,681**
Interests in jointly controlled entities						
— current				**91,300**	**—**	**91,300**
— non-current				**264,260**	**—**	**264,260**
Unallocated assets				**532,858**	**—**	**532,858**
Total assets				**1,610,868**	**—**	**1,610,868**
Segment liabilities	**229,925**	**4,666**	**—**	**234,591**	**—**	**234,591**
Unallocated liabilities				**64,857**	**—**	**64,857**
Total liabilities				**299,448**	**—**	**299,448**
Capital expenditures						
— Allocated	**117**	**463**	**—**	**580**	**5**	**585**
— Unallocated				**—**	**—**	**—**
Depreciation						
— Allocated	**620**	**207**	**—**	**827**	**48**	**875**
— Unallocated				**1,179**	**—**	**1,179**
Amortization	**190,446**	**3,964**	**—**	**194,410**	**239,121**	**433,531**

	2008					
	Television advertising HK$'000	Content production HK$'000	Others HK$'000	Total continuing operation HK$'000	Discontinued operation HK$'000	Total HK$'000
Sales	177,818	1,613	—	179,431	—	179,431
Segment results	(100,766)	(48,627)	(9,437)	(158,830)	—	(158,830)
Interest income on loan to a jointly controlled entity				19,381	—	19,381
Exchange gain				22,891	—	22,891
Share-based payments				(77,135)	—	(77,135)
Provision for impairment of intangible assets	—	(173,843)	—	(173,843)	—	(173,843)
Unallocated costs, net				(47,975)	—	(47,975)
				(415,511)	—	(415,511)
Share of profits of jointly controlled entities				13,328	—	13,328
Finance costs				(40,963)	—	(40,963)
Loss before taxation				(443,146)	—	(443,146)
Taxation				2,091	—	2,091
Loss for the year				(441,055)	—	(441,055)
Minority interests				(62)	—	(62)
Loss attributable to equity holders of the Company				(441,117)	—	(441,117)
Segment assets	666,468	90,580	11,196	768,244	448,503	1,216,747
Goodwill	367,516	—	—	367,516	29,917	397,433
Interests in jointly controlled entities						
— current				106,798	—	106,798
— non-current				267,639	—	267,639
Unallocated assets				213,108	51	213,159
Total assets				1,723,305	478,471	2,201,776
Segment liabilities	895,766	4,649	—	900,415	403,739	1,304,154
Unallocated liabilities				78,226	4,017	82,243
Total liabilities				978,641	407,756	1,386,397
Capital expenditure						
— Allocated	20,125	2,293	—	22,418	373,563	395,981
— Unallocated				579	—	579
Depreciation						
— Allocated	599	339	—	938	—	938
— Unallocated				1,418	—	1,418
Amortization	185,071	1,164	—	186,235	—	186,235

Segment assets consist primarily of tangible and intangible assets, other non-current assets, receivables and operating cash. They exclude interests in jointly controlled entities, financial assets at fair value through profit or loss, 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 convertible notes, current income tax liabilities and deferred tax liabilities.

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

5. Finance costs

	2009	2008
	HK$'000	*HK$'000*
Interest expenses on bank loan wholly repayable within 5 years	**—**	1,492
Notional non-cash interest accretion on:		
— Convertible notes	**3,604**	3,340
— Pre-agreed periodic payments on exclusive advertising agency right	**27,687**	36,131
	31,291	39,471
	31,291	40,963

6. Profit/(Loss) before taxation

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

	2009	2008
	HK$'000	*HK$'000*
Other gains		
Exchange gain	**806**	22,891
Gain on disposal of property, plant and equipment	**346**	—
Write back of provision for impairment of trade and other receivables	**3,359**	—
Expenses by nature		
Depreciation of property, plant and equipment	**2,006**	2,356
Amortization of intangible assets	**194,410**	186,235
Auditor's remuneration	**2,215**	2,321
Provision for impairment of trade and other receivables	**—**	75,903
Provision for impairment of intangible assets	**—**	173,843
Loss on disposal of property, plant and equipment	**—**	82
Operating lease rentals — land and buildings	**6,457**	5,156
Share-based payments (excluding those disclosed in staff costs below)	**—**	57,748
Staff costs:		
Directors' fees	**720**	720
Wages and salaries	**16,021**	17,330
Share-based payments	**13,762**	19,387
Contributions to defined contribution pension schemes	**2,598**	731
	33,101	38,168

7. Taxation

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 16.5%) on the estimated assessable profit for the year. Taxation on profits outside Hong Kong has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the regions/countries in which the Group operates.

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

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.

	2009	2008
	HK$'000	*HK$'000*
Current income tax		
— Hong Kong profits tax	**—**	—
— PRC Corporate Income Tax	**(15,692)**	924
Deferred income tax	**16,105**	(3,015)
Income tax expense/(credit)	**413**	(2,091)

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

	2009	2008
	HK$'000	*HK$'000*
Profit/(Loss) before taxation	**66,497**	(443,146)
Tax calculated at domestic tax rates applicable to the profit or loss in the respective countries	**11,911**	(82,750)
Income not subject to tax	**(14,514)**	(1,904)
Expenses not deductible for tax purposes	**3,262**	33,215
Utilization of previously unrecognized tax losses	**(8,772)**	—
Unrecognized tax losses	**8,526**	49,348
Income tax expense/(credit)	**413**	(2,091)

The weighted average applicable tax rate was 17.9% (2008: 18.7%).

8. Discontinued operation

On 25 June 2009, the Group has entered into an agreement to dispose of its 100% equity interests in Guangzhou Zhanshi Advertising Company Limited ("Guangzhou Zhanshi") to independent third parties. Guangzhou Zhanshi is principally engaged in advertising agency and has been appointed as the exclusive advertising agency for Guangdong Provincial Satellite Television for the period from 1 January 2009 to 31 December 2011. For details, please refer to the announcement issued by the Company on 25 June 2009.

As the operation of Guangzhou Zhanshi is considered as a separate major line of business during the year, it is accounted for as a discontinued operation. The comparative financial information for the year ended 31 December 2008 has been reclassified to conform with current year presentation in accordance with HKFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations". The disposal was completed during the year.

(a) An analysis of the results of the operation of Guangzhou Zhanshi during the year is as follows:

	2009	2008
	HK$'000	*HK$'000*
Sales	**206,240**	—
Cost of sales *(note 11)*	**(239,121)**	—
Gross loss	**(32,881)**	—
Other revenues	**2**	—
Marketing and selling expenses	**(652)**	—
Administrative expenses	**(711)**	—
Provision for impairment of intangible assets *(note 11)*	**(21,173)**	—
Loss on disposal of a subsidiary, net of provision for consideration receivable	**(13,159)**	—
Loss before taxation	**(68,574)**	—
Taxation	**3,956**	—
Loss from discontinued operation	**(64,618)**	—
Loss attributable to the equity holders of the Company	**(64,618)**	—

(b) An analysis of the cash flows of the discontinued operation is as follows:

	2009	2008
	HK$'000	*HK$'000*
Net cash outflow from operating activities	**(423)**	—
Net cash outflow from investing activities	**(5)**	—
Decrease in cash and cash equivalents	**(428)**	—

9. Earnings/(Loss) per share

Basic earnings/(loss) per share

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

	2009	2008
Weighted average number of ordinary shares in issue (thousands)	**19,068,808**	17,708,924
Profit/(loss) from continuing operations attributable to equity holders of the Company (HK$'000)	**66,001**	(441,117)
Basic earnings/(loss) per share from continuing operations attributable to equity holders of the Company (HK cents per share)	**0.35**	(2.49)
Loss from discontinued operation attributable to equity holders of the Company (HK$'000)	**(64,618)**	—
Basic loss per share from discontinued operation attributable to equity holders of the Company (HK cents per share)	**(0.34)**	—

Diluted earnings/(loss) per share

Diluted earnings/(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 2009, the Company has two categories of potential ordinary shares: share options and convertible notes (2008: same). The convertible notes are assumed to have been converted into ordinary shares, and the net profit/(loss) is adjusted to eliminate the interest expense less the tax effect. For the share options, a calculation is performed to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares during the year) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

Diluted loss per share has not been disclosed since the conversion of all potential ordinary shares arising from convertible notes and share options would have an anti-dilutive effect on the basic earnings/(loss) per share for the year ended 31 December 2009 (2008: same).

10. Dividend

The directors do not recommend the payment of a final dividend in respect of the year ended 31 December 2009 (2008: Nil).

11. 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 2008							
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	—
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 — continuing operations	—	—	2,101	—	—	2,101	28,348
Provision for impairment — continuing operations	(117,166)	—	(43,499)	(13,178)	—	(173,843)	—
Disposals — continuing operations	—	—	(1,134)	(14,849)	—	(15,983)	—
Amortization expense — continuing operations	—	(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

	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 2009							
Opening net book amount	**397,433**	**569,427**	**7,012**	**3,855**	**333**	**978,060**	**401,911**
Reclassification	**—**	**—**	**3,294**	**(3,294)**	**—**	**—**	**—**
Additions — continuing operations	**—**	**—**	**—**	**341**	**—**	**341**	**—**
Provision for impairment — discontinued operation	**(5,104)**	**—**	**—**	**—**	**—**	**(5,104)**	**(16,069)**
Disposals — continuing operations	**—**	**(380,225)**	**—**	**—**	**—**	**(380,225)**	**—**
Disposal of a subsidiary — discontinued operation	**(24,813)**	**—**	**—**	**—**	**—**	**(24,813)**	**(147,606)**
Amortization expense — continuing operations	**—**	**(190,113)**	**(3,964)**	**—**	**(333)**	**(194,410)**	**—**
Amortization expense — discontinued operation	**—**	**—**	**—**	**—**	**—**	**—**	**(239,121)**
Exchange difference	**60,165**	**911**	**6**	**7**	**—**	**61,089**	**885**
Closing net book amount	**427,681**	**—**	**6,348**	**909**	**—**	**434,938**	**—**
At 31 December 2009							
Cost	**427,681**	**—**	**86,235**	**909**	**—**	**514,825**	**—**
Accumulated amortization and impairment	**—**	**—**	**(79,887)**	**—**	**—**	**(79,887)**	**—**
Net book amount	**427,681**	**—**	**6,348**	**909**	**—**	**434,938**	**—**

Amortization of HK$194,410,000 (2008: HK$186,235,000) 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. ("Hainan Haishi"), 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 Hainan Haishi for a period of up to six years with effect from 1 January 2006. In return, Qiansi has agreed to make pre-agreed monthly payments to Hainan Haishi during the same period. In December 2009, Qiansi and Hainan Haishi have entered into a supplemental agreement, whereby the expiration date of the above-mentioned exclusive right was changed to 31 December 2009. Accordingly, the relevant intangible asset of HK$380,225,000 is treated as being disposed of and the relevant agency fee payables of HK$446,515,000 in relation to the periods after 31 December 2009 are derecognized. The difference of HK$66,290,000 is recorded as a gain on disposal of exclusive advertising agency right included in "other gains, net" (note 3).

In year 2008, the Group has acquired an exclusive advertising agency right through acquisition of Blower Investments Limited and its subsidiaries. As detailed in note 8, the Group has disposed of 100% equity interests in Guangzhou Zhanshi (the entity owning the exclusive advertising agency right) during the year. Accordingly, the relevant intangible asset is treated as being disposed of.

The Group considered 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 were 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 were 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.

12. Trade receivables

At 31 December 2009, the aging analysis of the trade receivables is as follows:

	2009	2008
	HK$'000	*HK$'000*
0 — 3 months	**121,688**	47,943
4 — 6 months	**6,148**	6,326
Over 6 months	**1,218**	30,638
	129,054	84,907
Provision for doubtful debts (all made against trade receivables aged over 6 months)	**—**	(29,659)
	129,054	55,248

The net carrying amounts of the trade receivable of the Group are denominated in Renminbi:

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

Credit risk represents the accounting loss that would be recognized at the reporting date if counterparties failed to perform as contracted. As at 31 December 2009, none of the trade receivables was considered impaired. As at 31 December 2008, trade receivables of HK$29,659,000 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 were past due but not impaired is as follows:

	2009	2008
	HK$'000	*HK$'000*
4 — 6 months	**6,148**	6,326
Over 6 months	**1,218**	979
	7,366	7,305

Management does not expect any material losses from non-performance by these counterparties, as these relate to a number of independent customers for whom there is no recent history of default.

Movements on the Group's provision for doubtful debts are as follows:

	2009	2008
	HK$'000	*HK$'000*
At 1 January	**29,659**	27,652
Provision for doubtful debts	**—**	49,971
Write back of over-provision	**(3,359)**	—
Write-off against trade receivables	**(26,300)**	(49,284)
Exchange differences	**—**	1,320
At 31 December	**—**	29,659

The creation and release of provision for doubtful debts have been included in administrative expenses in the consolidated income statement (note 6). Amounts charged to the provision account are generally written off when there is no expectation of recovering additional cash.

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

The maximum exposure to credit risk at the balance sheet date is the carrying value of trade receivables disclosed above. The Group does not hold any collateral as security.

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

	2009	2008
	HK$'000	*HK$'000*
Trade payables	**34,811**	24,880
Receipt in advance	**5,711**	43,282
Other payables and accrued liabilities	**30,511**	36,250
Total	**71,033**	104,412

At 31 December 2009, the aging analysis of the trade payables is as follows:

	2009	2008
	HK$'000	*HK$'000*
0 — 3 months	**20,392**	20,170
4 — 6 months	**6,743**	4,710
Over 6 months	**7,676**	—
	34,811	24,880

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

CHAIRMAN'S STATEMENT

On behalf of Media China Corporation Limited (the "Company"), I am pleased to present the annual report of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2009.

The year 2009 was filled with challenges and opportunities for China's advertising and media sectors. With the coordinated efforts of all staff members, the Group overcame various difficulties, actively created business opportunities and managed to return to profitability. Over the past year, the Group strove hard to explore revenue sources for our television advertising and content production businesses while enhancing efforts in risk management and cost control. We have also completed an open offer and a share placement and the Group's financial position was further strengthened. IDG Capital, an investment fund which has extensive experiences in China's media sector, was introduced as a strategic shareholder. The move laid a solid foundation for the sustainable growth of the Group.

Revenue from the television advertising segment in 2009 soared by 54% year-on-year. The Travel Channel remained the major revenue contributor. At the same time, the Group successfully penetrated into the media resources procurement business through its wholly-owned subsidiary Sinofocus Media, thus creating a more diversified and stable revenue base for the television advertising operation.

The Travel Channel introduced various measures last year to attract advertisers, such as producing a series of exciting TV programs, increasing publicity through sponsors' marketing campaigns and an extension of coverage into second and third-tier cities. These measures generated satisfactory results. Meanwhile, the Group managed to lower the fees for being an exclusive advertising agent for the Travel Channel in 2008 and 2009 by RMB50 million, hence substantially reducing our operating costs.

In order to augment the competitiveness of the Travel Channel, the Group formed a new joint venture with Hainan Television Broadcasting Station ("Hainan TV") to exclusively operate the advertising business of the Travel Channel effective from the beginning of this year. The move further strengthened cooperation between the Group and Hainan TV, as each of us effectively owned approximately 50% of the economic interests in the operation of the Travel Channel. Ms. Wang Ping, former deputy chief editor of Hunan Satellite TV and acclaimed "Queen of Variety Shows" in China, was appointed as the general manager of the Travel Channel. The new management team has set clear target for the Travel Channel — to breakthrough advertising revenue of RMB700 million in five-year's time. More resources have been directed into programme production, brand building and talent recruitment in order to achieve this target. These developments are expected to drive enormous growth for the Travel Channel since this year.

We have made a good start in the media resources procurement operation through Sinofocus Media, which possesses extensive experience and knowledge of China's media industry and has established a wide network of international advertising agencies. Sinofocus Media also successfully developed new business amongst direct customers last year, thereby enlarging and diversifying its customer base. In fact, more than half of China's advertising spending, including those from many large and medium domestic enterprises, were conducted through network other than international advertising agencies. In order to explore this segment, we plan to invest additional working capital of HK$150 million and we firmly believe the revenue contribution from Sinofocus Media will further increase in the future.

The Group made breakthroughs in content production last year. We made a maiden investment in movie production with "Bodyguards and Assassins", which featured superstars from Mainland China, Hong Kong and Taiwan. The blockbuster received 18 nominations from the 2009 Hong Kong Film Awards, making it the most nominated movie ever and reflecting its appreciation by audiences. In 2010, we have budgeted investment of HK$100 million in content production. We have made allied investments with strong industry players such as Shanghai Media Group, and our strategic shareholder IDG Capital. The management believes that as movie and TV program production takes shape, more revenue will be generated from the content production segment and its influences will be increasing.

The Group aims at developing an integrated platform that incorporates both traditional and new media. Early this year, the State Council of the PRC proposed hastening the convergence of telecommunications, broadcasting and Internet networks in China. This policy will create new opportunities for expansion of our integrated media platform. We will keep a close watch on latest developments and enhance efforts in research and development so as to become a beneficiary of the policy.

The Chinese government energetically promotes the development of the cultural and tourism sectors. Earlier this year, the State Council has approved the strategic plan for the development of Hainan province as "Hainan International Tourism Island". The Travel Channel, with its base in Hainan province, will definitely be benefited with new incentives for future growth. Hinged on the Travel Channel and leveraged on our cross-media platform, we foresee enormous business opportunities in these sectors.

Despite the fluctuations in the market environment, the Group still achieved remarkable revenue growth in 2009. I would like to take this opportunity to express my heartfelt gratitude to my fellow directors and staff members for their dedication and effort. Our management team became more energetic and creative with the introduction of new members, and we gained new insights into the media industry. With the relentless support of our shareholders, business partners and other stakeholders, management firmly believes that the Group will achieve sustainable growth this year and create greater value for shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Prospects

Results highlights for the year ended 31 December 2009 are summarized below:

	2009	2008	
	HK$'000	*HK$'000*	
From continuing operations:			
Total sales	**276,451**	179,431	+54%
Gross profit/(loss)	**96,979**	(50,713)	N/A
Profit/(loss) before taxation	**66,497**	(443,146)	N/A
Profit/(loss) for the year	**66,084**	(441,055)	N/A
From discontinued operation:			
Loss for the year from discontinued operation	**(64,618)**	—	N/A

The Group returned to profitability and achieved revenues of HK$276,451,000 from continuing operations in 2009, a significant increase of 54% over 2008. Gross profit and profit from continuing operations were HK$96,979,000 and HK$66,084,000, respectively.

The Company completed an open offer and a share placement in December 2009 and raised net proceeds of approximately HK$430 million. IDG Capital Partners, a well-known professional investment fund, was introduced as our strategic shareholder, and our shareholding structure and capital base were further strengthened. IDG Capital Partners possesses in-depth knowledge and extensive experience in China's media, cultural and tourist sectors and has made many successful investments in these areas.

The Group's financial and liquidity position was further improved after the open offer and share placement, providing a solid foundation for its sustainable development. As at 31 December 2009, cash and bank balances reached HK$643,037,000, almost tripled that at the end of 2008. Net current assets amounted to HK$638,498,000 compared to net current liabilities of HK$7,047,000 a year earlier. Total equity amounted to HK$1,311,420,000, an increase of 61% year-on-year.

In light of poor profitability and a weak outlook, management decided to dispose of its interest in Guangzhou ZhanShi Advertising Company Ltd. ("Guangzhou ZhanShi") in the first half of 2009 in order to focus on developing other media businesses with growth potential. Guangzhou ZhanShi was the exclusive advertising agency for the Satellite TV Channel of the Guangdong Television. The relevant loss for the year was reported under discontinued operation and is not expected to recur since 2010.

Market Review

The Chinese economy was adversely impacted by a slowdown in exports in the first half of 2009. Nevertheless, it staged a remarkable rebound in the second half as the Chinese government introduced a series of measures to revive domestic demand and the global economy gradually picked up. China's GDP grew by 8.7% in real terms last year. As market sentiment improved, advertisers were more willing to increase their marketing expenditures. As a result, the domestic advertising market bounced back vigorously in the second half after experiencing a period of doldrums. According to CTR Market Research, 2009 PRC media advertising expenditure soared 13.5% year-on-year to US$74 billion. TV remained the primary medium for domestic advertisers. In 2009, more than RMB395.2 billion was spent on TV advertising, an increase of 15% over 2008 and representing 78% of total advertising expenditure in China. Toiletries, business and services, foodstuffs, beverages and pharmaceuticals were the leading sectors of advertising spending.

China's motion picture industry also experienced astonishing growth last year. The box office revenue from cities nationwide topped RMB6.2 billion, an increase of 43% over 2008. There were 12 domestically produced movies reporting gross revenue of more than RMB100 million. The industry has entered into a new "golden age". Meanwhile, the government has taken various measures to promote the development of the cultural industries and accelerated the restructuring of the motion picture sector. It also encouraged financial institutions to offer greater financial support to the motion picture industry.

Business Review

	Sales revenues		Segment results	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Continuing operations:				
Television advertising	**274,410**	177,818	**66,107**	(100,766)
Content production	**2,041**	1,613	**(3,386)**	(48,627)
Other	**—**	—	**8,388**	(9,437)
Total	**276,451**	179,431	**71,109**	(158,830)

The television advertising segment remained the biggest revenue contributor to the Group. Its revenue totaled HK$274,410,000 in 2009, an increase of 54% over the previous year. The growth rate was much higher than the 15% industry growth rate in TV advertising expenditure in China for 2009. Segment profit was HK$66,107,000, which was mainly derived from the provision of media resources procurement services to international advertising agencies and direct customers, and from being the exclusive advertising agency for the Travel Channel. Revenue from the content production segment was HK$2,041,000, an increase of 27% over 2008. The Group has redirected resources into film and TV program production, including the blockbuster "Bodyguards and Assassins" which was released at the end of last year.

Television Advertising Business

The Group provided media resources procurement services through its wholly-owned subsidiary, Guangdong Sinofocus Media Company Limited ("Sinofocus"), which was acquired in the fourth quarter of 2008. Sinofocus has extensive relationships with international advertising agencies. It helps them procure media resources from local TV stations in China and offers them one-stop solutions ranging from planning, broadcasting and monitoring of advertising to payment logistics. While maintaining strategic partnerships with international advertising agencies, Sinofocus has successfully expanded its customer base and developed business relationships with direct customers. In 2009, the media resources procurement business achieved satisfactory growth and contributed 9% of the total revenue of the television advertising segment. This ratio is expected to rise further, thus broadening our income base. With insights into local market, Sinofocus is determined to expand its customer base to medium and large domestic clients in China by providing them with professional advertising agency services of international standards.

Another major contributor to the Group's television advertising segment was the exclusive advertising agency business for the Travel Channel. In 2009, the Travel Channel's advertising revenue increased by 41% and accounted for approximately 91% of total revenue from the television advertising segment. The significant increase was attributable to the following reasons:

- the Group's strategy of broadening advertising revenue sources by organizing nationwide reality shows and competitions, and leveraging on sponsors' promotional programs in other media;

- increased sales revenue from special sponsorship and program title sponsorship;

- extension of broadcast coverage into more second-tier cities.

Moreover, the Group managed to enter into an agreement to lower exclusive advertising agency fees for the Travel Channel in 2008 and 2009 by RMB50 million. As a result, operating costs of the Group were substantially reduced.

The Group has further strengthened cooperation with the Hainan Television Broadcasting Station ("Hainan TV") in the operation of the Travel Channel. A new joint venture formed by the Group and a wholly-owned subsidiary of Hainan TV became the exclusive advertising agent of the Travel Channel with effect from 1 January 2010. After the restructuring, each of the Group and Hainan TV effectively own approximately 50% of the economic interests in the operation of the Travel Channel. Ms. Wang Ping, the former deputy chief editor of Hunan Satellite TV, was appointed as the general manager of the joint venture and of Hai Nan Haishi Tourist Satellite TV Media Co., Ltd ("Hainan Haishi"), and she is now in charge of both the operation and advertising affairs of the Travel Channel. Ms. Wang was acclaimed "The Queen of Variety Shows" in China and produced a number of popular programs, including "Music Forever", "Super Girl" and "Strictly Come Dancing". "Strictly Come Dancing" was the top-ranked variety show in China and the most widely seen program on Hunan Satellite TV in 2007. Management believes that with a stable and sustainable business structure, the quality of TV programs on the Travel Channel and its advertising sales will further improve under the helm of Ms. Wang and a seasoned management team.

Content Production Business

In 2009, the Group resumed the content production business and made its maiden investment in film production by producing “Bodyguards and Assassins”. The blockbuster was released in December 2009 and received enthusiastic response in the market. Its box office revenue from Mainland China approached to RMB300 million and the response in Hong Kong, Singapore and Malaysia were also very promising. Relevant income from the movie are expected to be recorded in the consolidated financial statements for year 2010. “Bodyguards and Assassins” was directed by renowned director Teddy Chan and co-produced by Huang Jiangxin and Peter Chan. It featured an all-star line-up from Mainland China, Hong Kong and Taiwan, including Donnie Yen, Fan Bingbing, Leon Lai, Nicholas Tse and Hu Jun.

Meanwhile, the Group and Shanghai Media Group (“SMG”), a leading domestic media group, will jointly invest in the production of a TV drama called “Grandmaster”. The scripts for the domestically produced drama have almost been completed and shooting is expected to commence later in 2010. “Grandmaster” tells inspiring stories about how domestic Go (Wei Qi) players pursue their goal of becoming grandmasters. With exciting plots and unique themes, it is set to stand out in the competitive domestic TV drama market.

Besides, the Group and a group company of IDG Capital Partners have jointly invested in the production of a film called “Snow Flower and the Secret Fan”. It depicts the intimate relationships between two pairs of girls in two different time periods. Starring famous actresses Li Bingbing and Jun Ji-hyun, the film is directed by Wang Ying, the director of “The Joy Luck Club”. Shooting is currently under way.

Other segment

Revenue from other segment was HK$8,388,000 in 2009, mainly derived from the disposal of investment securities.

Outlook

After completion of the open offer and share placement, the Group had more than HK$600 million cash on hand as at 31 December 2009. Approximately HK$150 million will be used to enhance the development of media resources procurement business. It will be used for working capital, research and development on and acquisition of new media and Internet advertising businesses. In addition, we will focus our effort in the development of medium and large local clients in China. In fact, more than half of China’s advertising spending, including those from the large and medium domestic enterprises, were conducted through network other than international advertising agencies. The related businesses are expected to become one of the Group’s core revenue sources in the future.

The common interests in the Travel Channel have tied the Group and Hainan TV Group closer. The operation and advertising business are organized by a unified management team under Ms. Wang Ping. We expect that advertising revenue of the Travel Channel this year will exceed that of last year. Based on unaudited management information, advertising sales revenue from the Travel Channel in January and February 2010 grew 30% over the same period of last year. Moreover, a total of approximately RMB160 million worth of advertising contracts were already concluded for this year. While striving to generate more revenue by organizing major events and seeking special sponsorship and program title sponsorship income, the Travel Channel will actively strengthen cooperation with local governments and tourism administrations on the production of travel-related promotional programs. For instance, it entered into an agreement with Guangdong Provincial Tourism Administration to jointly produce a program called "Guangdong in the Eyes of Asians". In addition, the Travel Channel will increase the budget on brand building, talent recruitment, program production and procurement of TV programs and dramas in 2010. It also plans to gradually extend coverage into second and third-tier cities in China and targets to reach 600 million audiences eventually. In the medium and long run, the new management team has set clear target for the Travel Channel — to breakthrough advertising revenue of RMB700 million in five-year's time.

The Group will cooperate with its strategic shareholder to expand cultural and tourism businesses through equity investment or acquisitions. The cultural and tourist sectors are regarded by the China government as strategically important for boosting economic development. With thriving domestic demand, the two sectors have tremendous room for growth. Hinged on the Travel Channel, the Group will make use of its powerful cross-media platform to market and promote cultural and tourism businesses, enhance their influence and enrich the contents of its media operation. The Company entered into a Memorandum of Understanding ("MOU") with the Shaanxi Provincial Tourism Administration to invest in key tourism projects and leading tourism enterprises in Shaanxi Province. The provincial government contemplates to restructure key tourism projects and leading tourism enterprises in the province for future public listing, and we can enjoy pre-emptive rights of relevant investments at favourable terms. It is expected that the total investment will be no more than RMB100 million.

We have set an investment budget of HK$100 million for the content production business for 2010. The Group will continue to seek partners for joint investment in the production of premier films and TV programs under effective risk control.

The Group is determined to become an integrated platform that incorporates traditional and new media. It will expand into the cultural and tourism businesses in tandem with the existing media operation. We believe that the implementation of the policy of promoting the convergence of telecommunications, broadcasting and Internet networks in China will create new opportunities for us. The Group will strive hard to realize fully the synergies of its various businesses, creating greater value for shareholders.

FINANCIAL REVIEW

Continuing Operations

Sales revenue for the year ended 31 December 2009 amounted to HK$276,451,000, being a 54% increase comparing to the prior year. The significant growth was mainly driven by the increase in sales from television advertising segment of HK$96,592,000 or 54% during the year. Due to our strategy for the extension of advertising revenue sources to organization of large-scale activities and reality shows through which we could make use of media resources in addition to the Travel Channel air time, and also the significant growth of revenue from special sponsorship and program title sponsorship, the Travel Channel's advertising revenue grew by 41% during the year. In addition, Sinofocus operation also contributed net sales revenue of HK$25 million through the media resources procurement services.

Cost of sales mainly represented the average agency fees payable for the exclusive advertising agency right, net of a one-off reduction of agency fees payable of RMB50 million in the current year. Accordingly, cost of sales during the year dropped by 22% despite the increase of sales revenue during the year, leading to a gross profit of HK$96,979,000 in current year comparing to a gross loss of HK$50,713,000 in the prior year.

Other gains, net mainly comprised gain on disposal of exclusive advertising agency right, interest income from loans to a jointly controlled entity, bank interest income and fair value gain on financial assets at fair value through profit or loss. The significant increase in other gains, net is mainly due to the recording of a one-off gain on disposal of exclusive advertising agency right of HK$66,290,000 (please reter to note 11 to the consolidated financial statements for details).

Marketing and selling expenses mainly attributed to the television advertising segment. Although sales revenue from the television advertising segment for the year increased by 54% comparing to prior year, marketing and selling expenses for the year slightly dropped to HK$24,006,000 (2008: HK$25,862,000) or by 7% comparing to the prior year due to the effective cost control especially through regular revisit of commission policy.

Total administrative expenses for the year amounted to HK$51,251,000 (2008: HK$177,681,000), being a 71% decrease comparing to the prior year. This was mainly due to the following reasons: i) Exchange gain mainly resulting from the appreciation of RMB against HK$ dropped significantly to HK$806,000 during the year from HK$22,891,000 in the prior year; ii) non-cash share-based payments dropped to HK$13,762,000 during the year from HK$77,135,000 in the prior year; and iii) there was a provision for impairment of trade and other receivables of HK$75,903,000 included in the administrative expenses in the prior year, while in current year there was a write back of such provision of HK$3,359,000. If all the above factors are excluded, the remaining administrative expenses for the year in fact decreased to HK$41,654,000 (2008: HK$47,534,000) or by 12% comparing to the prior year due to our continued effort in cost control.

Share of (losses)/profits of jointly controlled entities mainly represented the share of results of Asian Union Film and Media ("AUFM") whose major asset is the 49% interests in Hainan Haishi (the operating entity of the Travel Channel). The loss in the current year was mainly caused by the one-off reduction of Travel Chanel's advertising agency fees receivable of RMB50 million during the year.

Finance costs for the year, which mainly represented notional non-cash interest accretion on convertible notes and pre-agreed periodic payments on exclusive advertising agency right, reduced to HK$31,291,000 (2008: HK$40,963,000) or by 24% comparing to the prior year. The amounts were recorded in accordance to the relevant financial reporting standards but there were in fact no cash interest payments. No similar finance costs are expected to recur since 2010.

Discontinued Operation

The loss for the year from discontinued operation of HK$64,618,000 was related to the disposal of the exclusive advertising agency business for the Satellite TV Channel of Guangdong Television conducted through Guangzhou Zhanshi Advertising Company Limited ("Guangzhou Zhanshi"). Such loss is not expected to recur since 2010.

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. In December 2009, the Group has completed an open offer and share placement, from which net proceeds of HK$421,994,000 have been raised. Such proceeds have not been utilized as of year end. As at 31 December 2009, the Group held cash and cash equivalents of approximately HK$643,037,000, increased by 2 times comparing to the balance as at 31 December 2008.

The Group was at net current asset position of HK$638,498,000 while it was at net current liability position of HK$7,047,000 as at 31 December 2008. As at 31 December 2008, the agency fee payables for the Travel Channel for the future twelve months were included as current liabilities in accordance to the relevant financial reporting standards, although they are not yet due and the relevant advertising sales (and thus the relevant cash inflows and receivables) were not yet incurred. This leads to higher than normal current liability amount and thus leads to the net current liability position. Excluding such undue agency fee payables for the Travel Channel, the Group is at net current asset position of HK$217,471,000 as at 31 December 2008. The increase of net current asset during the year was mainly due to the net proceeds raised through the completion of open offer and share placement in December 2009. The adjusted current ratio, representing the total current assets to the total current liabilities excluding the undue agency fees payable for the Travel Channel, significantly increased from 1.31 as at 31 December 2008 to 3.54 as at 31 December 2009.

The debt to equity ratio, representing the sum of borrowings and convertible notes to total equity, decreased from 0.05 as at 31 December 2008 to 0.04 as at 31 December 2009, and is still remained at a very low level. Except for the convertible notes, the Group had no outstanding borrowing as at 31 December 2009 and 31 December 2008.

Foreign Currency Exchange Exposure

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

Capital Structure

The Group has mainly relied on its equity and internally generated cash flow to finance its operations. As at 31 December 2009, the Group had no outstanding borrowing except for the convertible notes.

During the year, the Company has issued 9,031,616,992 new ordinary shares upon completion of the open offer of three offer shares for every eight shares and a share placement at a price of HK$0.048 per share. Details of the open offer and the share placement are disclosed in the Company's circular dated 25 November 2009.

PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

As at 31 December 2009, none of our assets was pledged and we did not have any material contingent liabilities or guarantees.

HUMAN RESOURCES

As at 31 December 2009, the Group employed a total of 93 full-time employees in Hong Kong and the PRC. The Group operates different remuneration schemes for sales and non-sales employees. Sales personnel are remunerated on the basis of on-target-earning packages comprising salary and sales commission. Non-sales personnel are remunerated by monthly salary which is reviewed by the Group from time to time and adjusted based on performance. In addition to salaries, the Group provides staff benefits including medical insurance, contribution to staff provident fund and discretionary training subsidies. Share options and bonuses are also available at the discretion of the Group and depending on the performance of the Group.

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

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

AUDIT COMMITTEE

The Audit Committee of the Company 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 of the Company has adopted terms of references which are in line with the Code on Corporate Governance Practices (the "CG Code") set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

The Audit Committee of the Company has reviewed the Group's annual results for the year ended 31 December 2009 and provided advice and comments thereon before such statements were presented to the Board for approval. The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2009 have been agreed by Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements of the year. The work performed by PricewaterhouseCoopers in this preliminary announcement did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

For the year ended 31 December 2009, 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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct for securities transactions and dealings (the "Code of Conduct") on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules. The Code of Conduct applies to all the relevant persons as defined in the CG Code, including Directors of the Company, any employee of the Company, 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 2009.

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 2009 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, 31 March 2010

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. Hugo SHONG (Vice Chairman and a non-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).