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)

ANNOUNCEMENT OF INTERIM RESULTS

HIGHLIGHT

	Six months ended 30 June		
	2010	2009	
	HK$'000	HK$'000	
Profit/(Loss) attributable to equity holders of the Company for the period	**9,668**	(74,892)	
Gross profit from continuing operations	**15,620**	3,031	↑415%
Sales from continuing operations	**72,585**	110,491	↓34%

- The Group returned to profitability and achieved profit attributable to equity holders of the Company for the period of HK$9,668,000.
- Travel Channel advertising revenue grew by more than 30%, leading to a four-fold increase in the Group's gross profit. However, the Group only recorded 50% of the relative revenue and cost according to the proportionate consolidation accounting method, which led to a decrease in its sales revenue for the period.
- Strong financial position with cash and cash equivalent balances of HK$536 million and no outstanding debt.

The board of directors (the "Board") of Media China Corporation Limited (the "Company") is pleased to present the consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2010, together with the comparative figures for the corresponding period in 2009. The consolidated interim results have been reviewed by the audit committee of the Company.

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

For the six months ended 30 June 2010

	Note	Six months ended 30 June **2010** **(Unaudited)** **HK$'000**	 2009 (Unaudited) HK$'000 (Restated) (Note 3)
Continuing operations			
Sales	4	**72,585**	110,491
Cost of sales		**(56,965)**	(107,460)
Gross profit		**15,620**	3,031
Other gains, net	5	**6,330**	11,028
Marketing and selling expenses		**(6,648)**	(12,527)
Administrative expenses		**(15,886)**	(27,649)
Share of profit of an associated company		**10,900**	15,600
Finance costs	6	**(1,125)**	(16,815)
Profit/(Loss) before taxation	7	**9,191**	(27,332)
Taxation	8	**266**	(6,275)
Profit/(Loss) for the period from continuing operations		**9,457**	(33,607)
Discontinued operation			
Loss for the period from discontinued operation	9	**—**	(41,795)
Profit/(Loss) for the period		**9,457**	(75,402)
Attributable to:			
Equity holders of the Company		**9,668**	(74,892)
Minority interests		**(211)**	(510)
		9,457	(75,402)

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT (CONTINUED)

For the six months ended 30 June 2010

		Six months ended 30 June	
		2010	2009
		(Unaudited)	(Unaudited)
	Note	**HK Cents**	HK Cents
			(Restated)
			(Note 3)
Earnings/(Loss) per share for profit/(loss) attributable to the equity holders of the Company during the period	10		
Basic earnings/(loss) per share			
— From continuing operations		**0.035**	(0.177)
— From discontinued operation		**—**	(0.224)
		0.035	(0.401)
Diluted earnings/(loss) per share			
— From continuing operations		**0.034**	(0.177)
— From discontinued operation		**—**	(0.224)
		0.034	(0.401)

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

At 30 June 2010

	Note	**30 June 2010 (Unaudited) HK$'000**	31 December 2009 (Audited) HK$'000 (Restated) (Note 3)
NON-CURRENT ASSETS			
Property, plant and equipment	12	**3,622**	3,816
Intangible assets	12	**567,474**	511,141
Interest in an associated company		**266,442**	253,144
Loan to a jointly controlled entity — non-current		**63,215**	62,634
Deferred tax assets		**19,082**	18,468
Other non-current assets		**1,784**	1,852
		921,619	851,055
CURRENTS ASSETS			
Trade receivables	13	**86,153**	127,882
Amounts due from a jointly controlled entity and its subsidiaries — current		**26,791**	32,495
Prepayments, deposits and other receivables		**64,729**	40,587
Cash and cash equivalents		**535,740**	648,072
		713,413	849,036
CURRENT LIABILITIES			
Agency fee payables		**124,160**	167,117
Trade payables	14	**11,224**	36,089
Receipt in advance, other payables and accrued liabilities		**79,493**	92,689
Amount due to an associated company		**31,172**	30,619
Current income tax liabilities		**13,391**	13,997
		259,440	340,511

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (CONTINUED)

At 30 June 2010

	Note	30 June 2010 (Unaudited) HK$'000	31 December 2009 (Audited) HK$'000 (Restated) (Note 3)
NET CURRENT ASSETS		**453,973**	508,525
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,375,592**	1,359,580
NON-CURRENT LIABILITIES			
Convertible notes		**—**	47,875
NET ASSETS		**1,375,592**	1,311,705
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital		**287,945**	277,293
Reserves		**1,086,840**	1,033,403
		1,374,785	1,310,696
Minority interests		**807**	1,009
TOTAL EQUITY		**1,375,592**	1,311,705

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. General information

Media China Corporation Limited ("the Company") and its subsidiaries (together, "the Group") were principally engaged in the television advertising business and content production business. The Group has operations mainly in the People's Republic of China (the "PRC") and Hong Kong.

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

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

This condensed consolidated interim financial information is presented in thousand Hong Kong dollars (HK$'000), unless otherwise stated. This condensed consolidated interim financial information was approved for issue on 16 August 2010.

2. Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2010 has been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and Hong Kong Accounting Standard ("HKAS") 34, "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2009, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

3. Accounting policies

Except as described below, the accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2009, as described in the annual financial statements for the year ended 31 December 2009.

In prior years, interests in jointly controlled entities ("JCE") were accounted for using the equity method, which recognized the share of JCE's post-acquisition profits or losses in the consolidated income statement, and the cumulative post-acquisition movements are adjusted against the carrying amount of the investment stated in the consolidated balance sheet. When the Group's share of losses in JCE equals or exceeds its interests in the JCE, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the JCE.

With effect from 1 January 2010, the Group adopts the proportionate consolidation method as set out in HKAS 31 — "Interests in Joint Ventures" for the recognition of interests in jointly controlled entities. The Directors of the Company consider that the use of proportionate consolidation method better reflects the substance and economic reality of the Group's interests in jointly controlled entities and presents more reliable and relevant information of the Group.

3. Accounting policies (Continued)

Under the proportionate consolidation method, the Group combines its shares of the jointly controlled entities' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the Group's financial statements. The Group recognizes the portion of gains or losses on the sale of assets by the Group to the jointly controlled entities that is attributable to the other venturers. The Group does not recognize its share of profits or losses from the jointly controlled entities that result from the Group's purchase of assets from the jointly controlled entities until they re-sells the assets to an independent party. However, a loss on the transaction is recognized immediately if the loss provides evidence of a reduction in the net realizable value of current assets, or an impairment loss.

Although the change in accounting policy does not have any effect on the Group's net assets as at 31 December 2009 and the Group's consolidated profit attributable to shareholders for the period ended 30 June 2009, it would result in certain changes in individual line items of the condensed consolidated interim financial information. The new accounting policy has been applied retrospectively and the comparatives have been restated accordingly. HKICPA has published Exposure Draft ("ED") 9 "Joint Arrangements", which proposes to elimiate the choice of proportionate consolidation as a method to account for an entity's investment in a jointly controlled entity. If ED 9 becomes effective, the Group will be required to change its accounting policy for the interests in jointly controlled entities from proportionate consolidation to equity method.

The HKICPA has issued a number of new and revised HKFRSs that are first effective or available for early adoption for accounting periods beginning on or after 1 January 2010. The adoption of these new HKFRSs would not have a significant impact on the Group's financial position and results of operations.

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. The management committee measures the performance of the segments based on their respective segment results.

The segment results for the six months ended 30 June 2010 are as follows:

	Television advertising HK$'000	Content production HK$'000	Total continuing operations HK$'000	Discontinued operation HK$'000	Total HK$'000
Sales	**71,344**	**1,241**	**72,585**	**—**	**72,585**
Segment results	**15,954**	**319**	**16,273**	**—**	**16,273**
Exchange gain			**3,997**	**—**	**3,997**
Share-based payments			**(1,868)**	**—**	**(1,868)**
Finance costs			**(1,125)**	**—**	**(1,125)**
Unallocated costs, net			**(8,086)**	**—**	**(8,086)**
Profit before taxation			**9,191**	**—**	**9,191**
Taxation			**266**	**—**	**266**
Profit for the period			**9,457**	**—**	**9,457**
Minority interests			**211**	**—**	**211**
Profit attributable to equity holders of the Company			**9,668**	**—**	**9,668**

4. Segment information (Continued)

The segment results for the six months ended 30 June 2009 are as follows:

	Television advertising HK$'000 (Restated) (Note 3)	Content production HK$'000 (Restated) (Note 3)	Others HK$'000 (Restated) (Note 3)	Total continuing operations HK$'000 (Restated) (Note 3)	Discontinued operation HK$'000 (Restated) (Note 3)	Total HK$'000 (Restated) (Note 3)
Sales	107,740	2,751	—	110,491	155,825	266,316
Segment results	(839)	1,341	8,110	8,612	(24,578)	(15,966)
Interest income on loan to a jointly controlled entity				2,061	—	2,061
Exchange gain				231	—	231
Share-based payments				(10,224)	—	(10,224)
Provision for impairment of intangible assets				—	(21,173)	(21,173)
Finance costs				(16,815)	—	(16,815)
Unallocated costs, net				(11,197)	—	(11,197)
Loss before taxation				(27,332)	(45,751)	(73,083)
Taxation				(6,275)	3,956	(2,319)
Loss for the period				(33,607)	(41,795)	(75,402)
Minority interests				510	—	510
Loss attributable to equity holders of the Company				(33,097)	(41,795)	(74,892)

4. **Segment information (Continued)**

Other segment terms included in the income statement and capital expenditures for the period are as follows:

	Six months ended 30 June 2010				
	Television advertising HK$'000	**Content production HK$'000**	**Total continuing operations HK$'000**	**Discontinued operation HK$'000**	**Total HK$'000**
Capital expenditures					
— Allocated	**823**	**52,018**	**52,841**	**—**	**52,841**
— Unallocated			**762**	**—**	**762**
Depreciation					
— Allocated	**201**	**280**	**481**	**—**	**481**
— Unallocated			**552**	**—**	**552**
Amortization	**—**	**365**	**365**	**—**	**365**

	Six months ended 30 June 2009				
	Television advertising HK$'000 (Restated) (Note 3)	Content production HK$'000 (Restated) (Note 3)	Total continuing operations HK$'000 (Restated) (Note 3)	Discontinued operation HK$'000 (Restated) (Note 3)	Total HK$'000 (Restated) (Note 3)
Capital expenditures					
— Allocated	61	60	121	5	126
— Unallocated			—	—	—
Depreciation					
— Allocated	330	245	575	36	611
— Unallocated			701	—	701
Amortization	95,257	—	95,257	179,317	274,574

There are no sales or other transactions between the operating segments. Unallocated costs represent corporate expenses.

4. Segment information (Continued)

The segment assets and liabilities at 30 June 2010 are as follows:

	Television advertising HK$'000	**Content production HK$'000**	**Total HK$'000**
Segment assets	**174,718**	**132,010**	**306,728**
Investment in an associated company	**266,442**	**—**	**266,442**
Goodwill	**501,300**	**—**	**501,300**
Amount due from a jointly controlled entity			
— current			**26,791**
— non-current			**63,215**
Unallocated assets			**470,556**
Total assets			**1,635,032**
Segment liabilities	**150,859**	**92,306**	**243,165**
Unallocated liabilities			**16,275**
Total liabilities			**259,440**

The segment assets and liabilities at 31 December 2009 are as follows:

	Television advertising HK$'000 (Restated) (Note 3)	Content production HK$'000 (Restated) (Note 3)	Total HK$'000 (Restated) (Note 3)
Segment assets	225,539	96,768	322,307
Investment in an associated company	253,144	—	253,144
Goodwill	496,653	—	496,653
Amount due from a jointly controlled entity			
— current			32,495
— non-current			62,634
Unallocated assets			532,858
Total assets			1,700,091
Segment liabilities	260,695	62,269	322,964
Unallocated liabilities			65,422
Total liabilities			388,386

4. Segment information (Continued)

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

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

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

5. Other gains, net

	Six months ended 30 June	
	2010	2009
	HK$'000	HK$'000
		(Restated)
		(Note 3)
Interest income	**5,694**	2,852
Fair value gain on financial assets at fair value through profit or loss	**198**	8,176
Miscellaneous	**438**	—
	6,330	11,028

6. Finance costs

	Six months ended 30 June	
	2010	2009
	HK$'000	HK$'000
Notional non-cash interest accretion on:		
— Convertible notes	**1,125**	1,752
— Pre-agreed periodic payments on exclusive advertising agency right	**—**	15,063
	1,125	16,815

7. **Profit/(Loss) before taxation**

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

	Six months ended 30 June	
	2010	2009
	HK$'000	HK$'000
		(Restated)
		(Note 3)
Crediting:		
Exchange gain	**3,997**	231
Reversal of provision for doubtful receivables, net	**3,815**	—
Charging:		
Depreciation	**1,033**	1,276
Amortization of intangible assets	**365**	95,257
Loss on disposal of property, plant and equipment	**3**	—
Staff costs:		
Directors' fees	**360**	360
Wages and salaries	**10,469**	10,093
Share-based payments	**1,868**	10,224
Contributions to defined contribution pension schemes	**1,188**	511
	13,885	21,188

8. **Taxation**

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profit for the period. Taxation on profits outside Hong Kong has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the regions/countries in which the Group operates.

	Six months ended 30 June	
	2010	2009
	HK$'000	HK$'000
Current income tax		
— Hong Kong profits tax	**—**	—
— PRC corporate income tax	**536**	2,094
Deferred income tax	**(802)**	4,181
Tax (credit)/charge	**(266)**	6,275

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

8. **Taxation (Continued)**

The taxation 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 regions/countries as follows:

	Six months ended 30 June	
	2010	2009
	HK$'000	HK$'000
		(Restated)
		(Note 3)
Profit/(Loss) before taxation	**9,191**	(27,332)
Tax calculated at domestic tax rates applicable to profit or loss in the respective regions/countries	**1,044**	(7,155)
Income not subject to tax	**(5,346)**	(2,730)
Expenses not deductible for tax purposes	**159**	367
Utilization of previously unrecognized tax losses	**(1,000)**	(6)
Unrecognized tax losses	**4,877**	12,901
Net write-off of deferred tax assets and liabilities	**—**	2,898
Income tax (credit)/expense	**(266)**	6,275

The weighted average applicable tax rate was 11.36% (2009: 26.18%).

9. 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 was 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 was considered as a separate major line of business during the period, it was accounted for as a discontinued operation in accordance with HKFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations". The disposal was completed in year 2009.

(a) Results of the operation of Guangzhou Zhanshi during the period have been included in the condensed consolidated interim income statement as follows:

	Six months ended 30 June	
	2010	2009
	HK$'000	HK$'000
Sales	—	155,825
Cost of sales (note 12)	—	(179,317)
Gross loss	—	(23,492)
Other revenues	—	2
Marketing and selling expenses	—	(534)
Administrative expenses	—	(554)
Provision for impairment of intangible assets (note 12)	—	(21,173)
Loss before taxation	—	(45,751)
Taxation	—	3,956
Loss from discontinued operation	—	(41,795)
Loss attributable to the equity holders of the Company	—	(41,795)

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

	Six months ended 30 June	
	2010	2009
	HK$'000	HK$'000
Net cash outflow from operating activities	—	(715)
Net cash outflow from investing activities	—	(5)
Decrease in cash and cash equivalents	—	(720)

10. Earnings/(Loss) per share

(a) 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 period.

	Six months ended 30 June	
	2010	2009
Weighted average number of ordinary shares in issue (thousands)	**27,911,733**	18,697,646
Profit/(Loss) from continuing operations attributable to equity holders of the Company (HK$'000)	**9,668**	(33,097)
Basic earnings/(loss) per share from continuing operations attributable to equity holders of the Company (HK cents per share)	**0.035**	(0.177)
Loss from discontinued operation attributable to equity holders of the Company (HK$'000)	—	(41,795)
Basic loss per share from discontinued operation attributable to equity holders of the Company (HK cents per share)	—	(0.224)

(b) 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 30 June 2010, the Company has only one category of potential ordinary shares: share options (2009: share options and convertible notes). A calculation is performed to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's share during the period) based on the monetary value of the subscription rights attached to outstanding share options. 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.

11. Dividends

The directors do not recommend the payment of any dividend in respect of the six months ended 30 June 2010 (2009: nil).

12. Capital expenditure

(i) Property, plant and equipment

Six months ended 30 June 2010

	HK$'000
Opening net book amount at 1 January 2010	**3,816**
Additions for the period	**1,674**
Depreciation for the period	**(958)**
Disposals during the period	**(941)**
Exchange difference	**31**
Closing net book amount at 30 June 2010	**3,622**

Six months ended 30 June 2009 (Restated) (Note 3)

Opening net book amount at 1 January 2009	8,654
Additions — continuing operations	121
Additions — discontinued operation	5
Depreciation for the period — continuing operations	(1,276)
Depreciation for the period — discontinued operation	(36)
Exchange difference	3
Reclassification to assets of disposal group held for sale	(255)
Closing net book amount at 30 June 2009	7,216

12. Capital expenditure (Continued)

(ii) Intangible assets

	Non-current assets						Current assets
Six months ended 30 June 2010	**Goodwill HK$'000**	**Exclusive advertising agency right HK$'000**	**Programme and film rights HK$'000**	**Programme and films production in progress HK$'000**	**Others HK$'000**	**Total HK$'000**	**Exclusive advertising agency right HK$'000**
Opening net book amount at 1 January 2010	**496,653**	**—**	**13,579**	**909**	**—**	**511,141**	**—**
Addition for the period	**—**	**—**	**—**	**51,929**	**—**	**51,929**	**—**
Amortization for the period	**—**	**—**	**(365)**	**—**	**—**	**(365)**	**—**
Exchange difference	**4,647**	**—**	**114**	**8**	**—**	**4,769**	**—**
Closing net book amount at 30 June 2010	**501,300**	**—**	**13,328**	**52,846**	**—**	**567,474**	**—**
At 30 June 2010							
Cost	**501,300**	**—**	**97,714**	**66,578**	**—**	**665,592**	**—**
Accumulated amortization and impairment	**—**	**—**	**(84,386)**	**(13,732)**	**—**	**(98,118)**	**—**
Net book amount	**501,300**	**—**	**13,328**	**52,846**	**—**	**567,474**	**—**

	Non-current assets						Current assets
Six months ended 30 June 2009	Goodwill HK$'000 (Restated) (Note 3)	Exclusive advertising agency right HK$'000 (Restated) (Note 3)	Programme and film rights HK$'000 (Restated) (Note 3)	Programme and films production in progress HK$'000 (Restated) (Note 3)	Others HK$'000 (Restated) (Note 3)	Total HK$'000 (Restated) (Note 3)	Exclusive advertising agency right HK$'000 (Restated) (Note 3)
Opening net book amount at 1 January 2009	466,405	569,427	14,243	3,855	333	1,054,263	401,911
Amortization for the period — continuing operations	—	(94,924)	—	—	(333)	(95,257)	—
Amortization for the period — discontinued operation	—	—	—	—	—	—	(179,317)
Impairment for the period — discontinued operation	(5,104)	—	—	—	—	(5,104)	(16,069)
Exchange difference	(80)	212	(6)	2	—	128	655
Reclassification to assets of disposal group held for sale	(24,813)	—	—	—	—	(24,813)	(207,180)
Closing net book amount at 30 June 2009	436,408	474,715	14,237	3,857	—	929,217	—
At 30 June 2009							
Cost	436,408	1,139,317	91,178	17,447	1,284	1,685,634	—
Accumulated amortization and impairment	—	(664,602)	(76,941)	(13,590)	(1,284)	(756,417)	—
Net book amount	436,408	474,715	14,237	3,857	—	929,217	—

13. Trade receivables

At 30 June 2010, the aging analysis of the trade receivables were as follows:

	30 June 2010	31 December 2009
	HK$'000	HK$'000
		(Restated)
		(Note 3)
0 — 3 months	**70,422**	120,516
4 — 6 months	**6,983**	6,148
Over 6 months	**10,044**	1,218
	87,449	127,882
Provision for doubtful receivables	**(1,296)**	—
	86,153	127,882

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

14. Trade payables

At 30 June 2010, the aging analysis of the trade payables were as follows:

	30 June 2010	31 December 2009
	HK$'000	HK$'000
		(Restated)
		(Note 3)
0 — 3 months	**8,205**	21,670
4 — 6 months	**1,729**	6,743
Over 6 months	**1,290**	7,676
	11,224	36,089

BUSINESS REVIEW AND PROSPECTS

Financial Performance

The major results for the six months ended 30 June 2010 are summarized in the table below:

	Six months ended 30 June		
	2010	2009	
	HK$'000	HK$'000	
From continuing operations:			
Total sales revenue	**72,585**	110,491	↓34%
Gross profit	**15,620**	3,031	↑415%
Profit/(loss) before taxation	**9,191**	(27,332)	
Profit/(loss) attributable to equity holders of the Company for the period	**9,668**	(33,097)	
From discontinued operations:			
Loss for the period from discontinued operation	**—**	(41,795)	

The Group returned to profitability and achieved profit attributable to equity holders of the Company of HK$9,668,000 for the period under review. This was a significant improvement as compared to a loss attributable to equity holders of the Company of HK$74,892,000 in the prior period. In light of poor profitability and a weak outlook, management disposed of its interest in Guangzhou ZhanShi Advertising Company Ltd. ("Guangzhou ZhanShi") in order to focus on developing other media businesses with higher growth potential. This allowed the Group to achieve an encouraging performance on continuing operations for the six months ended 30 June 2010 as it recorded profits in all business segments, which was an important milestone for the Group.

During the period under review, the Group recorded sales revenue of HK$72,585,000, a decrease of 34% compared to the same period in the prior year. However, gross profit surged over four times to HK$15,620,000. A key driver for the four-fold increase of the Group's gross profit was the Group's new joint venture with Hainan Television Broadcasting Station ("Hainan TV"). This joint venture became the exclusive advertising agent for the Travel Channel since 1 January 2010. After the restructuring, both Media China and Hainan TV owned approximately 50% of the economic interests in the operation of the Travel Channel. During the review period, advertising revenue of the Travel Channel increased over 30% which led to a four-fold increase of the Group's gross profit. However, the Group only recorded 50% of the relative revenue and cost according to the proportionate consolidation accounting method, which led to a decrease in its sales revenue.

Market Review

China's economy slowly regained its strength after the financial crisis as the government continued to expand its macroeconomic policies to stimulate domestic consumption. For the first half of 2010, China's GDP achieved a growth of 11.1%, reverting to the level before the financial crisis. Media and advertising markets recovered at a healthy pace during the first six months of this year. Customers were keen to put resources into marketing activities, leading to a strong rebound in the China advertising market. According to statistics from CTR Market Research, advertising expenses soared 22% year-on-year and reached RMB130 billion for the first quarter of 2010. Furthermore, TV remained the primary medium for domestic advertisers. TV advertising expenses increased 20% year-on-year and accounted for 79% of total advertising expenses in China.

At the same time, the government launched a series of policies to support the cultural industries. The State Council's plan for boosting the Chinese cultural industries includes the accelerated development of key cultural sectors such as filmmaking, advertising and digital content. Cultural projects and spending and export of cultural products are being encouraged to promote the development of China's cultural industries. The 2010 annual report on development of China's cultural industries released by the Chinese Academy of Social Sciences also points out that the market size of the China's cultural industries reached RMB800 billion in 2009. Expenditures were concentrated in education, new media, film, tourism and performance sectors. The box office revenue was approximately RMB4.8 billion in China for the first half of 2010, among which RMB2.1 billion came from domestically produced films.

Furthermore, the policy of promoting the convergence of telecommunications, broadcasting and Internet networks in China boosted the development of these sectors. The first phase, which involves telecommunications and broadcasting, will start between 2010 and 2012. Meanwhile, the convergence of all three sectors will start between 2013 and 2015. This will be advantageous to current cross-media partnerships and will enhance market demand of media content.

Business Review

	Sales revenues Six months ended 30 June		Segment results Six months ended 30 June	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Continuing operations:				
Television advertising	**71,344**	107,740	**15,954**	(839)
Content production	**1,241**	2,751	**319**	1,341
Others	**—**	—	**—**	8,110
Total continuing operations	**72,585**	110,491	**16,273**	8,612

The Group adjusted and optimized its business structure in respond to market conditions. The Group formed a new joint venture with Hainan TV to operate as the advertising agent for the Travel Channel after disposing its Guangdong advertising agency business. The effect was gradually reflected in the Group's positive segment operating results.

The television advertising segment remained the biggest revenue contributor of the Group. Its revenue totaled HK$71,344,000 in the first half year and segment profit was HK$15,954,000. The television advertising business includes the provision of media resources procurement services to international advertising agencies and direct customers, as well as to be the exclusive advertising agency for the Travel Channel through a joint venture with Hainan TV. Revenue from the content production segment was HK$1,241,000, and segment profit was HK$319,000.

Television Advertising Business

The Group formed a new joint venture with Hainan TV to exclusively operate the advertising business of the Travel Channel effective from 1 January 2010. After the restructuring, each party owned approximately 50% of the economic interests in the operation of the Travel Channel. The Group and Hainan TV's business development have been tied together through their common interest in the Travel Channel.

The aforementioned restructuring has an immediate effect. In the first half of 2010, advertising revenue for the Travel Channel increased over 30% year-on-year, which was the key driver for the four-fold increase in the Group's gross profit, as well as its return to profitability. Year to date, the dollar amount of advertising contracts signed by the Travel Channel has already surpassed that signed in 2009.

Promoted by policies to stimulate domestic consumption and development of tourism, the advertising market grew consistently, especially in marketing of automobile and luxury goods. The Chinese government energetically promoted the development of tourism and 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 benefit. In addition, the Travel Channel actively strengthened its cooperation with local governments and tourism administrations. Currently partnering provinces and cities included Beijing, Guangdong and Shanxi. The Group also strived to expand cooperation to speed up its business development.

The Group will continue to develop the media resources procurement services and extensive relationships with international advertising agencies. The Group helps the agencies to procure media resources from local TV stations in China and offer them one-stop solutions ranging from planning, broadcasting and monitoring of advertising to payment logistics.

Content Production Business

The Group received an enthusiastic response in the market for its film "Bodyguards and Assassins", a blockbuster that was honored the "Best Picture" of the 29th Hong Kong Film Awards.

The "Cultural Industry Promotion Plan" and the "Guidelines on Promoting the Prosperous Development of Movie Industry" issued by the State Council clearly put forward a 20% annual growth rate for the Chinese movie economy, which shows its determination in promoting the development of the movie industry. The Group's film production business will benefit from supportive policies and industry growth that should result in huge business potential. The Group has invested in the production of several TV dramas and films including, "Snow Flower and the Secret Fan" starring Jun Ji-hyun and Li Bingbing and "The Love of the Hawthorn Tree" directed by Zhang Yi-mou. In the first half of 2010, the Group invested more than HK$50 million in the content production business.

Business Outlook

Looking ahead into the second half, media and advertising markets in China will continue to grow steadily. The Group expects the advertising revenue from the Travel Channel to maintain its momentum from that in the first half of 2010. In the medium and long term, management has set clear targets for the Travel Channel: to break through advertising revenue of RMB700 million in four-year's time.

In addition, the policy of promoting the convergence of telecommunications, broadcasting and Internet networks in China will create ample opportunities for new media. Cross-media cooperation will further increase, driving demand of media content in the market. Meanwhile, the Group's content production business will benefit from ample opportunities created by the surge in demand. Lastly, television advertising business will benefit from the rising popularity of cross-media platforms and will ultimately enhance the Group's advertising sales.

FINANCIAL REVIEW

Sales revenue for the six months ended 30 June 2010 amounted to HK$72,585,000, being a 34% decrease comparing to the same period in prior year. The Group has adopted proportionate consolidation method to account for the operations of the Travel Channel during the period and thus only 50% of the Travel Channel's advertising revenue during the period has been included in the Group's sales revenue. In fact, Travel Channel's advertising revenue for the period increased by more than 30% comparing to the same period in the prior year. The significant growth was mainly attributed to the strong recovery of the economy especially in the consumption and tourism sectors from which most of the Travel Channel's advertising revenue come, and the further diversification of revenue sources such as provincial tourism administrations.

Cost of sales mainly represented the agency fees payable for the exclusive advertising agency right and the production costs for certain advertisements and activities. As the Group only accounts for 50% of such costs during the period, cost of sales for the period decreased by 47% comparing to the same period in the prior year. As the percentage decrease in cost of sales is much more than the percentage decrease in sales revenue, the gross profit increased significantly to HK$15,620,000 in current period comparing to the gross profit of HK$3,031,000 in the prior period.

Other gains, net mainly comprised bank interest income and fair value gain on financial assets at fair value through profit or loss. Other gains, net decreased by 43% during the period because there was a fair value gain on trading of investment securities of HK$8,176,000 in the prior period, whereas in the current period the gain amounted to only HK$198,000.

Marketing and selling expenses mainly attributed to the television advertising segment. As the Group only accounts for 50% of marketing and selling expenses in relation to Travel Channel operation during the period, marketing and selling expenses for the period decreased by 47% comparing to the same period in the prior year.

Total administrative expenses for the period amounted to HK$15,886,000 (2009: HK$27,649,000), being a 43% decrease comparing to the prior period. Excluding the exchange gain (mainly resulting from the appreciation of RMB against HK$) of HK$3,997,000 (2009: HK$231,000) and non-cash share-based payments of HK$1,868,000 (2009: HK$10,224,000), the remaining administrative expenses for the period slightly increased to HK$18,015,000 (2009: HK$17,656,000) or by 2% comparing to the prior period.

Share of profit of an associated company, which mainly represents the share of profit of Hainan Haishi, the operating entity of the Travel Channel, decreased to HK$10,900,000 (2009: HK$15,600,000) or by 30% during the period. Management considered that this share of profit shall be included as part of the television advertising business segment as it is mainly driven by the operating results of the Travel Channel.

Finance costs for the period, which mainly represents notional non-cash interest accretion on convertible notes reduced to HK$1,125,000 (2009: HK$16,815,000) or by 93% comparing to the prior period. The significant decrease is because there was no notional interest expense on exclusive advertising agency right during the period upon the termination of the relevant agreement by end of year 2009.

Profit attributable to equity holders of the Company for the period amounted to HK$9,668,000 while in the prior period there was a loss attributable to equity holders of the Company from continued operations of HK$33,097,000. The turnaround during the period was mainly attributed to the increase in Travel Channel's advertising revenue and continued effort in effective cost control.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity and Treasury Management

We have adopted prudent treasury management objectives aimed at principal protection and maintaining sufficient liquidity to meet our various funding requirements in accordance with the strategic plans and policies. As at 30 June 2010, the Group held cash and cash equivalents of approximately HK$535,740,000, being a 17% decrease comparing to the balance as at 31 December 2009.

The Group is at net current asset position of HK$453,973,000 as at 30 June 2010 (31 December 2009: HK$508,525,000). The current ratio, representing the total current assets to the total current liabilities, increased from 2.49 as at 31 December 2009 to 2.75 as at 30 June 2010.

The debt to equity ratio, representing the sum of borrowings and convertible notes to total equity, decreased from 0.04 as at 31 December 2009 to zero as at 30 June 2010. The Group had no outstanding borrowing as at 30 June 2010.

Foreign Currency Exchange Exposure

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

Capital Structure

The Group has mainly relied on its equity and internally generated cash flow to finance its operations. As at 30 June 2010, the Group had no outstanding borrowing.

During the period under review, the Company has issued (i) 1,065,217,391 new ordinary shares upon conversion of convertible notes at a conversion price of HK$0.046 per share; and (ii) 49,995 new ordinary shares upon exercise of share options.

PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

As at 30 June 2010, none of our assets was pledged and we did not have any material contingent liabilities or guarantees.

HUMAN RESOURCES

As at 30 June 2010, the Group employed a total of approximately 80 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 COMPANY’S LISTED SECURITIES

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

CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2010.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct for securities transactions and dealings (the “Code of Conduct”) on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules. The Code of Conduct applies to all the relevant persons as defined in the Model Code, including Directors of the Company, any employee of the Company, or director or employee of a subsidiary or holding company of the Company who, because of such office or employment, are likely to be in possession of unpublished price sensitive information in relation to the Company or its securities. Having made specific enquiry, all Directors confirmed that they have fully complied with the required standard set out in the Model Code throughout the six months ended 30 June 2010.

REVIEW OF INTERIM REPORT

The Audit Committee consists of the three Independent Non-executive Directors, namely Mr. Yuen Kin (Chairman), Mr. Li Ruigang and Dr. Wong Yau Kar, David. The Group's unaudited interim report for the six months ended 30 June 2010 has been reviewed by the Audit Committee.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim 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 interim report of the Company for 2010 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, 16 August 2010

As at the date hereof, the board of Directors comprises Mr. Edward TIAN Suning (Chairman and a non-executive Director), Mr. Hugo SHONG (Vice Chairman and a non-executive Director), Mr. ZHAO Anjian (executive Director), Mr. ZHANG Changsheng (executive Director), Mr. LI Ruigang, Mr. JIANG Jianning, Mr. YUEN Kin and Dr. WONG Yau Kar David (each an independent non-executive Director).