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 2010

HIGHLIGHTS

	2010	2009
	HK$'000	*HK$'000*
From continuing operations:		
Total sales	**171,308**	284,058
Gross profit	**54,364**	102,681
(Loss)/profit before taxation	**(478,854)**	66,415
(Loss)/profit for the year	**(483,667)**	65,994
From discontinued operation:		
Loss for the year from discontinued operation	—	(64,618)
Total (loss)/profit for the year	**(483,667)**	1,376

— Travel Channel advertising revenue grew by 15% year-on-year. However, the Group only recorded 50% of the related revenues and costs according to the proportionate consolidation accounting method, leading to a decrease in sales revenue for the year.

— The significant loss for the year resulted from a non-cash impairment charge on goodwill and other assets totalling approximately HK$489 million.

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 2010, together with the comparative figures for 2009, as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000 (Restated) (Note 2)
Continuing operations			
Sales	3	**171,308**	284,058
Cost of sales		**(116,944)**	(181,377)
Gross profit		**54,364**	102,681
Other income and other gains, net	3	**35,526**	77,373
Marketing and selling expenses		**(19,462)**	(24,006)
Administrative expenses		**(76,660)**	(61,677)
Provision for impairment of intangible assets	10	**(478,428)**	—
Share of profit of an associated company		**6,931**	3,335
Finance costs	5	**(1,125)**	(31,291)
(Loss)/profit before taxation	6	**(478,854)**	66,415
Taxation	7	**(4,813)**	(421)
(Loss)/profit for the year from continuing operations		**(483,667)**	65,994
Discontinued operation			
Loss for the year from discontinued operation		**—**	(64,618)
(Loss)/profit for the year		**(483,667)**	1,376

	Notes	**2010**	2009
		HK$'000	*HK$'000*
			(Restated)
			(Note 2)
Attributable to:			
Equity holders of the Company		**(483,463)**	1,383
Non-controlling interests		**(204)**	(7)
		(483,667)	1,376
(Loss)/Earnings per share for (loss)/profit attributable to the equity holders of the Company for the year		***HK Cents***	*HK Cents*
Basic (loss)/earnings per share			
— From continuing operations	*8*	**(1.70)**	0.35
— From discontinued operation	*8*	**—**	(0.34)
		(1.70)	0.01
Diluted (loss)/earnings per share			
— From continuing operations	*8*	**(1.70)**	0.35
— From discontinued operation	*8*	**—**	(0.34)
		(1.70)	0.01
Dividend	*9*	**—**	—

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

	2010	2009
	HK$'000	*HK$'000*
		(Restated)
		(Note 2)
(Loss)/profit for the year	**(483,667)**	1,376
Other comprehensive income:		
Currency translation differences	**13,582**	58,819
Other comprehensive income for the year, net of tax	**13,582**	58,819
Total comprehensive (expense)/income for the year	**(470,085)**	60,195
Total comprehensive (expense)/income attributable to:		
Equity holders of the Company	**(469,913)**	60,202
Non-controlling interests	**(172)**	(7)
	(470,085)	60,195

CONSOLIDATED BALANCE SHEET

As at 31 December 2010

	Notes	As at 31 December 2010 HK$'000	As at 31 December 2009 HK$'000 (Restated) (Note 2)	As at 1 January 2009 HK$'000 (Restated) (Note 2)
NON-CURRENT ASSETS				
Property, plant and equipment		**3,730**	3,816	8,654
Intangible assets	*10*	**114,670**	511,141	1,054,263
Investment properties		**359,890**	—	—
Interest in an associated company		**268,986**	253,144	285,287
Loan to a jointly controlled entity – non-current		**64,809**	62,634	62,534
Deferred tax assets		**18,737**	18,468	50,112
Other non-current assets		**1,741**	1,852	10,926
		832,563	851,055	1,471,776
CURRENT ASSETS				
Exclusive advertising agency right	*10*	**51,121**	—	401,911
Trade receivables	*11*	**22,474**	127,882	55,497
Amounts due from a jointly controlled entity and its subsidiaries		**26,747**	32,495	36,559
Financial assets at fair value through profit or loss		**28,000**	—	11,130
Prepayments, deposits and other receivables		**36,849**	40,587	129,221
Cash and cash equivalents		**236,678**	648,072	226,894
		401,869	849,036	861,212
Assets of disposal group held for sale		**118,347**	—	—
		520,216	849,036	861,212
CURRENT LIABILITIES				
Agency fee payables — current	*10*	**136,492**	167,117	785,367
Trade payables	*12*	**2,383**	36,089	24,887
Receipt in advance, other payables and accrued liabilities	*12*	**159,413**	92,689	135,060
Amount due to an associated company		**32,848**	30,619	54,905
Current income tax liabilities		**17,533**	13,997	36,141
		348,669	340,511	1,036,360
Liabilities of disposal group held for sale		**36,347**	—	—
		385,016	340,511	1,036,360

	Notes	As at 31 December 2010 HK$'000	2009 HK$'000 (Restated) (Note 2)	As at 1 January 2009 HK$'000 (Restated) (Note 2)
NET CURRENT ASSETS/(LIABILITIES)		**135,200**	508,525	(175,148)
TOTAL ASSETS LESS CURRENT LIABILITIES		**967,763**	1,359,580	1,296,628
NON-CURRENT LIABILITIES				
Agency fee payables — non-current	*10*	**—**	—	418,209
Convertible notes		**—**	47,875	44,271
Deferred tax liabilities		**74,130**	—	18,394
		74,130	47,875	480,874
NET ASSETS		**893,633**	1,311,705	815,754
EQUITY				
Capital and reserves attributable to the equity holders of the Company				
Share capital		**287,945**	277,293	186,976
Reserves		**604,851**	1,033,403	627,762
		892,796	1,310,696	814,738
Non-controlling interests		**837**	1,009	1,016
TOTAL EQUITY		**893,633**	1,311,705	815,754

Notes:

1 General information

Media China Corporation Limited (the "Company") and its subsidiaries (together, the "Group") is principally engaged in advertising business, content production business and properties investment through a jointly controlled entity. 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 and investment properties, which are carried at fair value.

Changes in accounting policy and disclosures:

(i) New and amended standards adopted by the Group

The following new standards and amendments to standards are mandatory and relevant to the Group for the financial year beginning 1 January 2010.

- HKFRS 3 (revised), 'Business Combinations', and consequential amendments to HKAS 27, 'Consolidated and Separate Financial Statements', HKAS 28, 'Investments in Associates', and HKAS 31, 'Interests in Joint Ventures', are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.

  The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared with HKFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the statement of comprehensive income. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs are expensed.

HKAS 27 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognized in profit or loss. HKAS 27 (revised) has had no impact on the current year, as none of the non-controlling interests have a deficit balance; there have been no transactions whereby an interest in an entity is retained after the loss of control of that entity, and there have been no transactions with non-controlling interests.

- HKAS 1 (amendment), 'Presentation of Financial Statements'. The amendment clarifies that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time.

- HKAS 36 (amendment), 'Impairment of Assets', effective 1 January 2010. The amendment clarifies that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment, as defined by paragraph 5 of HKFRS 8, 'Operating segments' (that is, before the aggregation of segments with similar economic characteristics).

- HKFRS 5 (amendment), 'Non-current assets held for sale and discontinued operations'. The amendment clarifies that HKFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirement of HKAS 1 still apply, in particular paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of HKAS 1.

(ii) New and amended standards, and interpretations mandatory for the first time for the financial year beginning 1 January 2010 but not currently relevant to the Group (although they may affect the accounting for future transactions and events)

- HKAS 17 (amendment), 'Leases'

- HK(IFRIC) – Int 17, 'Distribution of Non-cash Assets to Owners', effective on or after 1 July 2009

- HK(IFRIC) – Int 18, 'Transfers of Assets from Customers', effective for transfer of assets received on or after 1 July 2009

- HK(IFRIC) – Int 9, 'Reassessment of Embedded Derivatives and HKAS 39, Financial instruments: Recognition and measurement', effective 1 July 2009

- HK(IFRIC) – Int 16, 'Hedges of a Net Investment in a Foreign Operation' effective 1 July 2009

- HKFRS 2 (amendments), 'Group cash-settled share-based payment transactions', effective form 1 January 2010 *(iii)* ***Change in accounting policies for interests in jointly controlled entities***

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 JCE. 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 JCE and presents more reliable and relevant information of the Group.

Under the proportionate consolidation method, the Group combines its shares of the JCE's 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 JCE that is attributable to the other venturers. The Group does not recognize its share of profits or losses from the JCE that result from the Group's purchase of assets from the JCE until they re-sell 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 1 January 2009 and the Group's consolidated profit attributable to the equity holders of the Company for the year ended 31 December 2009, it would result in certain changes in individual line items of the consolidated financial statements. The new accounting policy has been applied retrospectively and the comparatives have been restated accordingly.

(a) Effect on the consolidated income statement for the year ended 31 December 2009

	For the year ended 31 December 2009 (As previously reported)	**Effect of change in accounting policy**	**For the year ended 31 December 2009 (As restated)**
	HK$'000	*HK$'000*	*HK$'000*
Continuing operations:			
Sales	276,451	7,607	284,058
Cost of sales	(179,472)	(1,905)	(181,377)
Gross profit	96,979	5,702	102,681
Other income and other gains/(losses), net	84,408	(7,035)	77,373
Marketing and selling expenses	(24,006)	—	(24,006)
Administrative expenses	(51,251)	(10,426)	(61,677)
Share of losses of jointly controlled entities	(8,342)	8,342	—
Share of profit of an associated company	—	3,335	3,335
Finance costs	(31,291)	—	(31,291)
Profit before taxation	66,497	(82)	66,415
Taxation	(413)	(8)	(421)
Profit/(loss) for the year from continuing operations	66,084	(90)	65,994
Discontinued operation:			
Loss for the year from discontinued operation	(64,618)	—	(64,618)
Profit for the year	1,466	(90)	1,376
Attributable to:			
Equity holders of the Company	1,383	—	1,383
Non-controlling interests	83	(90)	(7)
	1,466	(90)	1,376

(b) Effect on the consolidated statement of comprehensive income

	For the year ended 31 December 2009 (As previously reported) *HK$'000*	**Effect of change in accounting policy** *HK$'000*	**For the year ended 31 December 2009 (As restated)** *HK$'000*
Profit for the year	1,466	(90)	1,376
Other comprehensive income:			
Currency translation differences	58,819	—	58,819
Other comprehensive income for the year, net of tax	58,819	—	58,819
Total comprehensive income for the year	60,285	(90)	60,195
Total comprehensive income attributable to:			
Equity holders of the Company	60,202	—	60,202
Non-controlling interests	83	(90)	(7)
	60,285	(90)	60,195

(c) Effect on the consolidated balance sheet

	31 December 2009 (As previously reported)	Effect of change in accounting policy	31 December 2009 (As restated)
	HK$'000	*HK$'000*	*HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment	3,131	685	3,816
Intangible assets	434,938	76,203	511,141
Interests in jointly controlled entities	264,260	(264,260)	—
Interest in an associated company	—	253,144	253,144
Loan to a jointly controlled entity — non-current	—	62,634	62,634
Deferred tax assets	18,468	—	18,468
Other non-current assets	—	1,852	1,852
	720,797	130,258	851,055
CURRENTS ASSETS			
Trade receivables	129,054	(1,172)	127,882
Amounts due from a jointly controlled entity and its subsidiaries — current	91,300	(58,805)	32,495
Prepayments, deposits and other receivables	26,680	13,907	40,587
Cash and cash equivalents	643,037	5,035	648,072
	890,071	(41,035)	849,036
CURRENT LIABILITIES			
Agency fee payables	167,117	—	167,117
Trade payables	34,811	1,278	36,089
Receipt in advance, other payables and accrued liabilities	36,222	56,467	92,689
Amount due to an associated company	—	30,619	30,619
Current income tax liabilities	13,423	574	13,997
	251,573	88,938	340,511
NET CURRENT ASSETS	638,498	(129,973)	508,525
TOTAL ASSETS LESS CURRENT LIABILITIES	1,359,295	285	1,359,580
NON-CURRENT LIABILITIES			
Convertible notes	47,875	—	47,875
NET ASSETS	1,311,420	285	1,311,705
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	277,293	—	277,293
Reserves	1,033,403	—	1,033,403
	1,310,696	—	1,310,696
Non-controlling interests	724	285	1,009
TOTAL EQUITY	1,311,420	285	1,311,705

HKICPA has published Exposure Draft ("ED") 9 "Joint Arrangements", which proposes to eliminate 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.

3 Sales and other income and other gains/(losses), net

The Group is principally engaged in Advertising business, Content Production business and Properties Investment through a jointly controlled entity. Revenues recognized during the year are as follows:

	2010 *HK$'000*	2009 *HK$'000* *(Restated)* *(Note 2)*
Sales		
Advertising	**161,340**	274,410
Licensing and sub-licensing of film and TV programs	**4,787**	9,648
Rental and management fee income	**5,181**	—
	171,308	284,058
Other income and other gains/(losses), net		
Gain on disposal of exclusive advertising agency right *(note 10)*	**—**	66,290
Dividend income on financial assets at fair value through profit or loss	**—**	277
Interest income	**9,574**	1,802
Fair value (loss)/gain on financial assets at fair value through profit or loss	**(1,836)**	8,176
Negative goodwill	**10,344**	—
Exchange gain	**15,963**	806
Miscellaneous	**1,481**	22
	35,526	77,373
Total	**206,834**	361,431

The non-cash revenue arising from exchange of goods or services during the year included in sales from Advertising amounted to approximately HK$8,686,000 (2009: HK$8,191,000).

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 three main operating segments: (i) Advertising business; (ii) Content Production business; and (iii) Properties Investment. The management committee measures the performance of the segments based on their respective segment results.

There are some changes in the operating segments presented in 2010 due to the change in the presentation of information to the management committee. The operating segment "Others" presented in 2009, which mainly represented the results from the Group's investments in the financial instruments, is no longer organized as a separate operating segment. The segment "Properties Investment" has been newly presented in 2010 as a result of the Group's investments in investment properties.

There are no sales between the operating segments.

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

	2010					
	Advertising	**Content production**	**Properties investment**	**Total continuing operations**	**Discontinued operation**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Sales	**161,340**	**4,787**	**5,181**	**171,308**	**—**	**171,308**
Segment results	**13,957**	**(8,604)**	**1,974**	**7,327**	**—**	**7,327**
Exchange gain				**15,963**	**—**	**15,963**
Share-based payments				**(3,011)**	**—**	**(3,011)**
Provision for impairment of goodwill				**(470,444)**	**—**	**(470,444)**
Negative goodwill				**10,344**	**—**	**10,344**
Finance costs				**(1,125)**	**—**	**(1,125)**
Unallocated costs, net				**(37,908)**	**—**	**(37,908)**
Loss before taxation				**(478,854)**	**—**	**(478,854)**
Taxation				**(4,813)**	**—**	**(4,813)**
Loss for the year				**(483,667)**	**—**	**(483,667)**
Non-controlling interests				**204**	**—**	**204**
Loss attributable to the equity holders of the Company				**(483,463)**	**—**	**(483,463)**
Segment assets	**127,019**	**118,195**	**391,853**	**637,067**	**—**	**637,067**
Interest in an associated company	**268,986**	**—**	**—**	**268,986**	**—**	**268,986**
Goodwill	**43,611**	**—**	**—**	**43,611**	**—**	**43,611**
Interests in jointly controlled entities						
— current				**26,747**	**—**	**26,747**
— non-current				**64,809**	**—**	**64,809**
Assets of disposal group held for sale				**118,347**	**—**	**118,347**
Unallocated assets				**193,212**	**—**	**193,212**
Total assets				**1,352,779**	**—**	**1,352,779**
Segment liabilities	**151,315**	**104,119**	**29,941**	**285,375**	**—**	**285,375**
Liabilities of disposal group held for sale				**36,347**	**—**	**36,347**
Unallocated liabilities				**137,424**	**—**	**137,424**
Total liabilities				**459,146**	**—**	**459,146**
Capital expenditures						
— Allocated	**51,474**	**65,658**	**672**	**117,804**	**—**	**117,804**
— Unallocated				**1,903**	**—**	**1,903**
Depreciation						
— Allocated	**405**	**417**	**25**	**847**	**—**	**847**
— Unallocated				**1,317**	**—**	**1,317**
Amortization	**—**	**1,828**	**—**	**1,828**	**—**	**1,828**

	2009					
	Advertising *HK$'000* *(Restated)* *(Note 2)*	Content production *HK$'000* *(Restated)* *(Note 2)*	Others *HK$'000* *(Restated)* *(Note 2)*	Total continuing operations *HK$'000* *(Restated)* *(Note 2)*	Discontinued operation *HK$'000* *(Restated)* *(Note 2)*	Total *HK$'000* *(Restated)* *(Note 2)*
Sales	274,410	9,648	—	284,058	206,240	490,298
Segment results	69,442	(7,732)	8,388	70,098	(34,242)	35,856
Interest income on loan to a jointly controlled entity				836	—	836
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
Finance costs				(31,291)	—	(31,291)
Unallocated costs, net				(26,562)	—	(26,562)
Profit/(Loss) before taxation				66,415	(68,574)	(2,159)
Taxation				(421)	3,956	3,535
Profit/(Loss) for the year				65,994	(64,618)	1,376
Non-controlling interests				7	—	7
Profit/(Loss) attributable to the equity holders of the Company				66,001	(64,618)	1,383
Segment assets	225,539	96,768	—	322,307	—	322,307
Investment in an associated company	253,144	—	—	253,144	—	253,144
Goodwill	496,653	—	—	496,653	—	496,653
Amounts due from a jointly controlled entity and its subsidiaries				32,495	—	32,495
Loan to a jointly controlled entity				62,634	—	62,634
Unallocated assets				532,858	—	532,858
Total assets				1,700,091	—	1,700,091
Segment liabilities	260,695	62,269	—	322,964	—	322,964
Unallocated liabilities				65,422	—	65,422
Total liabilities				388,386	—	388,386
Capital expenditures						
— Allocated	117	483	—	600	5	605
— Unallocated				—	—	—
Depreciation						
— Allocated	620	730	—	1,350	48	1,398
— Unallocated				1,179	—	1,179
Amortization	190,446	3,964	—	194,410	239,121	433,531

Segment assets consist primarily of tangible and intangible assets, investment properties, other non-current assets, receivables and operating cash. They exclude goodwill, loan to 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, current income tax liabilities and deferred tax liabilities.

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

5 Finance costs

	2010	2009
	HK$'000	*HK$'000*
Notional non-cash interest accretion on:		
— Convertible notes	**1,125**	3,604
— Pre-agreed periodic payments on exclusive advertising agency right	**—**	27,687
	1,125	31,291

6 (Loss)/profit before taxation

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

	2010	2009
	HK$'000	*HK$'000*
		(Restated)
		(Note 2)
Crediting		
Gain on disposal of property, plant and equipment	**127**	346
Write back of provision for impairment of trade and other receivables	**—**	3,359
Debiting		
Depreciation of property, plant and equipment	**2,164**	2,529
Amortization of intangible assets *(note 10)*	**1,828**	194,410
Auditor's remuneration	**3,352**	2,215
Provision for impairment of trade receivables *(note 11)*	**9,548**	—
Provision for impairment of other receivables	**671**	—
Operating lease rentals — land and buildings	**6,708**	6,457
Donations	**114**	—
Staff costs:		
Directors' fees	**656**	720
Wages and salaries	**23,943**	17,893
Share-based payments	**3,011**	13,762
Contributions to defined contribution pension schemes	**3,381**	2,662
	30,991	35,037

7 Taxation

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 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.

	2010	2009
	HK$'000	*HK$'000*
		(Restated)
		(Note 2)
Current income tax		
— Hong Kong profits tax	**—**	—
— PRC Corporate Income Tax	**4,453**	(15,684)
Deferred income tax	**360**	16,105
Income tax expense	**4,813**	421

The tax on the Group's (loss)/profit 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:

	2010	2009
	HK$'000	*HK$'000*
		(Restated)
		(Note 2)
(Loss)/profit before taxation	**(478,854)**	66,415
Tax calculated at domestic tax rates applicable to the profit or loss in the respective countries	**(81,010)**	11,893
Income not subject to tax	**(9,202)**	(16,767)
Expenses not deductible for tax purposes	**82,991**	5,541
Utilization of previously unrecognized tax losses	**(389)**	(8,772)
Unrecognized tax losses	**12,423**	8,526
Income tax expense	**4,813**	421

The weighted average applicable tax rate was 16.9% (2009: 17.9%).

8 (Loss)/earnings per share

Basic (loss)/earnings per share

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

	2010	2009
Weighted average number of ordinary shares in issue (thousands)	**28,356,759**	19,068,808
(Loss)/profit from continuing operations attributable to equity holders of the Company (HK$'000)	**(483,463)**	66,001
Basic (loss)/earnings per share from continuing operations attributable to equity holders of the Company (HK cents per share)	**(1.70)**	0.35
Loss from discontinued operation attributable to equity holders of the Company (HK$'000)	**—**	(64,618)
Basic loss per share from discontinued operation attributable to equity holders of the Company (HK cents per share)	**—**	(0.34)

Diluted (loss)/earnings per share

Diluted (loss)/earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. As at 31 December 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 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.

The conversion of all potential ordinary shares would have an anti-dilutive effect on the basic (loss)/earnings per share for the year ended 31 December 2010 (2009: same).

9 Dividend

The directors do not recommend the payment of a final dividend in respect of the year ended 31 December 2010 (2009: Nil).

10 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*
	(Restated)	*(Restated)*	*(Restated)*	*(Restated)*	*(Restated)*	*(Restated)*	*(Restated)*
	(Note 2)	*(Note 2)*	*(Note 2)*	*(Note 2)*	*(Note 2)*	*(Note 2)*	*(Note 2)*
Year ended 31 December 2009							
Opening net book amount	466,405	569,427	14,243	3,855	333	1,054,263	401,911
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)
Reclassification	—	—	3,294	(3,294)	—	—	—
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	496,653	—	13,579	909	—	511,141	—
At 31 December 2009							
Cost	496,653	—	96,950	909	—	594,512	—
Accumulated amortization and impairment	—	—	(83,371)	—	—	(83,371)	—
Net book amount	496,653	—	13,579	909	—	511,141	—

	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 2010							
Opening net book amount	**496,653**	**—**	**13,579**	**909**	**—**	**511,141**	**—**
Additions	**—**	**—**	**—**	**65,485**	**—**	**65,485**	**50,248**
Reclassification	**—**	**—**	**16,378**	**(16,378)**	**—**	**—**	**—**
Amortization expense	**—**	**—**	**(1,828)**	**—**	**—**	**(1,828)**	**—**
Impairment expense	**(470,444)**	**—**	**(7,984)**	**—**	**—**	**(478,428)**	**—**
Exchange difference	**17,402**	**—**	**284**	**614**	**—**	**18,300**	**873**
Closing net book amount	**43,611**	**—**	**20,429**	**50,630**	**—**	**114,670**	**51,121**
At 31 December 2010							
Cost	**43,611**	**—**	**105,965**	**50,630**	**—**	**200,206**	**51,121**
Accumulated amortization and impairment	**—**	**—**	**(85,536)**	**—**	**—**	**(85,536)**	**—**
Net book amount	**43,611**	**—**	**20,429**	**50,630**	**—**	**114,670**	**51,121**

Amortization of HK$1,828,000 (2009: HK$194,410,000) is included in the cost of sales. Impairment of HK$478,428,000 (2009: nil) is included in administrative expenses.

In December 2010, the Group has acquired the exclusive advertising agency right in certain sectors for Beijing Railway Station and Beijing West Railway Station. The agency right lasts for a period of three years since 1 January 2011 and the Group has a right for early termination at its own discretion with forfeit of deposit paid.

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" for the year ended 31 December 2009 (note 3).

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.

Based on the revenue projection for each significant programme and film, the management consider the net realizable value is lower than its carrying value and thus impairment was recognized.

Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to operating segment as follows:

	2010	2009
	HK$'000	*HK$'000*
		(Restated)
		(Note 2)
Advertising business	**43,611**	496,653

The recoverable amount of a CGU is determined based on fair value less cost to sell calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimate rates stated below. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

Key assumptions used for fair value less cost to sell calculations:

	Advertising business	
	2010	2009
— Compound annual growth rate of revenue in five-year period (2009: six-year period)	**22%**	23%
— Annual growth rate beyond the five-year period (2009: six-year period)	**4%**	3%
— Discount rate	**17.4%**	15%

Management determined the average annual revenue growth rate based on past performance and its expectations of market development. The discount rates used reflect specific risks relating to the relevant segments.

When preparing the cash flow projection in five-year period for the advertising CGU, management has adjusted downwards the projected annual net cash inflow during the next five-year period after taking into account the following factors, among others:

— the year-on-year growth of sales from the advertising CGU slowed down during the second half of 2010 comparing to the first half of 2010;

— the marketing and selling expenses in relation to advertising sales and costs of programme production has been increasing since the second half of 2010, and such rising trend is expected to continue in the near future;

— the market competition in the advertising market in the PRC is still very intense; and

— the proposed disposal of Sinofocus Media (Holdings) Limited and its subsidiaries which engaged in advertising agency and media resources procurement business.

Taking into account the adjustments on the cash flow projection and applicable discount rate as mentioned above, the impairment tests on goodwill resulted in an impairment loss of approximately HK$470,444,000 (2009: nil).

If the compound annual growth rate of revenue in the first five-year period applied had been 1% lower and the discount rate applied had been 1% higher than management's estimates as at 31 December 2010 with all other variables held constant, a further impairment provision of HK$43,611,000 would be required for the goodwill associated with the advertising business CGU as at 31 December 2010.

11 Trade receivables

At 31 December 2010, the aging analysis of the trade receivables is as follows:

	2010	2009
	HK$'000	*HK$'000*
		(Restated)
		(Note 2)
0 — 3 months	**64,030**	120,516
4 — 6 months	**7,158**	6,148
Over 6 months	**14,051**	1,218
	85,239	127,882
Reclassification to assets of disposal group held for sale	**(53,051)**	—
	32,188	127,882
Provision for doubtful debts (all made against trade receivables aged over 6 months)	**(9,714)**	—
	22,474	127,882

The net carrying amounts of the trade receivables 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 2010, HK$9,714,000 of the trade receivables was considered impaired (2009: nil).

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

	2010	2009
	HK$'000	*HK$'000*
4 — 6 months	**7,158**	6,148
Over 6 months	**4,337**	1,218
	11,495	7,366
Reclassification to assets of disposal group held for sale	**(3,438)**	—
	8,057	7,366

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:

	2010	2009
	HK$'000	*HK$'000*
At 1 January	**—**	29,659
Provision for doubtful debts	**9,548**	—
Write back of over-provision	**—**	(3,359)
Write-off against trade receivables	**—**	(26,300)
Exchange differences	**166**	—
At 31 December	**9,714**	—

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.

12 Trade payables, receipt in advance, other payables and accrued liabilities

	2010	2009
	HK$'000	*HK$'000*
		(Restated)
		(Note 2)
Trade payables	**2,383**	36,089
Receipt in advance	**5,358**	11,050
Other payables and accrued liabilities	**154,055**	81,639
Total	**161,796**	128,778

At 31 December 2010, the aging analysis of the trade payables is as follows:

	2010	2009
	HK$'000	*HK$'000*
		(Restated)
		(Note 2)
0 — 3 months	**11,382**	21,670
4 — 6 months	**5**	6,743
Over 6 months	**2,383**	7,676
	13,770	36,089
Reclassification to liabilities of disposal group held for sale	**(11,387)**	—
	2,383	36,089

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

13 Subsequent events

On 26 January 2011, the Group and Mr. He Peng (the "Vendor") has entered into a sale and purchase agreement, pursuant to which the Group has conditionally agreed to acquire the entire equity interests in Smart Title Limited free from encumbrances for the consideration of HK$500 million. The consideration of HK$500 million shall be settled in the following manner:

(i) HK$395 million of the consideration shall be paid in cash upon completion of the acquisition;

(ii) HK$70 million of the consideration shall be settled by issuance of 2,000,000,000 new ordinary shares of the Company at HK$0.035 each upon completion of the acquisition; and

(iii) the remaining HK$35 million of the consideration shall be settled by the issuance of a maximum of 1,000,000,000 new ordinary shares of the Company at HK$0.035 each, provided that:

  (a) the number of new ordinary shares to be issued by the Company will be adjusted downwards on a dollar to dollar basis if the audited net profit after tax of Smart Title Limited and its subsidiaries (the "Target Group") for the years 2011 and 2012 shall be less than RMB80,000,000 in aggregate;

  (b) following the deduction of the value of the new ordinary shares issued under the preceding subparagraph (a), if there shall still be in existence a shortfall, the Vendor shall compensate such shortfall in cash on a dollar to dollar to basis; and

  (c) in case the Target Group suffers an aggregated net loss after tax for the years 2011 and 2012, in addition to the compensation under the preceding subparagraph (a) and (b), the Vendor shall compensate the Group for the aggregated loss on a dollar to dollar basis.

The completion of the acquisition is subject to the satisfaction of certain conditions precedent. As at the date of this announcement, the acquisition has not yet been completed.

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

CHAIRMAN’S STATEMENT

I am pleased to present the annual results of Media China Corporation Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2010.

In year 2010, the Company restructured its Board of Directors (the “Board”) and introduced new members, including myself, into it. The new Board adjusted the overall strategy of the Group. While proceeding with our media business, we also stepped up efforts to expand into the culture and tourism business. As the Chinese government is vigorously developing the culture and tourism industry, we are in a better position to capture opportunities that may arise in the market and to diversify our business portfolio.

The Travel Channel’s revenue from advertising sales grew by approximately 15% year-on-year to over RMB260 million for the year, and accounts for a substantial part of the Group’s sales revenue in 2010. As the competition in the television advertising market in the PRC is very intense, the Board believes that we shall diversify our sources of revenue other than the Travel Channel operation. By late 2010, we have obtained a three-year exclusive right to operate the advertising business for certain sectors at Beijing Railway Station and Beijing West Railway Station. Management believes that as the national railway system and high-speed railway networks are rapidly growing, this project will have great potential after the restructuring of related advertising resources. On the content production business, we continued to invest in the production of high quality movies and TV dramas, including the “Snow Flower and Secret Fan”, which featured famous Korean actress Jeon Ji-Hyun and domestic pop-star Li Bingbing, and the “Love of the Hawthorn Tree” directed by Zhang Yimou. The later was not only very popular, but also generated satisfactory box office results.

In February this year, the Group proposed to acquire the "Bayhood No.9 Club" in Beijing, aiming at forging it as a flagship leisure and tourism project and extending our business portfolio. The Chinese economy has been growing robustly in recent years, creating tremendous business opportunities for leisure and tourism sector. We expect to build "Bayhood No.9 Club" as a platform and work with other business partners to expand the tourism business in Beijing and other cities throughout China. According to the Twelfth Five-Year-Plan, Chinese government will proactively promote the commercialization, internationalization and modernization of the tourism industry. The tourism revenue in China is expected to grow by a compound annual growth rate ("CAGR") of 12% over the next five years. We firmly believe that the extension of our business portfolio to leisure and tourism sector will help us better address the significant business opportunities arising from the fast expansion of the culture and tourism industry in China.

I am very grateful for the long-term trust and support from our investors, business partners, and the dedicated efforts from our employees. We will continue to monitor the recent development of the market and identify proper opportunities to extend our business for a sustainable growth, so that we will be able to maximize the investment return and value for our shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Prospects

Financial Performance

Major financial indicators for the twelve months ended 31 December 2010 are summarized in the table below:

	2010	2009
	HK$'000	*HK$'000*
From continuing operations:		
Total sales revenue	**171,308**	284,058
Gross profit	**54,364**	102,681
(Loss)/profit before taxation	**(478,854)**	66,415
(Loss)/profit for the year	**(483,667)**	65,994
Loss from discontinued operation	**–**	(64,618)
(Loss)/profit for the year	**(483,667)**	1,376

The Group recorded revenue of HK$171,308,000, down 40% from 2009 mainly because a new joint venture formed by the Company and Hainan Television Broadcasting Station ("Hainan TV") became the exclusive advertising agent for the Travel Channel effective from 1 January 2010. As both parties held about 50% economic interest each in the advertising business of the Travel Channel, the Group would only recognize 50% of revenue arising from the Travel Channel from 2010 onwards according to the proportionate consolidation accounting method. As a result, its sales revenue dropped when compared to 2009. In fact, the Travel Channel recorded advertising revenue of over RMB260 million in 2010, an increase of 15% from the preceding year.

After taking into account the following factors, among others, into consideration, management has adjusted downwards the projected annual net cash inflow during the next five-year period for our advertising business:

— the year-on-year growth of sales from the advertising business slowed down during the second half of 2010 comparing to the first half of 2010;

— the marketing and selling expenses in relation to advertising sales and costs of programme production has been increasing since the second half of 2010, and such rising trend is expected to continue in the near future;

— the market competition in the advertising market in the PRC is still very intense; and

— the proposed disposal of Sinofocus Media (Holdings) Limited and its subsidiaries which engaged in advertising agency and media resources procurement business

Taking into account the adjustments on the cash flow projection as mentioned above and the upward adjustments on the discount rate applicable, the impairment tests on goodwill resulted in an impairment loss of approximately HK$470,444,000 (2009: nil). This non-cash impairment charge accounts for substantial part of the Group's loss for the year.

The Group has been looking for opportunities to diversify its business portfolio. In September 2010, it acquired a 50% interest in certain office units and retail facilities at Shenzhen Tian An International Building. The rental income and management fees income from these leased properties will generate a stable stream of income to the Group.

Market Review

China's GDP for 2010 substantially grew by 10.3% from the previous year. Underpinned by robust economic growth, income from domestic advertising industry soared 13% year-on-year during the year, with TV advertising income increased by 11% from 2009. According to the 2010 report by CVSC-TNS Research ("CTR"), TV remained advertisers' most preferred channel for advertising. About 76% of advertising expenditures were put on TV advertisements.

The country's cultural industry also experienced phenomenal growth last year on the back of rising per-capita income and the government's enhanced efforts to promote the development of the sector. It contributed more than 5% to the GDP of a number of major municipalities and provinces, such as Beijing, Shanghai and Guangdong Province. Besides, the film industry saw a huge box-office success last year. According to The State Administration of Radio, Film and Television, income of China's film industry topped RMB10.1 billion, a significant increase of 64% over 2009.

Business Review

	Sales revenues		**Segment results**	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Continuing operations:				
Advertising	**161,340**	274,410	**13,957**	69,442
Content production	**4,787**	9,648	**(8,604)**	(7,732)
Properties investment	**5,181**	—	**1,974**	—
Others	**—**	—	**—**	8,388
Total	**171,308**	284,058	**7,327**	70,098

Advertising business

The Group's advertising business derived most of its revenue from the provision of media resources procurement services to international advertising agencies and direct customers, as well as from acting as an exclusive advertising agency for the Travel Channel through a joint venture formed with Hainan TV. The advertising business arising from the Travel Channel remained the key contributor to the Group's revenue.

Tourist service operators as well as mid- and high-end consumer products and services providers are major target advertisers of the Travel Channel. As domestic retail sector expanded remarkably last year, retail sales of various mid- and high-end consumer products grew by a double-digit figure while income of tourism industry grew by more than 20% over 2009. As a result, the Group saw satisfactory growth in advertising income from the tourism sector, auto sector and electronic consumer product sector. However, as mentioned in the preceding paragraphs, after taking into account the fierce competition in the market, the ever increasing content production cost and the upward adjustment on the discount rate applicable, the Group has revised its future cash flow projection for its advertising business. This has resulted in a non-cash goodwill impairment charge of HK$470,444,000 during the year.

In order to focus resources on the development of core business and to accelerate recovery of working capital, management decided to dispose of the media resources procurement operation of Sinofocus Media Group in November 2010 at a consideration of HK$82 million. The proceeds would be used for the development of other businesses with greater potential. Meanwhile, in late 2010, the Group has obtained a three-year exclusive right to operate the advertising business for certain sectors at Beijing Railway Station and Beijing West Railway Station. Beijing is a national transportation hub and provides plenty room for media advertising growth. The national railway system and the national express rail network are also developing rapidly. After proper investment in and restructuring of advertising resources, management believes that this business will experience robust growth and help to further diversify the Group's income sources.

Content production business

The Group invested more than HK$60 million in content production business in year 2010. "The Love of the Hawthorn Tree" directed by Zhang Yi-mou was rolled out in the second half of last year. Featuring pure love, the film was widely acclaimed in the market and produced satisfactory box-office receipts. Meanwhile, the production of "Snow Flower and the Secret Fan", which stars Korean famous actress Jun Ji-hyun and China's pop-star Li Bingbing, is in full swing. Management expects both of the aforementioned movies and other TV programs will bring in returns in year 2011.

Properties investment

In September 2010, the Group acquired a 50% interest in certain office units and retail facilities at Shenzhen Tian An International Building and a 50% interest in the management company of this building for a consideration of HK$280 million. Shenzhen Tian An International Building is located in Renmin South Road, Luohu District, Shenzhen and total floor areas acquired amounted to approximately 31,700m^2. Most of the said office units and retail facilities have been leased to third parties.

Business Outlook

Looking ahead into 2011, media and advertising markets in China will continue to grow at a rapid pace. While delivering the 2011 government work report, Premier Wen Jiabao stressed that service industry will be promoted to boost cultural and tourism expenditures. According to the "Guidelines of the Plan for the Promotion of Tourism Industry Development" issued by the State Council, tourism is one of the strategic pillar industries in the development of the nation's economy. Annual revenue of the tourism industry is projected to grow by 12% from 2011 to 2015, which shows PRC's strong commitment to develop the tourism industry. The management believes these policies will provide a sound business environment for the media and tourism industries, which is beneficial to the Travel Channel's operation.

According to statistics from the National Bureau of Statistics, GDP per capita of PRC has maintained rapid growth in recent years, rising from approximately RMB16,000 in 2006 to approximately RMB25,000 in 2009. As the income of Chinese households increase, the travel patterns of domestic tourists have changed from sightseeing to leisure travelling, which have created new business opportunities in the tourism sector. Leverage opportunities brought from the rapid growth of the industry, the Group proposed in February 2011 to conditionally acquire Beijing "Bayhood No. 9 club". The Group plans to expand into recreational and tourism-related businesses through this flagship project. "Bayhood No. 9 Club", located near the city center of Beijing, is a membership-based luxury club which comprises of business hotel facilities, an 18-hole golf course, driving range facilities, theme restaurants and cafes, spa facilities, retail shops, and the first PGA branded and managed golf academy in Asia. It focuses on the high-net-worth sector who are able to afford leisure and recreational travelling. Management believes that the acquisition of "Bayhood No. 9 Club" will establish a solid foundation for the Group to seize considerable opportunities in the leisure travelling business. As of the date of this announcement, the acquisition is not yet completed.

FINANCIAL REVIEW

Sales revenue for the year ended 31 December 2010 amounted to HK$171,308,000, being a 40% decrease comparing to the prior year. The Group has adopted proportionate consolidation method to account for the operations of the Travel Channel during the year and only 50% of the Travel Channel's advertising revenue during the year has been included in the Group's sales revenue. In fact, Travel Channel's advertising revenue for the year increased by 15% comparing to the prior year. The 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 average 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 year, cost of sales for the year decreased by 36% comparing to the prior year.

Other income and other gains/(losses), net for the year mainly comprised bank interest income, fair value gain/(loss) on financial assets at fair value through profit or loss, negative goodwill and exchange gain. The significant decrease in other gains, net is mainly because there was a one-off gain on disposal of exclusive advertising agency right of HK$66,290,000 in the prior year offsetted by an increase of exchange gain from HK$806,000 in the prior year to HK$15,963,000 in the current year.

Marketing and selling expenses mainly attributed to the advertising segment. As the Group only accounts for 50% of marketing and selling expenses in relation to Travel Channel operation during the year, marketing and selling expenses for the year decreased by 19% comparing to the prior year although the Travel Channel's advertising revenue grew by 15% year-on-year.

Administrative expenses for the year amounted to HK$76,660,000 (2009: HK$61,677,000), being a 24% increase comparing to the prior year. This was mainly because there was a provision for impairment of trade and other receivables of HK$10,219,000 included in the administrative expenses in the current year, while in prior year there was a write back of such provision of HK$3,359,000. Excluding this, the remaining administrative expenses for the year in fact just slightly increased to HK$66,441,000 (2009: HK$65,036,000) or by 2% comparing to the prior year.

For details of the provision for impairment of intangible assets for the year, prefer refer to note 10.

Share of profit of an associated company, which mainly represents the share of profit of Hainan Haishi, the operating entity of the Travel Channel, increased to HK$6,931,000 (2009: HK$3,335,000) or by 108% during the year. Management considered that the share of profit shall be included as part of the advertising business segment as it is mainly driven by the operating results of the Travel Channel.

Finance costs for the year, which mainly represents notional non-cash interest accretion on convertible notes, reduced to HK$1,125,000 (2009: HK$31,291,000) or by 96% comparing to the prior year. The significant decrease is because there was no notional interest expense on exclusive advertising agency right during the year upon the termination of the relevant agreement by end of year 2009.

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 31 December 2010, the Group held cash and cash equivalents of approximately HK$236,678,000, being a 63% decrease comparing to the balance as at 31 December 2009.

The Group was at net current asset position of HK$135,200,000 as at 31 December 2010 (2009: HK$508,525,000). The current ratio, representing the total current assets to the total current liabilities, decreased from 2.49 as at 31 December 2009 to 1.35 as at 31 December 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 31 December 2010. The Group had no outstanding borrowing as at 31 December 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 31 December 2010, the Group had no outstanding borrowing.

During the year, 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 31 December 2010, none of our assets was pledged and we did not have any material contingent liabilities or guarantees.

HUMAN RESOURCES

As at 31 December 2010, the Group employed a total of approximately 70 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, JP and Prof. WEI Xin. 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 2010 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 2010 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 2010, 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 CG Code throughout the year except the code provision E.1.2 of the CG Code, the Chairman should attend the annual general meeting. Mr. Edward TIAN Suning, due to other business engagement, did not attend the annual general meeting of the Company held on 25 May 2010 while he was Chairman of the Company.

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 2010.

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 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
YUEN Hoi Po
Chairman

Hong Kong, 21 March 2011

As at the date of this announcement, the Board comprises Mr. YUEN Hoi Po (Chairman and Executive Director), Mr. Hugo SHONG (Vice Chairman and Non-executive Director), Mr. ZHANG Changsheng (Executive Director), Mr. WANG Hong (Executive Director), Mr. TIAN Suning (Non-executive Director), Mr. JIANG Jianning, Professor WEI Xin, Dr. WONG Yau Kar David JP and Mr. YUEN Kin (each an Independent Non-executive Director).