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 2011

HIGHLIGHTS

	2011	2010
	HK$'000	*HK$'000*
Total sales	**125,224**	171,308
Gross profit	**30,998**	54,364
Loss before taxation	**(5,937)**	(478,854)
Loss for the year	**(17,627)**	(483,667)

— The Group successfully expanded into the High-end Recreational and Tourism Services sector after completing the acquisition of the "Bayhood No. 9 Club" operation in July 2011. This sector accounted for over half the Group's sales revenue in year 2011, and contributed segment profit of HK$11,876,000 for the year.

— Loss for the year reduced by 96% comparing to that in year 2010 as no provision for impairment on goodwill for the year was necessary.

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 2011, together with the comparative figures for 2010, as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
Sales	3	**125,224**	171,308
Cost of sales		**(94,226)**	(116,944)
Gross profit		**30,998**	54,364
Other income and other gains, net	3	**49,480**	35,526
Marketing and selling expenses		**(2,430)**	(19,462)
Administrative expenses		**(75,750)**	(76,660)
Provision for impairment of intangible assets	11	**(11,596)**	(478,428)
Share of profit of an associated company		**9,754**	6,931
Finance costs	5	**(6,393)**	(1,125)
Loss before taxation	6	**(5,937)**	(478,854)
Taxation	7	**(11,690)**	(4,813)
Loss for the year		**(17,627)**	(483,667)
Attributable to:			
Equity holders of the Company		**(17,779)**	(483,463)
Non-controlling interests		**152**	(204)
		(17,627)	(483,667)
Loss per share attributable to the equity holders of the Company for the year		**HK Cents**	HK Cents (Restated)
Basic loss per share	8	**(0.48)**	(17.05)
Diluted loss per share	8	**(0.48)**	(17.05)
Dividend	9	**—**	—

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	2011	2010
	HK$'000	*HK$'000*
Loss for the year	**(17,627)**	(483,667)
Other comprehensive income:		
— Currency translation differences	**26,023**	13,582
Other comprehensive income for the year, net of tax	**26,023**	13,582
Total comprehensive income/(loss) for the year	**8,396**	(470,085)
Total comprehensive income/(loss) attributable to:		
Equity holders of the Company	**8,227**	(469,913)
Non-controlling interests	**169**	(172)
	8,396	(470,085)

CONSOLIDATED BALANCE SHEET

As at 31 December 2011

		As at 31 December	
		2011	2010
	Notes	***HK$'000***	*HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*10*	**340,655**	3,730
Intangible assets	*11*	**520,586**	114,670
Investment properties	*12*	**414,395**	359,890
Interest in an associated company	*13*	**292,330**	268,986
Loan to a jointly controlled entity	*14*	**—**	64,809
Deferred tax assets		**25,882**	18,737
Other non-current assets		**1,644**	1,741
		1,595,492	832,563
CURRENT ASSETS			
Exclusive advertising agency right	*11*	**18,503**	51,121
Trade receivables	*15*	**18,018**	22,474
Inventories		**15,527**	—
Amounts due from a jointly controlled entity and its subsidiaries	*14*	**96,121**	26,747
Financial assets at fair value through profit or loss		**14,600**	28,000
Prepayments, deposits and other receivables		**74,425**	36,849
Cash and cash equivalents		**200,606**	236,678
		437,800	401,869
Assets of disposal group held for sale	*17(b)*	**—**	118,347
		437,800	520,216
CURRENT LIABILITIES			
Agency fee payables		**143,265**	136,492
Trade payables	*16*	**7,170**	2,383
Receipt in advance, other payables and accrued liabilities	*16*	**253,073**	159,413
Amount due to an associated company		**35,105**	32,848
Deferred revenue		**75,383**	—
Current income tax liabilities		**79,998**	17,533
		593,994	348,669
Liabilities of disposal group held for sale	*17(b)*	**—**	36,347
		593,994	385,016
NET CURRENT (LIABILITIES)/ASSETS		**(156,194)**	135,200
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,439,298**	967,763

	Notes	As at 31 December 2011 HK$'000	2010 HK$'000
NON-CURRENT LIABILITIES			
Other payables		**24,860**	—
Deferred revenue		**56,509**	—
Deferred tax liabilities		**181,318**	74,130
		262,687	74,130
NET ASSETS		**1,176,611**	893,633
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital		**451,918**	287,945
Reserves		**724,236**	604,851
		1,176,154	892,796
Non-controlling interests		**457**	837
TOTAL EQUITY		**1,176,611**	893,633

Notes:

1. General information

Media China Corporation Limited (the "Company") and its subsidiaries (together, the "Group") is principally engaged in media business, properties investment through jointly controlled entities, and the provision of high-end recreational and tourism services. 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 information are presented in thousand Hong Kong dollars (HK$'000), unless otherwise stated.

2. Basis of preparation

The consolidated financial information 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 information 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.

As at 31 December 2011, the Group had net current liabilities of approximately HK$156,194,000 (2010: net current assets of approximately HK$135,200,000). The directors are of the opinion that, having taken into account the expected operating cash inflow and the available financial resources of the Group, the Group has sufficient financial resources to meet its liabilities as and when they fall due for the foreseeable future and the Group will be able to continue as a going concern. Consequently, the consolidated financial information have been prepared on a going concern basis.

The Group has restated the comparative figures on the loss per shares. The restatement is to account for the impact of the share consolidation on the weighted average number of ordinary shares in issue for the purpose of calculating the basic and diluted loss per shares for the year ended 31 December 2011. As a result of the share consolidation, the weighted average number of ordinary shares for the year ended 31 December 2010 has decreased from 28,794,529,691 shares to 2,879,452,969 shares, and hence, the loss per share has been restated from HK Cents 1.70 per share to HK Cents 17.05 per share for the year ended 31 December 2010.

Changes in accounting policy and disclosures:

(i) New, revised and amended standards and interpretations to existing standards effective in 2011

The Group has adopted the following new, revised and amended standards and interpretations to existing standards ("new HKFRS") that have been issued and are effective for the Group's accounting period commencing on 1 January 2011

HKAS 24 (Revised)	Related party disclosures
HKAS 27 (Amendment)	Consolidated and separate financial statements
HKAS 32 (Amendment)	Classification of rights issues
HKAS 34 (Amendment)	Interim financial reporting
HKFRS 7 (Amendment)	Financial instruments: Disclosures
HK(IFRIC)-Int 13 (Amendment)	Customer loyalty programmes
HK(IFRIC)-Int 14 (Amendment)	Prepayments of a minimum funding requirement
HK(IFRIC)-Int 19	Extinguishing financial liabilities with equity instruments

Saved as aforesaid, the adoption of the new HKFRSs did not result in substantial changes to the accounting policies of the Group and had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented.

(ii) New, revised and amended standards and interpretations to existing standards that are not effective and have not been early adopted by the Group

The following new, revised and amended standards and interpretations to existing standards have been issued, but are not effective for the financial year beginning 1 January 2011 and have not been early adopted by the Group:

HKAS 1 (Amendment)	Presentation of financial statements — Presentation of items of other comprehensive income
HKAS 12 (Amendment)	Deferred tax: Recovery of underlying assets
HKAS 19 (Amendment)	Employee benefits
HKAS 27 (Revised 2011)	Separate financial statements
HKAS 28 (Revised 2011)	Investments in associates and joint ventures
HKAS 32 (Amendment)	Financial instruments: Presentation — Offsetting financial assets and financial liabilities
HKFRS 7 (Amendment)	Financial instruments: Disclosure — Transfers of financial assets
HKFRS 7 (Amendment)	Financial instruments: Disclosure — Offsetting financial assets and financial liabilities
HKFRS 7 (Revised)	Financial instruments: Disclosure
HKFRS 9	Financial instruments
HKFRS 10	Consolidated financial statements
HKFRS 11	Joint arrangements
HKFRS 12	Disclosure of interests in other entities
HKFRS 13	Fair value measurement
HK(IFRIC)-Int 20	Stripping costs in the production phase of a surface mine

The Group has commenced an assessment of the impact of these new, amended and revised HKFRSs but is not yet in a position to state whether they would have a significant impact on its results of operations and financial position.

3. SALES AND OTHER INCOME AND OTHER GAINS, NET

The Group is principally engaged in Media business, Properties Investment business through jointly controlled entities and High-end Recreational and Tourism Services. Revenues recognized during the year are as follows:

	2011	2010
	HK$'000	*HK$'000*
Sales		
Advertising and licensing of film and TV programmes	**39,920**	166,127
Rental and management fee income	**20,690**	5,181
High-end recreational and tourism services	**64,614**	—
	125,224	171,308
Other income and other gains, net		
Fair value gain on revaluation of investment properties *(note 12)*	**31,234**	—
Loss on disposal of subsidiaries, net	**(1,363)**	—
Interest income	**1,016**	9,574
Fair value loss on financial assets at fair value through profit or loss	**(13,400)**	(1,836)
Negative goodwill *(note 17)*	**—**	10,344
Exchange gain	**24,473**	15,963
Miscellaneous	**7,520**	1,481
	49,480	35,526
Total	**174,704**	206,834

The non-cash revenue arising from exchange of goods or services during the year included in sales from Media business amounted to approximately HK$5,204,000 (2010: HK$8,686,000).

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) Media business; (ii) Properties Investment; and (iii) High-end Recreational and Tourism Services. The management committee measures the performance of the segments based on their respective segment results.

There are sales between operating segments in year 2011 which is disclosed below (2010: nil).

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

	2011			
	Media	Properties Investment	High-end Recreational and Tourism Services	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Sales	**39,920**	**20,690**	**71,062**	**131,672**
Inter-segment revenue	**—**	**—**	**(6,448)**	**(6,448)**
Revenue from external customers	**39,920**	**20,690**	**64,614**	**125,224**
Segment results	**(14,313)**	**41,948**	**11,876**	**39,511**
Exchange gain				**24,473**
Share-based payments				**(255)**
Finance costs				**(6,393)**
Unallocated costs, net				**(63,273)**
Loss before taxation				**(5,937)**
Taxation				**(11,690)**
Loss for the year				**(17,627)**
Non-controlling interests				**(152)**
Loss attributable to the equity holders of the Company				**(17,779)**
Segment assets	**278,957**	**448,154**	**723,336**	**1,450,447**
Interest in an associated company	**292,330**	**—**	**—**	**292,330**
Goodwill	**52,140**	**—**	**50,075**	**102,215**
Amounts due from a jointly controlled entity and its subsidiaries				**96,121**
Unallocated assets				**92,179**
Total assets				**2,033,292**
Segment liabilities	**275,610**	**30,484**	**270,312**	**576,406**
Unallocated liabilities				**280,275**
Total liabilities				**856,681**
Capital expenditures				
— Allocated	**65,277**	**16**	**666,645**	**731,938**
— Unallocated				**1,626**
Depreciation				
— Allocated	**498**	**92**	**12,686**	**13,276**
— Unallocated				**566**
Amortization	**35,805**	**—**	**3,338**	**39,143**

	2010		
	Media	Properties Investment	Total
	HK$'000	*HK$'000*	*HK$'000*
Sales	166,127	5,181	171,308
Segment results	5,353	1,974	7,327
Exchange gain			15,963
Share-based payments			(3,011)
Provision for impairment of goodwill			(470,444)
Negative goodwill			10,344
Finance costs			(1,125)
Unallocated costs, net			(37,908)
Loss before taxation			(478,854)
Taxation			(4,813)
Loss for the year			(483,667)
Non-controlling interests			204
Loss attributable to the equity holders of the Company			(483,463)
Segment assets	245,214	391,853	637,067
Interest in an associated company	268,986	—	268,986
Goodwill	43,611	—	43,611
Amounts due from a jointly controlled entity and its subsidiaries			26,747
Loan to a jointly controlled entity			64,809
Assets of disposal group held for sale			118,347
Unallocated assets			193,212
Total assets			1,352,779
Segment liabilities	255,434	29,941	285,375
Liabilities of disposal group held for sale			36,347
Unallocated liabilities			137,424
Total liabilities			459,146
Capital expenditures			
— Allocated	117,132	672	117,804
— Unallocated			1,903
Depreciation			
— Allocated	822	25	847
— Unallocated			1,317
Amortization	1,828	—	1,828

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 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 current income tax liabilities and deferred tax liabilities.

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

5. FINANCE COSTS

	2011	2010
	HK$'000	*HK$'000*
Accrued interest on agency fee payable	**6,393**	—
Notional non-cash interest accretion on convertible notes	**—**	1,125
	6,393	1,125

6. LOSS BEFORE TAXATION

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

	2011	2010
	HK$'000	*HK$'000*
Crediting		
Gain on disposal of property, plant and equipment	**246**	127
Bad debt recovery	**1,831**	—
Charging		
Depreciation of property, plant and equipment *(note 10)*	**13,842**	2,164
Amortization of intangible assets *(note 11)*	**39,143**	1,828
Auditor's remuneration	**2,800**	3,352
Provision for impairment of trade receivables *(note 15)*	**224**	9,548
Provision for impairment of other receivables	**117**	671
Operating lease rentals — land and buildings	**3,395**	6,708
Operating lease rentals — operating right	**9,396**	—
Donations	**4**	114
Staff costs:		
Directors' fees	**487**	656
Wages and salaries	**26,915**	23,943
Share-based payments	**255**	3,011
Contributions to defined contribution pension schemes	**4,219**	3,381
	31,876	30,991

7. TAXATION

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 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.

	2011	2010
	HK$'000	*HK$'000*
Current income tax		
— Hong Kong profits tax	**—**	—
— PRC Corporate Income Tax	**6,370**	4,453
Deferred income tax	**5,320**	360
Income tax expense	**11,690**	4,813

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

	2011	2010
	HK$'000	*HK$'000*
Loss before taxation	**(5,937)**	(478,854)
Tax calculated at domestic tax rates applicable to the profit or loss in the respective countries	**(1,647)**	(81,010)
Income not subject to tax	**(18,333)**	(9,202)
Expenses not deductible for tax purposes	**14,295**	82,991
Utilization of previously unrecognized tax losses	**(250)**	(389)
Unrecognized tax losses	**17,625**	12,423
Income tax expense	**11,690**	4,813

The weighted average applicable tax rate was 27.7% (2010: 16.9%).

8. LOSS PER SHARE

Basic loss per share

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

	2011	2010
Weighted average number of ordinary shares in issue (thousands) as previously disclosed in 2010 annual report	**N/A**	28,356,759
Weighted average number of ordinary shares in issue (thousands) (restated as described in note 2)	**3,734,649**	2,835,676
Loss attributable to equity holders of the Company (HK$'000)	**(17,779)**	(483,463)
Basic loss per share attributable to equity holders of the Company (HK cents per share) (restated as described in note 2)	**(0.48)**	(17.05)

Diluted loss per share

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. As at 31 December 2011, the Company has only one category of potential ordinary shares: share options (2010: same). 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 per share for the year ended 31 December 2011 (2010: same).

9. DIVIDEND

The directors do not recommend the payment of a final dividend in respect of the year ended 31 December 2011 (2010: nil).

10. PROPERTY, PLANT AND EQUIPMENT

	Golf course HK$'000	Buildings HK$'000	Machinery and equipment HK$'000	Furniture, computer and equipment HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
Cost								
At 1 January 2010	—	—	—	4,982	1,416	4,266	—	10,664
Additions	—	—	—	688	1,191	1,085	—	2,964
Acquisition of subsidiaries and jointly controlled entities *(note 17)*	—	455	—	66	—	489	—	1,010
Disposals	—	—	—	(2,260)	(2,178)	(559)	—	(4,997)
Exchange difference	—	43	—	141	—	134	—	318
Reclassification to assets of disposal group held for sale *(note 17)*	—	—	—	(138)	(11)	(1,193)	—	(1,342)
At 31 December 2010	—	498	—	3,479	418	4,222	—	8,617
Accumulated depreciation								
At 1 January 2010	—	—	—	3,390	1,144	2,314	—	6,848
Disposals	—	—	—	(1,262)	(2,178)	(466)	—	(3,906)
Depreciation	—	5	—	356	1,061	742	—	2,164
Exchange difference	—	1	—	101	—	72	—	174
Reclassification to assets of disposal group held for sale *(note 17)*	—	—	—	(45)	(3)	(345)	—	(393)
At 31 December 2010	—	6	—	2,540	24	2,317	—	4,887
Net book value:								
At 31 December 2010	—	492	—	939	394	1,905	—	3,730

	Golf course HK$'000	Buildings HK$'000	Machinery and equipment HK$'000	Furniture, computer and equipment HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
Cost								
At 1 January 2011	—	498	—	3,479	418	4,222	—	8,617
Additions	—	—	586	1,260	285	1,626	579	4,336
Acquisition of subsidiaries *(note 17)*	108,578	180,795	8,067	6,707	14,245	12,885	8,389	339,666
Reclassification	—	8,929	—	—	—	—	(8,929)	—
Disposals	—	—	—	(26)	—	(16)	—	(42)
Exchange difference	2,178	4,000	177	334	293	423	(39)	7,366
At 31 December 2011	110,756	194,222	8,830	11,754	15,241	19,140	—	359,943
Accumulated depreciation								
At 1 January 2011	—	6	—	2,540	24	2,317	—	4,887
Disposals	—	—	—	(5)	—	—	—	(5)
Depreciation	3,489	2,961	1,047	984	331	5,030	—	13,842
Exchange difference	87	81	26	152	5	213	—	564
At 31 December 2011	3,576	3,048	1,073	3,671	360	7,560	—	19,288
Net book value:								
At 31 December 2011	107,180	191,174	7,757	8,083	14,881	11,580	—	340,655

Depreciation expense of HK$12,234,000 (2010: nil) and HK$1,608,000 (2010: HK$2,164,000) has been charged in cost of sales and administrative expenses, respectively.

11. INTANGIBLE ASSETS

	Non-current assets					Current assets
	Goodwill	**Programmes and film rights**	**Programmes and film production in progress**	**Cooperating construction and operating agreement**	**Total**	**Exclusive advertising agency right**
	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

	Non-current assets					Current assets
	Goodwill	**Programmes and film rights**	**Programmes and film production in progress**	**Cooperating construction and operating agreement**	**Total**	**Exclusive advertising agency right**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2011						
Opening net book amount	**43,611**	**20,429**	**50,630**	**—**	**114,670**	**51,121**
Additions	**—**	**—**	**64,274**	**—**	**64,274**	**—**
Acquisition of subsidiaries *(note 17)*	**49,090**	**—**	**—**	**325,288**	**374,378**	**—**
Reclassification	**—**	**50,463**	**(50,463)**	**—**	**—**	**—**
Disposals	**—**	**(34,905)**	**—**	**—**	**(34,905)**	**—**
Amortization expense	**—**	**(1,501)**	**—**	**(3,338)**	**(4,839)**	**(34,304)**
Impairment expense	**—**	**(11,596)**	**—**	**—**	**(11,596)**	**—**
Exchange difference	**9,514**	**180**	**2,469**	**6,441**	**18,604**	**1,686**
Closing net book amount	**102,215**	**23,070**	**66,910**	**328,391**	**520,586**	**18,503**
At 31 December 2011						
Cost	**102,215**	**125,262**	**66,910**	**331,812**	**626,199**	**53,657**
Accumulated amortization and impairment	**—**	**(102,192)**	**—**	**(3,421)**	**(105,613)**	**(35,154)**
Net book amount	**102,215**	**23,070**	**66,910**	**328,391**	**520,586**	**18,503**

Amortization of HK$39,143,000 (2010: HK$1,828,000) is included in the cost of sales. Impairment of HK$11,596,000 (2010: HK$478,428,000) is included in administrative expenses.

Cooperation Construction and Operating Agreement represents the rights to construct and operate the club facilities of "Bayhood No. 9 Club" up to 31 December 2051 acquired through a business combination completed in July 2011.

Impairment tests for goodwill

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

	2011	2010
	HK$'000	*HK$'000*
Media business	**52,140**	43,611
High-end recreational and tourism services	**50,075**	—
Total	**102,215**	43,611

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:

	Media business		**High-end recreational and tourism services**	
	2011	2010	**2011**	2010
— Compound annual growth rate of revenue in five-year/fifteen-year period	**20%**	22%	**5%**	N/A
— Annual growth rate beyond the five-year/fifteen-year period	**4%**	4%	**0%**	N/A
— Discount rate	**16.5%**	17.4%	**15.5%**	N/A

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.

If the compound annual growth rate of revenue in the first five-year/fifteen-year period applied had been 1% lower and the discount rate applied had been 1% higher than management's estimates as at 31 December 2011 with all other variables held constant, no further impairment provision would be required for the goodwill associated with the media business and high-end recreational and tourism services CGU, respectively, as at 31 December 2011.

12. INVESTMENT PROPERTIES

	2011	2010
	HK$'000	*HK$'000*
At fair value:		
Opening balance at 1 January	**359,890**	—
Acquisitions of subsidiaries and jointly controlled entities *(note 17)*	**—**	359,004
Fair value gain on revaluation of investment properties *(note 3)*	**31,234**	—
Exchange difference	**23,271**	886
Closing balance at 31 December	**414,395**	359,890

The investment properties were located in the PRC and were held through a 50% indirectly-owned jointly controlled entity acquired in year 2010. In accordance to proportionate consolidation method, 50% of the fair value of the investment properties was included in the Group's consolidated financial statements.

(a) Amounts recognized in profit and loss for investment properties

	2011	2010
	HK$'000	*HK$'000*
Rental and management fee income	**20,690**	5,181
Direct operating expenses from property that generated rental income	**(12,681)**	(3,011)
Direct operating expenses from property that did not generate rental income	**—**	—
	8,009	2,170

(b) Valuation basis

The Group obtains independent valuations for its investment properties at least annually. At the end of each reporting period, the directors update their assessment of the fair value of each property, taking into account the most recent independent valuations carried out by Vigers Appraisal and Consulting Limited, a firm of independent and qualified professional valuers not connected with the Group. The directors determine a property's value within a range of reasonable fair value estimates.

The basis of valuation of the fair value of the investment properties was the current prices in an active market for similar investment properties.

(c) **Leasing arrangements**

Some of the investment properties are leased to tenants under long term operating leases with rentals payable monthly. The Group's interests in minimum lease payments under non-cancellable operating leases of investment properties not recognized in the financial statements are receivable as follows:

	2011	2010
	HK$'000	*HK$'000*
Within one year	**9,902**	9,125
Later than one year but no later than 5 years	**32,787**	28,651
Later than 5 years	**40,240**	49,196
	82,929	86,972

13. INTERESTS IN AN ASSOCIATED COMPANY

	2011	2010
	HK$'000	*HK$'000*
At 1 January	**268,986**	253,144
Share of profits	**9,754**	6,931
Exchange differences	**13,590**	8,911
At 31 December	**292,330**	268,986
Included in the above balances:		
Goodwill:		
At 1 January	**137,181**	132,577
Exchange differences	**6,808**	4,604
At 31 December	**143,989**	137,181

The amount due to an associated company is unsecured, non-interest bearing and repayable on demand.

No indication for impairment of goodwill of an associated company was noted during the year.

The particulars of the associated company as at 31 December 2011 are as follows:

Name	Place of establishment and kind of legal entity	Registered capital	Interest held indirectly	Principal activities and place of operation
Hai Nan Haishi Travel Satellite TV Media Co., Ltd (*)	The PRC, limited liability company	RMB115,963,100	49%	Production of television programmes (other than news) for the Travel Channel in the PRC

(*) The name of the company referred to above represent management's best effort in translating the Chinese name of the company as no English names for that company has been registered.

The Group's share of the results and its aggregated assets (including goodwill) and liabilities of the associated company at 31 December 2011 were as follows:

	2011	2010
	HK$'000	*HK$'000*
Assets:		
Non-current assets	**119,059**	121,205
Current assets	**419,811**	327,320
	538,870	448,525
Liabilities:		
Current liabilities	**(135,220)**	(89,873)
Net assets	**403,650**	358,652
Revenue	**273,567**	197,582
Profit for the year	**26,542**	18,859

There are no contingent liabilities and commitments relating to the Group's interest in the associated company, and no contingent liabilities and commitments of the associated company itself.

14. AMOUNTS DUE FROM A JOINTLY CONTROLLED ENTITY AND ITS SUBSIDIARIES

	Group	
	2011	2010
	HK$'000	*HK$'000*
Loan to a jointly controlled entity — non-current	**—**	64,809
Amounts due from a jointly controlled entity and its subsidiaries — current	**96,121**	26,747
	96,121	91,556

As at 31 December 2010, the loan to a jointly controlled entity is unsecured, interest-bearing at prevailing market rates and not repayable in the coming twelve months.

The current portion of the amounts due from a jointly controlled entity and its subsidiaries are unsecured, non-interest bearing and repayable on demand.

The particulars of the principal jointly controlled entities and its subsidiaries as at 31 December 2011 are as follows:

Name	**Place of establishment and kind of legal entity**	**Registered capital**	**Interest held indirectly 2011**	**Interest held indirectly** 2010	**Principal activities and place of operation**
Shenzhen ITC Tian An Co., Ltd.	The PRC, Sino-foreign equity joint venture	US$8,880,000	**50%**	50%	Holding and rental of investment properties in the PRC
Shenzhen Tian An International Building Property Management Co., Ltd.	The PRC, Sino-foreign equity joint venture	RMB3,000,000	**50%**	50%	Property management in the PRC
Hainan Hailu Advertising Limited Liability Company *(2)*	The PRC, limited liability company	RMB1,000,000	**50%**	50%	Advertising agency, design and production

Name	Place of establishment and kind of legal entity	Registered capital	Interest held indirectly		Principal activities and place of operation
AUFM GROUP					
Asia Union Film and Media *(1) (2)*	The PRC, limited liability company	RMB120,000,000	**50%**	50%	Investment in television drama, film production and advertising production in the PRC
Beijing Ying Shi Film & Television Art Limited Liability Company *(2)*	The PRC, limited liability company	RMB500,000	**30%**	30%	Television drama production in the PRC
Beijing Hua Yi Shan He Shui Advertising Company Limited *(2)*	The PRC, limited liability company	RMB1,020,000	**25.50%**	25.50%	Advertisement production in the PRC

(1) On 3 July 2007, the Group entered into an agreement with Poly Culture and Arts Co., Ltd. ("PCACL") pursuant to which the Group has agreed to repay the shareholder's loans of approximately RMB150 million on behalf of AUFM to PCACL. On the other hand, PCACL has agreed to transfer to the Group its right to share 25% of the future dividends and other distribution of AUFM out of the retained distributable profits of AUFM. After the repayment of the abovementioned shareholder's loans by the Group, AUFM will continue to be a jointly controlled entity of the Group but the profit sharing ratio of the Group in AUFM will increase from 50% to 75%. The Group has already fully repaid the abovementioned shareholder's loans on behalf of AUFM in 2007.

On 10 May 2009, the shareholders of AUFM passed a resolution, pursuant to which PCACL has agreed to transfer to the Group its right to share the remaining 25% of the dividends and other distribution of AUFM out of the retained distributable profits of AUFM for the future three years in return for an annual receipt of a fixed consideration of RMB3,000,000. Accordingly, AUFM will continue to be a jointly controlled entity of the Group but the profit sharing ratio of the Group in AUFM will be 100% during the three-year period. The additional 25% share of results of AUFM net of the consideration has been included in "administrative expenses" in the consolidated income statement.

(2) The names of the companies referred to above represent management's best effort in translating the Chinese names of the companies as no English names for these companies have been registered.

15. TRADE RECEIVABLES

At 31 December 2011, the aging analysis of the trade receivables is as follows:

	2011	2010
	HK$'000	*HK$'000*
0–3 months	**2,017**	64,030
4–6 months	**1,328**	7,158
Over 6 months	**25,145**	14,051
	28,490	85,239
Reclassification to assets of disposal group held for sale *(note 17)*	**—**	(53,051)
	28,490	32,188
Provision for doubtful debts (all made against trade receivables aged over 6 months)	**(10,472)**	(9,714)
	18,018	22,474

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 2011, HK$10,472,000 of the trade receivables was considered impaired (2010: HK$9,714,000).

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

	2011	2010
	HK$'000	*HK$'000*
4–6 months	**1,328**	7,158
Over 6 months	**14,673**	4,337
	16,001	11,495
Reclassification to assets of disposal group held for sale	**—**	(3,438)
	16,001	8,057

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:

	2011	2010
	HK$'000	*HK$'000*
At 1 January	**9,714**	—
Provision for doubtful debts *(note 6)*	**224**	9,548
Exchange differences	**534**	166
At 31 December	**10,472**	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.

16. TRADE PAYABLES, RECEIPT IN ADVANCE, OTHER PAYABLES AND ACCRUED LIABILITIES

	2011	2010
	HK$'000	*HK$'000*
Trade payables	**7,170**	2,383
Receipt in advance	**30,165**	5,358
Other payables and accrued liabilities	**222,908**	154,055
Total	**260,243**	161,796

At 31 December 2011, the aging analysis of the trade payables is as follows:

	2011	2010
	HK$'000	*HK$'000*
0–3 months	**2,960**	11,382
4–6 months	**1,528**	5
Over 6 months	**2,682**	2,383
	7,170	13,770
Reclassification to liabilities of disposal group held for sale *(note 17)*	**—**	(11,387)
	7,170	2,383

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

17. SIGNIFICANT BUSINESS COMBINATION AND DISPOSAL

(a) Significant Business combination

For year 2011

On 26 January 2011, the Group and Mr. He Peng (the "Vendor") has entered into a sale and purchase agreement (as amended by the supplemental agreement dated 16 May 2011), 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 200,000,000 new ordinary shares of the Company at HK$0.35 each (after adjustment for share consolidation effective on 16 May 2011) 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 100,000,000 new ordinary shares of the Company at HK$0.35 each (after adjustment for share consolidation effective on 16 May 2011), 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.

If, as at the date of completion, there shall remain outstanding amounts receivable from related parties outside the Target Group, the Group shall have the right to reduce the cash consideration by such outstanding amounts, and thereafter such outstanding amounts shall be deemed to have been received by the Target Group.

The said acquisition has been completed on 28 July 2011.

The Target Group is principally engaged in the provision of high-end 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.

The following table summarizes the total considerations paid by the Group for the above acquisitions and the amounts of the assets acquired and liabilities assumed recognized at the acquisition date. The fair value of the consideration related to new ordinary shares issued and to be issued were determined based on the market price to the Company's shares at the acquisition date.

	2011
	HK$'000
Consideration:	
— Cash	**395,000**
— Issuance of shares	**27,800**
— Shares to be issued	**13,900**
Total consideration	**436,700**
Recognized amounts of identifiable assets acquired and liabilities assumed	
Property, plant and equipment *(note 10)*	**339,666**
Intangible assets *(note 11)*	**325,288**
Deferred tax assets	**5,748**
Prepayments, deposits and other receivables	**18,592**
Amounts due from entities related to the Vendor offsetted against cash consideration payable upon completion	**99,920**
Inventories	**7,402**
Cash and cash equivalent	**18,326**
Trade payables	**(8,639)**
Receipt in advance, other payables and accrued liabilities	**(124,646)**
Deferred revenue	**(141,119)**
Current income tax liabilities	**(58,286)**
Deferred tax liabilities	**(94,642)**
Total identifiable net assets	**387,610**
Goodwill *(note 11)*	**49,090**
Net cash outflow on business combinations:	
Cash consideration payable	**395,000**
Amounts due from entities related to the Vendor offsetted against cash consideration payable upon completion	**(99,920)**
Cash and cash equivalents in subsidiaries and jointly controlled entities acquired	**(18,326)**
Total	**276,754**

The sales included in the consolidated income statement since respective acquisition dates contributed by the subsidiaries acquired was HK$64,614,000 (2010: HK$5,181,000). These acquired subsidiaries also contributed profit of HK$11,876,000 (2010: HK$12,534,000) over the same period. Had these acquires subsidiaries been consolidated from 1 January 2011, the consolidated income statement would show sales of HK$150,940,000 (2010: HK$19,543,000) and profit of HK$27,818,000 (2010: HK$11,818,000).

For year 2010

On 10 September 2010, the Company and Effort Wonder Limited, a wholly owned subsidiary of the Company, has entered into an acquisition agreement with Winshine Group Limited ("Winshine Group") and Tian An China Investments Company Limited whereby the Group will purchase the entire issued share capital of Green Harmony Investments Limited ("Green Harmony") and Green Villa Investments Limited ("Green Villa") and the shareholder's loan owed by Green Villa to Winshine Group as at the date of completion for a consideration of HK$280,000,000. The major asset of Green Harmony and Green Villa is the holding of 50% of the registered capital of each of Shenzhen ITC Tian An Co., Limited ("Shenzhen ITC") and Shenzhen Tian An International Building Property Management Co., Limited ("Shenzhen Tian An"), both being joint venture enterprises established in the PRC. Shenzhen ITC owns various floors and units in Shenzhen Tian An International Building in Shenzhen,the PRC. Most of the said floors and units are presently under leases to third parties. Shenzhen Tian An presently engages in the business of property management and is managing the said Shenzhen Tian An International Building. The said transaction has been completed by the end of September 2010.

By December 2010, the Group also completed the acquisition of entire registered capital of Shanghai Zhenlejian Advertising Company Limited ("Shanghai Zhenlejian") for a consideration of RMB500,000 (equivalent to HK$588,000). Shanghai Zhenlejian is principally engaged in advertising agency business in the PRC.

The following table summarizes the total considerations paid by the Group for the above acquisitions and the amounts of the assets acquired and liabilities assumed recognized at the acquisition date:

	2010
	HK$'000
Consideration:	
— Cash	280,588
Total consideration	280,588
Acquisition-related costs (included in administrative expenses in the consolidated income statement for the year ended 31 December 2010)	218
Recognized amounts of identifiable assets acquired and liabilities assumed	
Property, plant and equipment *(note 10)*	1,010
Investment properties *(note 12)*	359,004
Trade receivables	1,610
Prepayments, deposits and other receivables	5,138
Cash and cash equivalent	26,351
Trade payables	(2,809)
Receipt in advance, other payables and accrued liabilities	(24,818)
Current income tax liabilities	(424)
Deferred tax liabilities	(74,130)
Total identifiable net assets	290,932
Negative goodwill *(note 3)*	10,344
Net cash outflow on business combinations:	
Cash	280,588
Cash and cash equivalents in subsidiaries and jointly controlled entities acquired	(26,351)
Total	254,237

(b) Significant business disposal

On 19 May 2011, the Company and DVN (Holdings) Limited have entered into a sale and purchase agreement, whereby the Company agreed to sell the entire issued share capital in and assign its loan due from Sinofocus Media (Holdings) Limited ("Sinofocus") to DVN (Holdings) Limited at an aggregate consideration of HK$82,000,000 payable in cash. Sinofocus, a wholly-owned subsidiary of the Company, is an investment holding company holding various subsidiaries engaging in advertising agency and media resources procurement business. The said disposal has been completed in June 2011, resulting in a loss on disposal of approximately HK$1,806,000.

Assets of disposal group held for sale as at 31 December 2010:

	HK$'000
Property, plant and equipment *(note 10)*	949
Trade receivables *(note 15)*	53,051
Prepayments, deposits and other receivables	43,331
Cash and cash equivalents	21,016
	118,347

Liabilities of disposal group held for sale as at 31 December 2010:

	HK$'000
Trade payables *(note 16)*	11,387
Receipt in advance, other payables and accrued liabilities	24,473
Current income tax liabilities	487
	36,347

18. CONTINGENCIES

Beijing Hua Yi Hao Ge Media Culture Limited ("Hua Yi Hao Ge"), a wholly-owned subsidiary of the Group, has received a civil ruling issued by the Beijing Second Intermediate People's Court (the "Beijing Intermediate Court") dated 17 October 2011 (the "Beijing Intermediate Court Ruling"). Pursuant to the Beijing Intermediate Court Ruling, the Beijing Intermediate Court has ruled that, inter alia, Hua Yi Hao Ge is obliged to repay Hainan Haishi Tourist Satellite TV Media Co., Ltd. ("Hainan Haishi") an amount of approximately RMB79.9 million, plus the accrued interests since 14 December 2010 based on market borrowing rate, within 10 days of the effective date of the Beijing Intermediate Court Ruling. The alleged amount arose from the Group's exclusive advertising agency business with Hainan Haishi before 31 December 2008. The alleged amount claimed by Hainan Haishi has already been accrued in the Group's consolidated financial statements since the year ended 31 December 2008, which has not yet been settled as of the balance sheet date. The Directors do not anticipate that any material liabilities will arise other than those provided for and believe that the Group has sufficient financial resources to discharge the debt.

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 2011.

The Group pursued a diversification strategy in 2011 to lay a solid foundation for sustainable growth. We extended our value chain by actively tapping into the high-end recreational and tourism sector. In July, we made a great leap towards this end by acquiring the operating right of "Bayhood No. 9 Club". This new move diversified our source of revenues and drove the substantial improvement in the Group's operating results.

China's economy has accelerated at a rapid pace in recent years, leading to the continuous growth in the number of wealthy people with accumulated wealth. Moreover, the national economy is shifting from one that was externally-driven towards one that is internally-driven. This creates a favourable operating environment for our high-end recreational and tourism operations which targets high-net-worth individuals and corporations. Management believes that the acquisition of "Bayhood No. 9 Club" puts us in a better position to capture opportunities that may arise as the project has an excellent track record and a seasoned management team. We will use it as a stepping-stone to further penetrate the high-end consumption sector in China.

Meanwhile, revenues from media business of the Travel Channel declined last year as a result of our business restructuring. Earnings from this business were fully recognized under the share of the result of an associated company effective from 2011 whereas in the past the relevant revenues and costs of this business were consolidated. Despite disputes among its shareholders, the overall performance of the Travel Channel's media business remained sound last year. As there are high barriers of entry to the provincial satellite TV sector with nationwide audience coverage and TV channels are still the preferred platform of most advertisers, we believe that our interests in the Travel Channel is a valuable asset to the Group and we will continue to devote our resources in resolving the shareholder conflicts in order to release its growing implicit value.

We have made consistent efforts to restructure our business over the past two years, seeking out the best business model for the Group. Despite slower economic growth in China compared with the past several years, China's economy still boasts a huge number of individuals with high-net-worth after years of wealth accumulation. They will be the targets for our high-end consumption business campaigns. Going forward, we will continue to reinforce the development of media operations and vigorously participate in projects that create values, thereby delivering better returns to shareholders. Management is confident that the Group can ride out current difficulties and is set to achieve business breakthroughs under the support and coordinated efforts of our business partners and staff members.

On behalf of the board of directors, I would like to express my heartfelt gratitude to investors and business partners for their long-term trust and support. Moreover, I am grateful for the dedication and contribution of our staff members over the past year. Looking forward, as we have done so often in the past, we will strive our best to drive the healthy development of our businesses.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Prospects

Financial Performance

Major indicators of the financial results for the year ended 31 December 2011 are summarized in the table below:

	2011	2010
	HK$'000	*HK$'000*
Sales revenue	**125,224**	171,308
Gross profit	**30,998**	54,364
Loss before taxation	**(5,937)**	(478,854)
Loss for the year	**(17,627)**	(483,667)

The Chinese economy slowed in 2011 amid weakening export demand and economic tightening policies. In the face of stringent market conditions, the Group pursued a diversification strategy to create new revenue sources and to improve operating results.

The Group successfully expanded into the High-end Recreational and Tourism services sector after completing the acquisition of the "Bayhood No. 9 Club" operation in July 2011. "Bayhood No. 9 Club" is a membership-based luxury club which comprises of business hotel facilities, theme dining rooms, spa facilities, retail shops, 18-hole golf course, practice bays and a PGA-branded golf academy. Target customers of "Bayhood No. 9 Club" are those of high net worth individuals and corporations.

Meanwhile, the Group's investment in the Shenzhen Tian An International Building, completed in September 2010, continued to provide stable revenue from rental and management fees last year.

During year 2011, the Group achieved HK$125.2 million in revenue, down 27% from year 2010. It was mainly because a joint venture in which the Group holds a 50% interest ceased to operate advertising agency business for the Travel Channel from the beginning of year 2011. Instead, this advertising business was carried out by Hainan Haishi Tourist Satellite TV Media Co., Ltd. ("Hainan Haishi"), an associated company in which the Group has 49% economic interests, thus the advertising revenue and costs arising the Travel Channel was reported under the item of "Share of profit of an associated company". On the other hand, newly acquired businesses, namely the "Bayhood No. 9 Club" and the investment in Shenzhen Tian An International Building, generated stable income, partly offsetting the revenue reduction from the media business and accounts for more than half of the sales revenue for year 2011.

With the transition for business diversifications still in progress, the Group recorded a net loss of HK$17.6 million in year 2011, being a decrease of 96% comparing to that in year 2010. The significant reduction in net loss position was mainly because no provision for impairment on goodwill for the year 2011 was necessary.

Market Review

China's economy was adversely affected by the European and U.S. debt crises as well as the global economic fluctuations in 2011. Nevertheless, its GDP still managed to grow at brisk rate of 9.2% year-on-year. According to the Global Wealth Report by Credit Suisse, China was one of the six countries with the highest wealth increase and had about 10.17 million millionaires. This figure is expected to double in the coming five years. We believe that the increasing number of wealthy people in the nation will create a favourable market environment for the Group's "Bayhood No. 9 Club" operation which focus on high-net-worth customers.

As to the performance of the media sector, according to CTR Market Research, China's advertising expenditures for 2011 grew mildly at 13% over 2010. Advertising expenditures on all media, excluding outdoor media, experienced double-digit growth during the period, with TV remaining the most preferred media for advertisement.

Business Review

	Sales Revenue		**Segment Results**	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
High-end Recreational and Tourism Services	**64,614**	—	**11,876**	—
Media	**39,920**	166,127	**(14,313)**	5,353
Properties Investment	**20,690**	5,181	**41,948**	1,974
Total	**125,224**	171,308	**39,511**	7,327

High-end Recreational and Tourism Services

The Group has completed the acquisition of the "Bayhood No. 9 Club" operation in July 2011. "Bayhood No. 9 Club" is a membership-based luxury club located near the city center of Beijing, comprising comprehensive facilities including:

- 7,260 yard, 18-hole championship golf course deigned by renowned designer
- Double-storied practice bays equipped with private VIP rooms
- PGA-branded and managed golf academy

- Professional retail shops
- Theme dining rooms serving Chinese and Western cuisine
- Spa facilities and coffee shops

Revenue of "Bayhood No. 9 Club" mainly derived from the following sources:

- Sale of membership
- Annual membership fees
- Green fees, caddy and buggy fees, practice bay and VIP room rental fees
- Golf academy tuition fees
- Sale of food and beverages from the theme dining rooms
- Other services such as spa, retails, coffee shops, etc.

As the accumulated number of members has increased gradually each year while many of the operating costs and expenses, such as depreciation, rental fee payable, staff costs and maintenance costs were relatively stable, gross profit margin and net profit margin of "Bayhood No. 9 Club" increased steadily. In 2011, its gross profit margin advanced 3.5 percentage points year-on-year to 51.5%, while net profit margin improved 3.3 percentage points year-on-year to 27.2%. Management believes that this project enables the Group to create better returns for shareholders by taking advantage of the thriving high-end consumption sector.

Media

The Group's media business mainly comprised the Travel Channel operation, the exclusive advertising agency business at Beijing Railway Station and Beijing West Railway Station which started in 2011, and the content production operation. In order to facilitate its restructuring, devote resources towards core businesses and shorten the payback period, the Group decided to dispose of the advertising agency business under Sinofocus Media at a consideration of HK$82 million. The transaction was completed in June 2011.

The Group ceased to operate the advertising agency business for the Travel Channel through its 50% owned joint venture in year 2011. Instead, this business has been undertaken by Hainan Haishi, an associated company in which the Group has 49% economic interests. As a result, revenue and costs arising from the Travel Channel's media business were included within the item of "Share of profit of an associated company", leading to a substantial reduction of revenue from the media segment in year 2011.

The media segment recorded a loss of HK$14.3 million in year 2011 while in year 2010 there was a profit of HK$5.4 million. This is mainly attributed to a provision for impairment on certain programmes and film rights of HK$11.6 million, and the operating losses arising from the exclusive advertising agency business at Beijing Railway Station and Beijing West Railway Station.

The three major shareholders who have direct or indirect interests in the Travel Channel operation (Hainan Television Broadcasting Station, Poly Culture and Arts Co., Ltd. and the Group) disagreed with one another over a number of issues relating to the Travel Channel, including its development strategy, the ways of handling the advertising agency costs incurred in the past, composition of the management team and its shareholding structure. Such disagreements created short-term impacts on the operating of the Travel Channel. However, management believes that the prospects of the Travel Channel operation remain rosy and its valuation shall steadily increase under the current national policy favoring cultural and media business, as the entry barrier of provincial satellite TV channel is high and Travel Channel has already established a strong brand name and is well received by a large number of viewers nationwide.

Properties Investment

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

During year 2011, a revaluation gain of approximately HK$31.2 million was derived from the investment property. Revenue from properties investment segment for the year was approximately HK$20.7 million and profit from the segment was approximately HK$41.9 million.

Business Outlook

The number of ultra-high-net-worth individuals (personal net worth of over US$50 million) in China keeps rising as the national economy maintains rapid growth, stimulating the growth of domestic high-end consumption. Management believes that high-end consumption business commands higher gross margins and has ample room for expansion. Targeting high-net-worth individuals and corporations in China, we will develop the "Bayhood No. 9 Club" operation into the flagship project for our high-end recreational and tourism service business, thereby extending our value chain for greater profitability.

Regarding the media businesses, we will continue to devote our resources in resolving the conflicts among the shareholders of Travel Channel, in order to release its growing implicit value as being a provincial satellite TV channel with nationwide audience coverage. We also plan to gradually discontinue other non-core media operations so that we could direct our resources into new businesses.

Financial Review

Sales revenue for year 2011 amounted to HK$125,224,000, being a 27% decrease comparing to year 2010. Cost of sales for year 2011 amounted to HK$94,226,000, being a 19% decrease comparing to year 2010. Proportion of sales revenue from Media segment dropped significantly from 97% in year 2010 to 32% in year 2011. In year 2010, the Group's 50% owned jointly controlled entity acted as the exclusive advertising agent of the Travel Channel, an associated company of which the Group owned 49% economic interests. However, the jointly controlled entity has not reached an agreement with Travel Channel to act as its advertising agency in year 2011. Instead, the advertising revenue and operating results of Travel Channel has been included in the line item "Share of profit of an associated company". This led to a significant drop in sales revenue and cost of sales from Media segment.

Sales revenue from Properties Investment segment (acquired in September 2010) and High-end Recreational and Tourism Services segment (acquired in July 2011) accounted for 16% and 52%, respectively, of sales revenue in year 2011. Newly acquired businesses have now accounted for more than half of the Group's sales revenue.

Other income and other gains, net for year 2011 mainly comprised bank interest income, fair value loss on financial assets at fair value through profit or loss, fair value gain on revaluation of investment properties and exchange gain. The amount increased by 39% comparing to year 2010, mainly due to the fair value gain on revaluation of investment properties in Shenzhen of HK$31,234,000 offset by the fair value loss on financial assets at fair value of HK$13,400,000 during the year. For further details, please refer to note 3 to the results announcement.

Marketing and selling expenses mainly attributed to the Media segment. As mentioned above, costs in relation to Travel Channel have been included in the operating results of an associated company, of which the Group owned 49% economic interests. This has led to an overall decrease of marketing and selling expense by 88% during the year.

Administrative expenses for year 2011 amounted to HK$75,750,000 (2010: HK$76,660,000), being a 1% decrease comparing to year 2010. Included in administrative expenses, provision for impairment of trade and other receivables significantly reduced from HK$10,219,000 in year 2010 to HK$341,000 in year 2011. Offsetting this, there was incurrence of additional legal and professional fees for the significant business combination and disposal (as detailed in note 17 to the results announcement) during year 2011.

Provision for impairment of intangible assets significantly reduced from HK$478,428,000 in year 2010 to HK$11,596,000 in year 2011. No impairment on goodwill is required in year 2011. This leads to a significant reduction of the Group's net loss by 96% for the year.

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$9,754,000 (2010: HK$6,931,000) during the year. Please refer to note 13 to the results announcement for details of the Group's interests in the associated company.

Finance costs for year 2011 represents the accrued interests on agency fee payable in accordance to a court ruling as detailed in note 18 to the results announcement. Finance costs for year 2010 represents the notional non-cash interest accretion on convertible notes. As such convertible notes have already been fully converted into the Company's shares in year 2010, there was no recurrence of relevant finance costs in year 2011.

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 2011, the Group held cash and cash equivalents of approximately HK$200,606,000, being a 15% decrease comparing to the balance as at 31 December 2010.

The Group was at net current liability position of HK$156,194,000 as at 31 December 2011 (2010: net current asset of HK$135,200,000). The current ratio, representing the total current assets to the total current liabilities, decreased from 1.35 as at 31 December 2010 to 0.74 as at 31 December 2011. The net current liability position was mainly attributable to the newly acquired segment of high-end recreational and tourism service. A significant portion of the current liability of this segment in fact represents deferred revenue such as deferred membership entrance fee income and rental income.

The debt to equity ratio, representing the sum of borrowings to total equity, remained zero as at 31 December 2010 and 2011. The Group had no outstanding borrowing as at 31 December 2010 and 2011.

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 2011, the Group had no outstanding borrowing.

During the year, the Company has issued (i) 1,439,726,484 new ordinary shares upon completion of rights issue at HK$0.18 per share; and (ii) 200,000,000 new ordinary shares upon completion of an acquisition of subsidiaries.

PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

As at 31 December 2011, none of our assets was pledged and we did not have any material contingent liabilities or guarantees saved as disclosed in note 18 to this results announcement.

HUMAN RESOURCES

As at 31 December 2011, the Group employed a total of approximately 485 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 2011 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 2011 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 2011, 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.

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 2011.

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 2011 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, 23 March 2012

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), Professor WEI Xin, Dr. WONG Yau Kar David JP and Mr. YUEN Kin (each an Independent Non-executive Director).