ASIAN UNION NEW MEDIA

華億新媒體集團

ASIAN UNION NEW MEDIA (GROUP) LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 419)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31ST DECEMBER 2006

HIGHLIGHTS

	2006	2005
	HK$'000	*HK$'000*
Sales	**304,902**	34,072
Operating profit	**90,950**	1,261
Net profit/(loss) attributable to equity holders of the Company	**264,604**	(22,187)
Net profit/(loss) attributable to equity holders of the Company excluding one-off fair value gain on financial assets at fair value through profit or loss	**79,051**	(22,187)

- This is the first annual results reflecting a full year contribution from our new core focus — China media and advertising business. Operating profit for the year was HK$90,950,000.

- Travel Channel's viewership among its target audience group grew by 58% in 2006, and ranked among top five provincial satellite TV channels during prime time in major cities including Beijing, Shanghai and Guangzhou. Television advertising revenue reached HK$218 million in 2006.

The board of directors (the "Board") of Asian Union New New Media (Group) Limited (the "Company") is pleased to announce the results of the Company and its subsidiaries (the "Group") for the year ended 31st December 2006, together with the comparative figures for 2005, as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31st December 2006

	Notes	2006 HK$'000	2005 HK$'000
Sales		**304,902**	34,072
Cost of sales		**(192,256)**	(29,531)
Gross profit		**112,646**	4,541
Other revenues		**16,462**	10,150
Marketing and selling expenses		**(13,225)**	(1,570)
Administrative expenses		**(27,898)**	(23,963)
Net gain on dilution of interests in a former associated company		**—**	10,637
Net other operating income		**2,965**	1,466
Operating profit		**90,950**	1,261
Finance costs	*4*	**(51,232)**	(3,634)
Fair value gain on financial assets at fair value through profit or loss		**185,553**	—
Fair value gain on investment in preference shares		**34,317**	2,439
Share of profit/(loss) of a jointly controlled entity		**10,944**	(13,700)
Share of profit/(loss) of a former associated company		**5,990**	(8,223)
Profit/(loss) before taxation	*5*	**276,522**	(21,857)
Taxation	*6*	**(12,065)**	(330)
Profit/(loss) for the year		**264,457**	(22,187)
Attributable to:			
Equity holders of the Company		**264,604**	(22,187)
Minority interests		**(147)**	—
		264,457	(22,187)
		HK Cents	*HK Cents*
Earnings per share for profit/(loss) attributable to the equity holders of the Company			
— Basic	*7*	**2.36**	(0.30)
— Diluted	*7*	**2.34**	N/A
Dividends	*8*	**211,206**	—

CONSOLIDATED BALANCE SHEET

As at 31st December 2006

	Notes	2006 HK$'000	2005 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**7,057**	622
Intangible assets	9	**1,414,069**	247,957
Interests in associated companies		**—**	19,663
Interests in jointly controlled entities and its subsidiaries		**70,259**	56,130
Available for sale financial assets		**360**	360
Preference dividends receivable — non-current portion		**—**	14,896
Investment in preference shares — non-current		**—**	63,578
Deferred tax assets		**12,171**	—
		1,503,916	403,206
CURRENT ASSETS			
Inventories		**—**	10
Trade receivables	10	**85,034**	17,501
Due from a jointly controlled entity and its subsidiaries		**84,384**	67,691
Preference dividends receivable — current portion		**2,422**	7,680
Financial assets at fair value through profit or loss		**11,150**	12,000
Investment in preference shares — current		**97,895**	—
Prepayments, deposits and other receivables		**28,301**	9,382
Pledged bank deposit		**17,000**	—
Cash and bank balances		**13,447**	15,548
		339,633	129,812
CURRENT LIABILITIES			
Agency fee payable — current		**181,836**	—
Trade payables	11	**283**	34
Current income tax liabilities		**24,769**	1,968
Other payables and accrued liabilities		**61,166**	12,340
Loans		**22,776**	14,758
		290,830	29,100
NET CURRENT ASSETS		**48,803**	100,712
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,552,719**	503,918
NON-CURRENT LIABILITIES			
Agency fee payable — non-current		**691,544**	—
Convertible notes		**121,230**	77,070
		812,774	77,070
NET ASSETS		**739,945**	426,848
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Issued capital		**120,386**	99,165
Reserves		**619,559**	327,683
		739,945	426,848
Minority interests		**—**	—
TOTAL EQUITY		**739,945**	426,848

Notes:

1. Corporate information

Asian Union New Media (Group) Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability on 27th May 2002 under the Company Law (2002 Revision) (Cap. 22) of the Cayman Islands.

2. Principal accounting policies

(a) 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). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and financial assets at fair value through profit or loss, which are carried at fair value.

The adoption of new/revised HKFRS

The following new standards, amendments to published standards and interpretations are mandatory for the Group's accounting periods beginning on or after 1st January 2006 and are relevant to the Group. The adoption of them has no material impact to the Group's Financial Statements.

— Amendment to HKAS 19, "Actuarial gains and losses, group plans and disclosures"

— Amendment to HKAS 39, Amendment "The fair value option"

— Amendment to HKAS 21, Amendment "Net investment in a foreign operation"

— Amendment to HKAS 39, Amendment "Cash flow hedge accounting of forecast intragroup transactions"

— Amendment to HKAS 39 and HKFRS 4, Amendment "Financial guarantee contracts"

— HK(IFRIC)-Int 4, "Determining whether an arrangement contains a lease"

3. Segment information

At 31st December 2006, the Group is organized into two main business segments: (i) television advertising business; and (ii) film and TV dramas business. Other Group operations mainly comprise the provision of IP Telephony and related services; and trading of investment securities. Neither of these constitutes a separately reportable segment for the year.

There are no sales between the business segments.

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

	2006			
	Television advertising *HK$'000*	**Film and TV drama** *HK$'000*	**Others** *HK$'000*	**Total** *HK$'000*
Sales	**217,725**	**62,594**	**24,583**	**304,902**
Segment results	**44,623**	**32,121**	**6,877**	**83,621**
Interest income on loan from a JCE				**8,798**
Exchange gain				**9,446**
Unallocated costs, net				**(10,915)**
Operating profit				**90,950**
Finance costs				**(51,232)**
Fair value gain on financial assets at fair value through profit or loss				**185,553**
Fair value gain on investment in preference shares				**34,317**
Share of profit of a jointly controlled entity	**9,720**	**1,224**	**—**	**10,944**
Share of profit of a former associated company	**—**	**—**	**5,990**	**5,990**
Profit before taxation				**276,522**
Taxation				**(12,065)**
Profit for the year				**264,457**
Minority interests				**147**
Profit attributable to equity holders of the Company				**264,604**
Segment assets	**919,129**	**129,918**	**15,748**	**1,064,795**
Goodwill	**378,988**	**117,096**	**—**	**496,084**
Interests in jointly controlled entities				
— current				**84,384**
— non-current				**70,259**
Unallocated assets				**128,027**
Total assets				**1,843,549**
Segment liabilities	**929,652**	**48,949**	**649**	**979,250**
Unallocated liabilities				**124,354**
				1,103,604
Capital expenditure				
Allocated	**979,322**	**40,038**	**42**	**1,019,402**
Unallocated				**1,608**
Depreciation				
Allocated	**520**	**399**	**68**	**987**
Unallocated				**319**
Amortization	**164,176**	**17,584**	**—**	**181,760**

	2005		
	Media-related business	Other	Total
	HK$'000	*HK$'000*	*HK$'000*
Sales	10,359	23,713	34,072
Segment results	4,747	(3,688)	1,059
Net gain on dilution of interests in a former associated company			10,637
Exchange gain			2,205
Unallocated costs, net			(12,640)
			1,261
Finance costs			(3,634)
Fair value gain on investment in preference share			2,439
Share of loss of a jointly controlled entity			(13,700)
Share of losses of a former associated company			(8,223)
Loss before taxation			(21,857)
Taxation			(330)
Loss for the year			(22,187)
Minority interests			—
Loss attributable to equity holders of the Company			(22,187)
Segment assets	277,852	21,098	298,950
Interests in a former associated company			19,663
Interests in a jointly controlled entity			
— current			67,691
— non-current			56,130
Unallocated assets			90,584
Total assets			533,018
Segment liabilities	23,440	727	24,167
Unallocated liabilities			82,003
			106,170
Capital expenditure			
Allocated	63,453	—	63,453
Unallocated			245
Depreciation			
Allocated	—	253	253
Unallocated			23
Amortization	5,265	—	5,265

4. Finance costs

	Group	
	2006	2005
	HK$'000	*HK$'000*
Interest expenses on:		
Bank loan	**3**	48
Other loans	**556**	—
Amount due to a fellow subsidiary		
— repayable within one year	**—**	517
	559	565
Notional non-cash interest accretion on:		
— Convertible notes	**4,380**	3,069
— Pre-agreed periodic payments		
on exclusive advertising agency right	**46,293**	—
	50,673	3,069
	51,232	3,634

5. Profit/(loss) before taxation

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

	Group	
	2006	2005
	HK$'000	*HK$'000*
Other gains		
Exchange gain	**9,446**	2,205
Expenses by nature		
Depreciation of property, plant and equipment	**1,306**	295
Amortization of intangible assets	**181,760**	5,265
Auditors' remuneration	**1,622**	2,316
Operating lease rentals — land and buildings	**4,538**	1,518
Loss on sale of subsidiaries	**—**	115
Staff costs (excluding directors' remuneration):		
Wages and salaries	**16,101**	3,293
Long service payment provision	**—**	344
Contributions to defined contribution pension schemes	**457**	102
Provision for bad and doubtful debts	**—**	626
Write-off of bad and doubtful debts	**—**	30

6. Taxation

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profit of the year. Taxation on profits outside Hong Kong has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the regions/countries in which the Group operates.

	2006	2005
	HK$'000	*HK$'000*
Current income tax		
— Hong Kong profits tax	**—**	—
— Overseas taxation	**24,003**	330
Deferred income tax	**(11,938)**	—
	12,065	330

The taxation on the Group's profit/(loss) before taxation differs from the theoretical amount that would arise using the tax rate of Hong Kong as follows:

	2006	2005
	HK$'000	*HK$'000*
Profit/(loss) before taxation	**276,522**	(21,857)
Calculated at a tax rate of 17.5% (2005: 17.5%)	**48,391**	(3,825)
Effect of different rates in other countries	**942**	(1,544)
Income not subject to taxation	**(44,584)**	(4,607)
Expenses not deductible for taxation purposes	**2,951**	5,833
Unrecognized tax losses	**4,365**	4,473
Taxation charge	**12,065**	330

7. Earnings per share

Basic

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

	2006	2005
	HK$'000	*HK$'000*
Profit/(loss) attributable to equity holders of the Company	**264,604**	(22,187)
Weighted average number of ordinary shares in issue *(thousands)*	**11,236,269**	7,355,352
Basic earnings per share *(HK cents per share)*	**2.36**	(0.30)

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has two categories of potential ordinary shares: share options and convertible notes. For the share options, a calculation is performed to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share option. 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. On the other hand, the conversion of all potential ordinary shares arising from convertible note would have an anti-dilutive effect on the earnings per share for the year ended 31st December 2006.

The diluted earnings per share for the year ended 31st December 2006 is calculated as below:

	2006
	HK'000
Profit attributable to equity holders of the Company	**264,604**
Weighted average number of ordinary shares in issue *(thousands)*	**11,236,269**
Adjustments for assumed conversion of share options *(thousands)*	**93,909**
Weighted average number of ordinary shares for diluted earnings per share *(thousands)*	**11,330,178**
Diluted earnings per share *(HK cents per share)*	**2.34**

There were no potential ordinary shares from share options granted and from the convertible notes at 31st December 2005. The conversion of all potential ordinary shares arising from share options granted by the Company and convertible notes would have an anti-dilutive effect on the loss per share for the year ended 31st December 2005.

8. Dividends

The Company has paid interim dividend in specie of HK$211,206,000 (HK$0.022 per share) in May 2006 by distributing 113,318,812 ordinary shares of DVN (Holdings) Limited to its shareholders. The distribution was made out of share premium account of the Company. The directors do not recommend the payment of a final dividend in respect of the year ended 31st December 2006 (2005:Nil).

9. Intangible assets

	Goodwill	**Exclusive advertising agency right**	**Program and film rights**	**Program and film production in progress**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1st January 2005					
Cost	—	—	—	—	—
Accumulated amortization	—	—	—	—	—
Net book amount	—	—	—	—	—
Year ended 31st December 2005					
Opening net book amount	—	—	—	—	—
Acquisition of subsidiary	189,798	—	—	—	189,798
Additions	—	—	50,591	12,862	63,453
Exchange difference	—	—	(29)	—	(29)
Amortization expense	—	—	(5,265)	—	(5,265)
Closing net book amount	189,798	—	45,297	12,862	247,957
At 31st December 2005					
Cost	189,798	—	50,562	12,862	253,222
Accumulated amortization	—	—	(5,265)	—	(5,265)
Net book amount	189,798	—	45,297	12,862	247,957

Year ended 31st December 2006					
Opening net book amount	189,798	—	45,297	12,862	247,957
Acquisition of subsidiary	3,846	—	—	—	3,846
Additional purchase consideration and transaction costs	302,329	—	—	—	302,329
Additions	—	976,180	8,857	29,060	1,014,097
Amortization expense	—	(164,176)	(17,584)	—	(181,760)
Exchange difference	111	24,948	1,406	1,135	27,600
Closing net book amount	496,084	836,952	37,976	43,057	1,414,069
At 31st December 2006					
Cost	496,084	1,004,342	58,503	43,057	1,601,986
Accumulated amortization	—	(167,390)	(20,527)	—	(187,917)
Net book amount	496,084	836,952	37,976	43,057	1,414,069

During the year, Beijing Hua Yi Qian Si Advertising Company Limited* ("Qiansi"), a wholly-owned subsidiary of the Group, has entered into an exclusive advertising agency agreement ("Agreement") with Hai Nan Haishi Tourist Satellite TV Media Co., Ltd.* ("Travel TV"), an associated company of a jointly controlled entity of the Group. Under the Agreement, Qiansi has been granted an exclusive right to sell all of the advertising resources of Travel TV in the period of up to six years since 1st January 2006. In return Qiansi has agreed to make pre-agreed monthly payments to Travel TV during the same period. Pre-agreed annual payments under the Agreement range from RMB180 million to RMB207 million.

The Group considers the exclusive advertising agency right to be an intangible asset representing the right to sell Travel TV's advertising resources. The present value of the pre-agreed periodic payments to be made in subsequent years is capitalized and accounted for as intangible assets in the consolidated balance sheet, and those pre-agreed periodic payments constitute a contractual obligation to deliver cash and hence are considered to be a financial liability. The exclusive advertising agency right is amortized on a straight-line basis from the effective date of the right over the remaining licence period and are stated net of accumulated amortization and impairment charges, if any. Interest accreted on the present value of pre-agreed periodic payments is charged to the consolidated income statement within finance costs.

* 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.

10. Trade receivables

At 31st December 2006, the aging analysis of trade receivables is as follows:

	Group	
	2006	2005
	HK$'000	*HK$'000*
0 — 3 months	**26,306**	1,091
4 — 6 months	**32,974**	16,410
Over 6 months	**25,754**	—
	85,034	17,501

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 completely as contracted. Top five trade receivables accounted for 77% of total trade receivables as at 31st December 2006. Management does not expect any material losses from non-performance by these counterparties.

Included in the trade receivables was an amount due from a related party of approximately HK$20,076,000. An amount due from a related company of HK$16,324,000 was included in prepayments, deposits and other receivables as at 31st December 2005 and was reclassified to trade receivables to conform with the current year's presentation.

11. Trade payables

At 31st December 2006, the aging analysis of trade payables is as follows:

	Group	
	2006	2005
	HK$'000	*HK$'000*
0 — 3 months	**17**	—
4 — 6 months	**231**	1
Over 6 months	**35**	33
	283	34

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

For the year ended 31st December 2006, the Group is pleased to see the full year contributions from the media and advertising business subsequent to the acquisition of Anglo Alliance Co., Ltd. ("Anglo Alliance") completed in May 2005. During the year under review, the Group reported sales of approximately HK$304,902,000 (2005: HK$34,072,000) and a profit attributable to the equity holders of the Company of HK$264,604,000 (2005: loss of HK$22,187,000). It was the first profitable year of the Group after the Anglo Alliance acquisition. The Group's encouraging performance was braced mainly by the revenue derived from advertising business on the "Travel Channel" (the "Channel"), the satellite TV channel with nationwide coverage that focuses on travel, lifestyle and entertainment operated by the Group, positive returns from media investments, and a one-off fair value gain on the Group's interest in the ordinary shares of DVN (Holdings) Limited ("DVN") (Stock code: 500).

To better grasp the enormous business opportunities in China's advertising market, the Group has entered into an exclusive advertising agreement for all advertising resources of the Travel Channel in 2006 with full revenue entitlement. It has not only provided the Group with a steady income source, but also generated growth momentum for its China media and advertising business.

As a reward for shareholders' support and to focus attention on expanding its high-growth media and advertising business in China, the Group had distributed to shareholders all the DVN ordinary shares it held.

Below is a review of operations for each division of the Group:

Media and advertising business in China

During the year, the Group's media and advertising business in China became the major revenue contributor of the Group, reporting sales amounting to HK$280,319,000, representing 92% of the Group's total sales. With the exclusive advertising agreement the Group signed with Hai Nan Haishi Travel Satellite TV Media Co., Ltd through its wholly owned subsidiary Beijing Hua Yi Qian Si Advertising Company Limited ("Qiansi") in the beginning of 2006, Qiansi has become the exclusive agent for all advertising resources of the Travel Channel for a six-year period up to 31st December 2011, with total revenue entitlement. The advertising revenue derived from the "Travel Channel" during the year, in particular, stood out, contributing HK$217,725,000 or 71% of the Group's total sales.

In 2006, advertising expenditure in China continued to surge alongside the booming economy, translating into advertising business for the Group. According to CTR market research, the country's total advertising expenditure had risen by 18% to RMB287.5 billion in 2006 when compared with 2005, and the forecast growth rate for 2007 is about 20% and even higher for 2008. Among the different kinds of advertising, spending on TV advertising increased by 18% in 2006 and accounted for 76% of the country's total advertising expenses. TV is apparently the most popular platform for advertisers to publicize and promote their products and services. We see vast potentials in the country's advertising market for the Group.

Television advertising — Travel Channel

Travel Channel has a comprehensive network to capture the ever-growing demand for thematic programs of mainland viewers. Total available audience of the Channel jumped to 300 million in 2006 from 73 million in 2003, at an impressive average annual growth rate of 25.1%. According to CMMR research, the Channel was accessible in over 80% of all provincial capitals and municipalities as at October 2006.

The Group's effort in the past year to continuously improve programs on the Channel with fresh, comprehensive content on travel, fashion, lifestyle and entertainment has attracted viewers from the middle class with generally higher education, income level and consumption power — the key targeted customer base of the Channel. A CSM research found that the average viewership of the Channel rose by 28% in the first 3 quarters of 2006 comparing to last year, and the increase was even more significant at 52% during prime time. More specifically, viewership of the Channel among audience aged 25-44, with tertiary education and income of RMB2,000 or above grew impressively by 58% in the first 3 quarters of 2006 comparing to same period last year. In major cities including Beijing, Shanghai and Guangzhou, viewership of the Channel ranked top five in all provincial satellite TV channels during prime time among the audience with relatively higher income.

Riding on the ever-expanding channel coverage and viewership, the Group pushed on with building the brand of the Channel. During the year, the Channel has acquired the right to broadcast a number of programs from Discovery Channel and ESPN, leading to an expanded viewer profile and more viewing choices on the Channel. Self-produced programs such as "Pretty Women"(美麗俏佳人) are well received by the audience during prime time. The "Travel Club" was jointly established with Beijing China Travel, and TV programs focusing on "Travel" were launched including the audience-led overseas travel program "Travel DIY". Thanks to its unique positioning and distinctive programs, the Channel was named one of the "Seven most eye-catching satellite TV Channels in China" by Variety Magazine in June 2006.

The niche positioning of the Channel is a contributing factor to the boosted viewership, which in turn attracted large domestic and international advertising customers with well known brands in various sectors, such as automotive, mobile phones and telecom equipment, pharmaceutical products, consumer products, just to name a few. To expand its clientele, the Group has exerted extra effort in strengthening ties with international advertising agencies and established a special division to liaise with them.

Movie and TV drama

In the movie and TV drama area, the reported sales amounting to HK$62,594,000, accounting for 21% to the Group's total sales. During the year, the Group has engaged in the production and distribution of "Jasmine Women" (茉莉花開) featuring world-renowned actress Ms. Zhang Ziyi (章子怡), and the licensing of other films and TV dramas in China and overseas market. Work on new movies and TV dramas are well on the way and are expected to be launched in 2007. They include those with strong cast such as 立春 directed by Gu Changwei (顧長衛) and a new TV drama 暴雨梨花 directed by Wong Jing (王晶) and casting Athena Chu (朱茵) and Kristy Yeung (楊恭如). The Group sees China's movie industry on a positive track with Chinese films beginning to gain international recognition. Going forward, the Group will continue to invest in popular TV programs and explore opportunities for investing in movies with award winning and international market potential.

Seeing prosperity for the media sector as well as the Chinese economy and with a solid foundation and growth platform, the Group believes it has the capability to grasp opportunities in the market to give its media and advertising business a brilliant future.

Digital broadcasting investment

As the Group's media business evolves, DVN's digital broadcasting business is increasingly deemed as a deviation from the Group's core media business. To reward shareholders for their support and to focus management attention in the high-growth media business in China in May 2006, the Board of Directors has made a strategic decision to distribute all DVN Shares it held to shareholders of the Company on a pro rata basis based on the number of Asian Union shares they held. The Group believes this move has not only consolidated its position in the China media industry and optimized its business model, but will also allow our Shareholders to realize more reasonable return from their investment.

Securities trading

The Hong Kong economy had substantial growth in year 2006. Leveraging the improved business environment and market sentiment, the Group traded securities in the capital market and made profit of approximately HK$7,264,000 (2005: loss of HK$48,000) during the year.

Communication and home audio division

Seeing the need to focus on the China media market, the management is reviewing the business operation of the Division with the aim of mapping out long-term strategy for it in alignment with the Group's new core business. There was insignificant contribution from this segment to the Group during the year.

Prospects

2007 and 2008 will be two important years for the Group's China media and advertising business. Riding on the momentum built after the first full year of operation of its media and advertising business, its comprehensive business structures, rich content portfolio and extensive business footprint, the Group is confident of capturing the tremendous advertising opportunities presented by impending international events including the 2008 Beijing Olympics and 2010 World Expo in Shanghai. According to PwC Global Entertainment and Media Outlook, the compound annual growth rate (CAGR) of television advertising spending in China between 2006 and 2010 is estimated at 16.7%, and the growth rate in 2008 alone is as high as 28%. From these statistics, it is apparent that advertising on TV in China has huge room for growth and the 2008 Olympics will see demand reaching its peak.

Other than the boost from international events, the booming Chinese economy has bred demand for consumer goods and financial products including cars, electronic products, credit cards and banking services of the middle class in the country. With advertising being an effective tool to reach consumers and the "Travel Channel" targeting particularly those in the middle class, the Group expects to derive consistently strong advertising income from the Channel in the coming years. Apart from directing effort on to growing the number of audience who are better educated and more apt to spend for the Travel Channel, the Group will also seek to widen its revenue base by boosting embedded advertisements, such as title and trailer sponsorships, into a new revenue stream.

It is also the Group's intention to actively explore new markets in the coming year with the Eastern China market as the key focus. To this end, the Group has established a joint venture with a leading advertising agent in Shanghai in order to facilitate exploitation of huge market potential. Furthermore, the Group is confident that the new quality movies and TV dramas to be launched in the coming year will be successful. Pursuits of partnership with famous directors and production houses and high profile artists will also continue to ensure reasonable returns from projects.

Last but not least, the Group is also actively exploring opportunities to expand into interactive television and value-added media entertainment services, such as interactive SMS, interactive games and shopping programs, etc. In March 2007, the Group has signed a cooperative agreement with Beijing United Interactive Television ("UiTV") for the launch of an interactive TV portal based on the content of Travel Channel. The website is scheduled to commence operation in the second quarter of 2007 and the two parties will equally split the revenues from advertising, e-commerce and publication rights made by the website. We believe that such initiatives, with Travel Channel's rich contents and the solid media and advertising business as leverage, will add to the growth momentum of our business in the years ahead.

Financial review

For the year ended 31st December 2006, the Group achieved sales of approximately HK$304,902,000 (2005: HK$34,072,000), an 8-time increase compared with last year. The significant increase mainly arose from the inclusion of the new Television Advertising segment which contributed sales of approximately HK$217,725,000 during the year. Gross profit increase by 24 times to approximately HK$112,646,000 (2005: HK$4,541,000), mainly contributed by the two major segments of Television Advertising and Film and TV Drama.

The Group achieved an operating profit of approximately HK$90,950,000 (2005: HK$1,261,000), a 71-time increase compared with last year. The significant increase was mainly due to the good performance of both Television Advertising and Film and TV Drama segments, whose segment results were approximately HK$44,623,000 and HK$32,121,000 respectively. Profit attributable to equity holders of the Company for the current year was approximately HK$264,604,000 (2005: loss of

HK$22,187,000), which include a one-off fair value gain on financial assets at fair value through profit or loss of approximately HK$185,553,000 (2005: Nil). Excluding this one-off gain, pro forma profit attributable to equity holders of the Company for the current year would be HK$79,051,000 (2005: loss of HK$22,187,000).

Liquidity and financial resources

As at 31st December 2006, the Group held bank deposits of approximately HK$30,447,000, an increase of 96% compared to 31st December 2005, mainly due to the strong performance of the Media and Advertising Business in China during the year. The current ratio decreased from 4.46 as at 31st December 2005 to 1.17 as at 31st December 2006. The gearing ratio, representing long term liabilities to net worth, increased from 0.18 at 31st December 2005 to 1.10 at 31st December 2006.

The Group mainly operates in China and is exposed of foreign exchange risk arising from Renminbi currency exposures, primarily with respect to the HK dollars. All borrowings during the year were based on market interest rate. Other than the outstanding short-term borrowings of approximately HK$22,776,000 (2005: HK$14,758,000), the Group had no long-term bank loan outstanding as at 31st December 2006. As at 31st December 2006, the Group has pledged bank deposits of HK$17,000,000 (2005: nil) against its short-term bank borrowing.

Significant investments held

In May 2005, the Group has acquired 100% equity interest in Anglo Alliance, the China media business of the Group. The total nominal consideration for this acquisition finalized at approximately HK$524 million. Details of the acquisition are disclosed in the Company's circular dated 13th May 2005.

As at 31st December 2006, the Group also held an investment in preference shares which are exchangeable, after adjustment, to approximately 31,250,000 ordinary shares of DVN. The fair value of the investment was approximately HK$97,895,000 as at 31st December 2006.

Capital structure

The Group has mainly relied on its internally generated cash flow and short-term borrowing to finance its operations. As at 31st December 2006, the Group has outstanding short-term borrowing of approximately HK$22,776,000 (2005: HK$14,758,000).

During the year, the Company has issued 2,122,136,612 new ordinary shares upon the conversion of a convertible note held by Mr. Ko Chun Shun, Johnson, the executive director of the Company.

During the year, the Company has also issued a convertible note which can be converted into 3,202,234,673 ordinary shares of the Company to Mr. Ko Chun Shun, Johnson, the executive director of the Company. As at 31st December 2006, none of the above convertible note was converted into ordinary shares.

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

As at 31st December 2006, the Group employed a total of 11 employees in Hong Kong and a work force of about 111 in the PRC. The Group operates different remuneration schemes for sales and non-sales employees. Sales personnel are remunerated on the basis of on-target-earning packages comprising salary and sales commission. Non-sales personnel are remunerated by monthly salary which are 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 ended 31st December 2006, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed shares of the Company.

AUDIT COMMITTEE

The Audit Committee comprises three Independent Non-executive Directors, Mr. Wilton Timothy Carr Ingram, Mr. Kin Yuen and Dr. Wong Yau Kar David. Mr. Wilton Timothy Carr Ingram is the chairman of the Audit Committee. The Audit Committee has adopted terms of references which are in line with the Code on Corporate Governance Practices. The Audit Committee has reviewed the Group's annual results for the year ended 31st December 2006.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the preliminary announcement of the Group's results for the year ended 31st December 2006 have been agreed by the Group's auditors, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect 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

The Company has complied with the code provisions as set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Listing Rules throughout the year ended 31st December 2006, save for the following deviations:

(1) A.2.1: the roles of chairman and chief executive officer should be separate; and

(2) A.4.2: non-executive directors should be appointed for a specific term.

Detailed information of such deviations and their respective considered reasons as well as other information on the corporate governance practices of the Company will be disclosed in the corporate governance report contained in the 2006 annual report of the Company, which will be despatched to the shareholders of the Company on or before 30th April 2007.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors (the "Model Code") set out in Appendix 10 of the Listing Rules. Upon enquiry by the Company, all directors of the Company have confirmed that they have complied with the required standards set out in the Model Code during the year.

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
Dong Ping
Chairman

Hong Kong, 23rd April 2007

As of the date hereof, the Board comprises Mr. Dong Ping as Chairman, Mr. Ko Chun Shun Johnson as executive director, Mr. Tsoi Tong Hoo Tony as non-executive director, and Mr. Yuen Kin, Mr. Wilton Timothy Carr Ingram and Dr. Wong Yau Kar David as independent non-executive directors.

Please also refer to the published version of this announcement in the China Daily.