

MNC MEDIA INVESTMENT LTD
(Formerly known as “LINKTONE LTD”)
AND ITS SUBSIDIARIES
CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE 6 MONTHS PERIOD ENDED JUNE 30, 2014

APPENDIX 4D - CONDENSED INTERIM FINANCIAL INFORMATION FOR THE PERIOD ENDED 30 JUNE 2014

Name of Entity	MNC MEDIA INVESTMENT LTD (Formerly known as "LINKTONE LTD")
A.R.B.N	164 134 472
Half-Year Ended	30/06/2014
Reporting Period	1 January 2014 to 30 June 2014
Previous Period	1 January 2013 to 30 June 2013

Results for announcement to the market

	30 June 2014 US\$'000	30 June 2013 US\$'000	Change US\$'000	Change %
2.1 Revenues from ordinary activities	26,973	24,370	2,603	10.7
2.2 Loss from ordinary activities after tax attributable to members	(1,921)	(5,219)	3,298	63.2
2.3 Net loss for the period attributable to members	(1,921)	(5,219)	3,298	63.2
2.4 Interim dividends	30 June 2014		30 June 2013	
	Amount per security	Imputed amount per security	Amount per security	Imputed amount per security
	no dividend declared for half year		no dividend declared for half year	

2.5 Record date for determining entitlements to and the date for payments of the dividends (if any)

Not Applicable

2.6 Explanation of 2.1 to 2.4

Revenue for 6 months period ended 30 June 2014 is US\$2.6M higher than the corresponding period last year mainly due to higher revenue from mobile games sales in China, offset by lower revenue from China value added services.

The Company recorded net loss of US\$1.9M for the 6 months period ended 30 June 2014, compared to US\$5.2M for the corresponding period last year; the difference is mainly attributable to gains from changes in the fair value of the marketable securities and appreciation of the Indonesian Rupiah against the USD recognised in the 6 months ended 30 June 2014.

3.0 Net Tangible Assets per security

	30 June 2014	31 December 2013
NTA (US\$ per share)	0.39	0.36
Number of shares	404,391,710	404,391,710

4.0 Entities over which control has been gained or lost

Not Applicable

5.0 Individual and total dividends

Not Applicable

6.0 Dividend or dividend reinvestment plans

Not Applicable

7.0 Associates and joint venture entities

Not Applicable

8.0 Foreign Entities

The interim financial statements are prepared in accordance with U.S. generally accepted accounting principles (US GAAP).

9.0 Audit dispute or qualification

The interim financial information for the six-month period ended June 30, 2014 presented has been reviewed and are not subject to any audit dispute or qualification.

**INDEPENDENT AUDITORS' REPORT ON REVIEW OF
CONDENSED INTERIM FINANCIAL INFORMATION
MNC MEDIA INVESTMENT LTD
(Formerly known as "LINKTONE LTD") AND ITS SUBSIDIARIES**

Introduction


We have reviewed the accompanying condensed interim financial information of MNC Media Investment Ltd (Formerly known as "Linktone Ltd") (the "Company") and its Subsidiaries (the "Group"), which comprise the unaudited consolidated balance sheet of the Group as at 30 June 2014, the unaudited consolidated statements of operations and comprehensive income, changes in shareholders' equity and cash flows of the Group for the period from 1 January 2014 to 30 June 2014, and certain explanatory notes. Management is responsible for the preparation and fair presentation of this historical financial information in accordance with US Generally Accepted Accounting Principles ("US GAAP"). Our responsibility is to express a conclusion on this historical financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", which applies to a review of historical financial information performed by the independent auditor of the entity. A review of historical financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information does not give a true and fair view of the consolidated balance sheet of the Group as at 30 June 2014, and of the Group's financial performance, changes in shareholders' equity and its cash flows for the period from 1 January 2014 to 30 June 2014 in accordance with US GAAP.


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MAZARS LLP
Public Accountants And
Chartered Accountants

Singapore: 29 August 2014

MNC MEDIA INVESTMENT LTD
(Formerly known as “LINKTONE LTD”)
AND ITS SUBSIDIARIES
ABN 164 134 472

UNAUDITED CONSOLIDATED BALANCE SHEETS

(In U.S. dollars, except number of shares)

	<u>Note</u>	December 31, 2013	June 30, 2014
Assets			
Current assets:			
Cash and cash equivalents	3	28,274,207	27,479,605
Short-term investments	4	86,136,929	89,466,006
Accounts receivable, net	5	9,939,329	9,457,830
Tax refund receivable		630,115	649,285
Inventories, net of allowance for stock obsolescence of \$341,614 (2013: \$153,561)		2,428,713	2,466,231
Due from related parties		1,938,739	1,647,496
Deferred tax assets		326,952	322,870
Deposits and other current assets		5,239,008	4,585,335
Total current assets		134,913,992	136,074,658
Property and equipment, net	6	10,788,922	10,826,028
Intangible assets, net of accumulated amortisation of \$12,135,384 (2013: \$11,725,295)		7,405,365	7,729,522
Goodwill		29,571,982	29,571,982
Deferred tax assets		45,228	57,779
Other long-term assets		387,199	148,401
Total assets		<u>183,112,688</u>	<u>184,408,370</u>
Liabilities and shareholders' equity			
Current liabilities:			
Account payable, accrued liabilities and other payables	7	11,552,931	14,049,144
Due to related parties		3,092,013	2,803,531
Short-term loans		7,114,088	7,793,568
Taxes payable		1,790,308	2,137,631
Deferred revenue		305,889	241,158
Deferred tax liabilities		227,828	316,171
Total current liabilities		24,083,057	27,341,203
Deferred tax liabilities		905,476	721,208
Other long-term liabilities		896	-
Total liabilities		<u>24,989,429</u>	<u>28,062,411</u>

The accompanying notes are an integral part of these unaudited consolidated financial statements.

MNC MEDIA INVESTMENT LTD
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UNAUDITED CONSOLIDATED BALANCE SHEETS

(In U.S. dollars, except number of shares)

	Note	December 31, 2013	June 30, 2014
Shareholders' equity			
Ordinary shares (\$0.0001 par value; 500,000,000 shares authorized, 404,391,710 shares issued as of December 31, 2013 and June 30, 2014)		42,144	42,144
Additional paid-in capital		138,004,146	138,055,098
Treasury stock		(2,890,213)	(2,890,213)
Statutory reserves		2,913,996	2,913,996
Accumulated other comprehensive income:			
Cumulative translation adjustments		12,050,779	11,903,362
Retained earnings/(Accumulated losses)		(10,148,027)	(12,069,311)
Total shareholders' equity		<u>139,972,825</u>	<u>137,955,076</u>
Non-controlling interest		<u>18,150,434</u>	<u>18,390,883</u>
Total shareholders' equity		<u>158,123,259</u>	<u>156,345,959</u>
Total liabilities and shareholders' equity		<u><u>183,112,688</u></u>	<u><u>184,408,370</u></u>

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MNC MEDIA INVESTMENT LTD
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**UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS AND
COMPREHENSIVE INCOME**

(In U.S. dollars, except number of shares)

	Note	For the 6 months period ended June 30, 2013	June 30, 2014
Gross revenue		24,369,570	26,973,222
Sales tax		(286,217)	(120,929)
Net revenue		24,083,353	26,852,293
Cost of revenue		(16,259,797)	(19,672,836)
Gross profit		7,823,556	7,179,457
Operating expenses:			
Product development		(2,338,840)	(3,070,681)
Selling and marketing		(2,613,867)	(1,085,230)
General and administrative		(7,650,765)	(7,842,184)
Total operating expenses		(12,603,472)	(11,998,095)
Other operating income	8	478,721	1,201,439
Operating loss		(4,301,195)	(3,617,199)
Interest income, net of financial expenses from non-related parties		591,759	204,019
(Loss)/Gain on foreign exchange - net		(1,966,609)	1,850,923
Other (loss)/income, net of other expenses		(447,451)	73,282
Loss from continuing operations before income tax		(6,123,496)	(1,488,975)
Income tax benefit (expense), net		234,925	(214,140)
Net loss		(5,888,571)	(1,703,115)
Net income/(loss) attributable to non-controlling interest		669,355	(218,169)
Net loss attributable to ordinary shareholders of the Company		(5,219,216)	(1,921,284)
Basic Loss per ordinary share:		(0.013)	(0.005)
Diluted Loss per ordinary share:		(0.013)	(0.005)
Weighted-average number of ordinary shares:			
Basic		404,391,710	404,391,710
Diluted		404,391,710	404,391,710

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**UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS AND
COMPREHENSIVE INCOME**

(In U.S. dollars, except number of shares)

	For the 6 months period ended	
	June 30, 2013	June 30, 2014
Comprehensive loss:		
Net loss	(5,888,571)	(1,703,115)
Other comprehensive income/(loss) :		
Foreign currency translation reserves	225,436	(125,137)
Comprehensive loss, net of tax	<u>(5,663,135)</u>	<u>(1,828,252)</u>
Comprehensive loss/(income) attributable to non-controlling interest, net of tax	764,047	(240,449)
Comprehensive loss attributable to ordinary shareholders of the Company, net of tax	<u><u>(4,899,088)</u></u>	<u><u>(2,068,701)</u></u>

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MNC MEDIA INVESTMENT LTD
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UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(In U.S. dollars, except share data)

	Ordinary shares Shares	Amount \$	Treasury stock \$	Additional Paid-in capital \$	Statutory reserves \$	Cumulative Translation Adjustments \$	Retained Earnings/ (Accumulated Losses) \$	Non- Controlling interest \$	Total Shareholders' equity \$
Balance as of January 1, 2013 c/f	408,018,820	42,144	(1,905,608)	137,902,242	2,499,512	11,407,104	5,407,903	19,817,255	175,170,552
Share repurchase	(3,627,110)	-	(984,605)	-	-	-	-	-	(984,605)
Stock-based compensation	-	-	-	50,952	-	-	-	-	50,952
Translation adjustment	-	-	-	-	-	320,128	-	(94,692)	225,436
Net loss	-	-	-	-	-	-	(5,219,216)	(669,355)	(5,888,571)
Balance as of June 30, 2013	404,391,710	42,144	(2,890,213)	137,953,194	2,499,512	11,727,232	188,687	19,053,208	168,573,764

	Ordinary shares Shares	Amount \$	Treasury stock \$	Additional Paid-in capital \$	Statutory reserves \$	Cumulative Translation Adjustments \$	Retained Earnings/ (Accumulated Losses) \$	Non- Controlling interest \$	Total Shareholders' equity \$
Balance as of July 1, 2013 c/f	404,391,710	42,144	(2,890,213)	137,953,194	2,499,512	11,727,232	188,687	19,053,208	168,573,764
Stock-based compensation	-	-	-	50,952	-	-	-	-	50,952
Translation adjustment	-	-	-	-	-	323,547	-	(164,655)	158,892
Transfer from Accumulated losses to statutory reserve	-	-	-	-	414,484	-	(414,484)	-	-
Net loss	-	-	-	-	-	-	(9,922,230)	(738,119)	(10,660,349)
Balance as of December 31, 2013	404,391,710	42,144	(2,890,213)	138,004,146	2,913,996	12,050,779	(10,148,027)	18,150,434	158,123,259

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UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(In U.S. dollars, except share data)

	Ordinary shares Shares	Ordinary shares Amount \$	Treasury stock \$	Additional Paid-in capital \$	Statutory reserves \$	Cumulative Translation Adjustments \$	Retained Earnings/ (Accumulated Losses) \$	Non- Controlling interest \$	Total Shareholders' equity \$
Balance as of January 1, 2014 c/f	404,391,710	42,144	(2,890,213)	138,004,146	2,913,996	12,050,779	(10,148,027)	18,150,434	158,123,259
Stock-based compensation	-	-	-	50,952	-	-	-	-	50,952
Other comprehensive income:									
Translation adjustment	-	-	-	-	-	(147,417)	-	22,280	(125,137)
Net loss	-	-	-	-	-	-	(1,921,284)	218,169	(1,703,115)
Balance as of June 30, 2014	404,391,710	42,144	(2,890,213)	138,055,098	2,913,996	11,903,362	(12,069,311)	18,390,883	156,345,959

The accompanying notes are an integral part of these unaudited consolidated financial statements.

MNC MEDIA INVESTMENT LTD
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UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In U.S. dollars)

	6 months ended June 30,	
	2013	2014
	\$	\$
Cash flow from operating activities		
Net loss	(5,888,571)	(1,703,115)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Stock-based compensation expense	50,952	50,952
Loss on disposal of property and equipment	15,144	18,906
Depreciation	355,599	258,256
Amortization of intangible assets	708,892	410,090
Provision for doubtful debts	482,054	781,411
Provision for stock obsolescence	(9,330)	181,176
Deferred income tax (benefit)	(80,388)	(104,394)
Foreign exchange loss	513,945	57,044
Unrealized loss/(gain) on short term investment due to share price movement	3,100,112	(1,201,439)
Realised gain on sale of short term investment	(3,578,833)	-
Unrealized loss/(gain) on short term investment due to foreign exchange rate movement	1,384,602	(1,907,967)
Realised loss on short term investment due to foreign exchange rate movement	68,062	-
Reversal of provision for FIN 48	159,069	-
Changes in assets and liabilities, net of effect of acquisitions:		
(Increase)/Decrease in accounts receivable	(965,623)	48,863
Decrease/(Increase) in tax refund receivable	269,296	(12,326)
(Increase)/decrease in deposits and other assets	(1,482,519)	722,031
Increase in inventories	(311,506)	(190,694)
Increase in short term investments	(16,435,332)	(219,671)
Decrease in other assets	767,575	(491,843)
(Decrease)/Increase in taxes payable	(314,830)	365,210
Decrease in long-term liabilities	(786,941)	(910)
Increase in accounts payable, accrued liabilities and other payables	18,208,091	2,039,573
Net cash used in operating activities	(3,770,480)	(898,847)
Cash flow from investing activities:		
Purchase of property and equipment	(459,860)	(243,952)
Net cash (used in)/provided by investing activities	(459,860)	(243,952)

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UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In U.S. dollars)

	6 months ended June 30,	
	2013	2014
	\$	\$
Cash flow from financing activities:		
Share repurchase	(984,605)	—
Draw down/ (Repayment) of bank loan	301,290	567,508
Net cash (used in)/provided by financing activities	(683,315)	567,508
Effect of exchange rate change on cash and cash equivalents	924,485	(219,311)
Net decrease in cash and cash equivalents	(3,989,170)	(794,602)
Cash and cash equivalents, beginning of period	35,041,672	28,274,207
Cash and cash equivalents, end of period	31,052,502	27,479,605
 Supplemental disclosures of cash flow information		
Business and other taxes on revenues	(598,455)	(552,536)
Value-added tax refund	241,163	80,179
Income tax paid	(142,569)	(336,159)
Interest received, net	167,068	81,848

The accompanying notes are an integral part of these unaudited consolidated financial statements.

MNC MEDIA INVESTMENT LTD
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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(In U.S. dollars, unless otherwise stated)

1. BASIS OF PRESENTATION OF CONDENSED INTERIM FINANCIAL INFORMATION

MNC Media Investment Ltd (Formerly known as “Linktone Ltd”) is a company incorporated in the Cayman Islands and this report meets requirements of the Cayman Islands regulations. With effect from June 23, 2014, the name of the Company was changed from “Linktone Ltd” to “MNC Media Investment Ltd”.

The accompanying consolidated financial statements for the interim half-year reporting period ended June 30, 2014 have been prepared in accordance with generally accepted accounting principles in the United States of America (“US GAAP”). The condensed interim financial information is presented in United States dollar (“\$”).

The interim financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, this report is to be read in conjunction with the annual report for the year ended December 31, 2013 and any public announcements made by MNC Media Investment Ltd during the interim reporting period.

The principal accounting policies adopted in the preparation of the financial statements are consistent with those of the previous financial year and corresponding interim reporting period, except for changes in presentation as set out below.

	June 30, 2013	Reclassification	June 30, 2013 (as presented)
	\$	\$	\$
Other operating income	(973,943)	1,452,664	478,721
Loss on foreign exchange	(513,945)	(1,452,664)	(1,966,609)

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(In U.S. dollars, unless otherwise stated)

2. NEW ACCOUNTING PRONOUNCEMENTS

The FASB has issued ASU 2014-08, Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360) — Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity. Under the amendments in ASU 2014-08, only disposals representing a strategic shift in operations should be presented as discontinued operations. Those strategic shifts should have a major effect on the organization’s operations and financial results. Examples include a disposal of a major geographic area, a major line of business, or a major equity method investment.

In addition, the new guidance requires expanded disclosures about discontinued operations that will provide financial statement users with more information about the assets, liabilities, income, and expenses of discontinued operations.

The amendments in this ASU are effective prospectively for quarters beginning on or after January 1, 2015. Early adoption is permitted. The adoption of this update is not expected to have a significant effect on the Company’s consolidated financial position or results of operations.

New pronouncements issued but not yet effective until after June 30, 2014 are not expected to have a significant effect on the Company’s consolidated financial statements.

3. CASH AND CASH EQUIVALENTS

	As of	
	December 31, 2013	June 30, 2014
	\$	\$
Cash	9,058,743	13,197,291
Time deposits with tenor < 90 days	19,215,464	14,282,314
Total	<u>28,274,207</u>	<u>27,479,605</u>

Interest income earned from the above cash and cash equivalents amounted to \$277,520 and \$193,385 for the 6 months period ended June 30, 2013 and 2014, respectively.

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(In U.S. dollars, unless otherwise stated)

4. SHORT-TERM INVESTMENTS

	December 31, 2013	As of June 30, 2014
	\$	\$
Quoted securities, at market value	76,786,305	77,895,711
Time deposits with tenor > 90 days	9,350,624	11,570,295
Total	<u>86,136,929</u>	<u>89,466,006</u>

Net unrealized loss of \$3.1 million and gain of \$1.2 million for the years ended June 30, 2013 and 2014, respectively was recorded on the marked-to-market valuation of these held-for-trading quoted investment and realized gain of \$3.6 million and \$nil million for the period ended June 30, 2013 and 2014, respectively. Such amounts were recorded in other operating income, see Note 8.

Net unrealised forex loss on short-term investments amounted to \$1.4 million and a gain of \$1.9 million as at June 30, 2013 and 2014, respectively while the realised forex loss arising from the purchase and disposal of short-term investments for the period ended June 30, 2013 and 2014 amounted to \$0.1 million and \$nil, respectively.

As of December 31, 2013 and June 30, 2014, all time deposits have original maturity terms more than three months and are due within one year.

5. ACCOUNTS RECEIVABLES, NET

	December 31, 2013	As of June 30, 2014
	\$	\$
Accounts receivable	13,007,096	12,894,258
Less: Allowance for doubtful receivables	<u>(3,067,767)</u>	<u>(3,436,428)</u>
	<u>9,939,329</u>	<u>9,457,830</u>
Movement in allowance for doubtful receivables:		
Balance at beginning of period	(2,093,650)	(3,067,767)
Write-off against provision	-	418,079
Write back of provision	40,086	19,465
Additional provision	(973,364)	(800,876)
Translation difference	<u>(40,839)</u>	<u>(5,329)</u>
Balance at the end of period	<u>(3,067,767)</u>	<u>(3,436,428)</u>

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(In U.S. dollars, unless otherwise stated)

6. PROPERTY AND EQUIPMENT, NET

	December 31, 2013	As of June 30, 2014
	\$	\$
Cost		
Buildings	10,419,117	10,577,047
Computer hardware and other equipment	5,062,848	5,206,348
Office equipment	1,747,857	1,598,518
Leasehold improvements	1,238,040	1,237,128
Motor vehicles	297,189	300,855
	<u>18,765,051</u>	<u>18,919,896</u>
Less: Accumulated depreciation	<u>(7,976,129)</u>	<u>(8,093,868)</u>
	<u>10,788,922</u>	<u>10,826,028</u>

The Group incurred loss of \$15,144 and \$18,906 from disposal of property and equipment during the 6 months period ended June 30, 2013 and 2014, respectively.

7. ACCOUNTS PAYABLE, ACCRUED LIABILITIES AND OTHER PAYABLES

	December 31, 2013	As of June 30, 2014
	\$	\$
Accounts payable	1,559,321	3,271,526
Accrued payroll and welfare benefits	1,429,394	1,633,850
Accrued professional and consulting fees	325,771	392,820
Accrued VAS content fees	1,991,292	2,825,990
Accrued expenses	1,020,296	1,171,925
Accrued minimum guarantee	2,964,532	1,620,470
Accrued sales return	316,203	223,238
Other payables	1,946,122	2,909,325
Total	<u>11,552,931</u>	<u>14,049,144</u>

8. OTHER OPERATING INCOME, NET

	For the 6 months ended June 30, 2013	2014
	\$	\$
Unrealised (Loss)/ Gain On Investment In Marketable Securities	(3,100,112)	1,201,439
Gain loss on sale of investment	3,578,833	-
	<u>478,721</u>	<u>1,201,439</u>