CHINA 33 MEDIA GROUP LIMITED
中國三三傳媒集團有限公司

(incorporated in the Cayman Islands with limited liability)
Stock Code : 8087

ANNUAL REPORT 2010

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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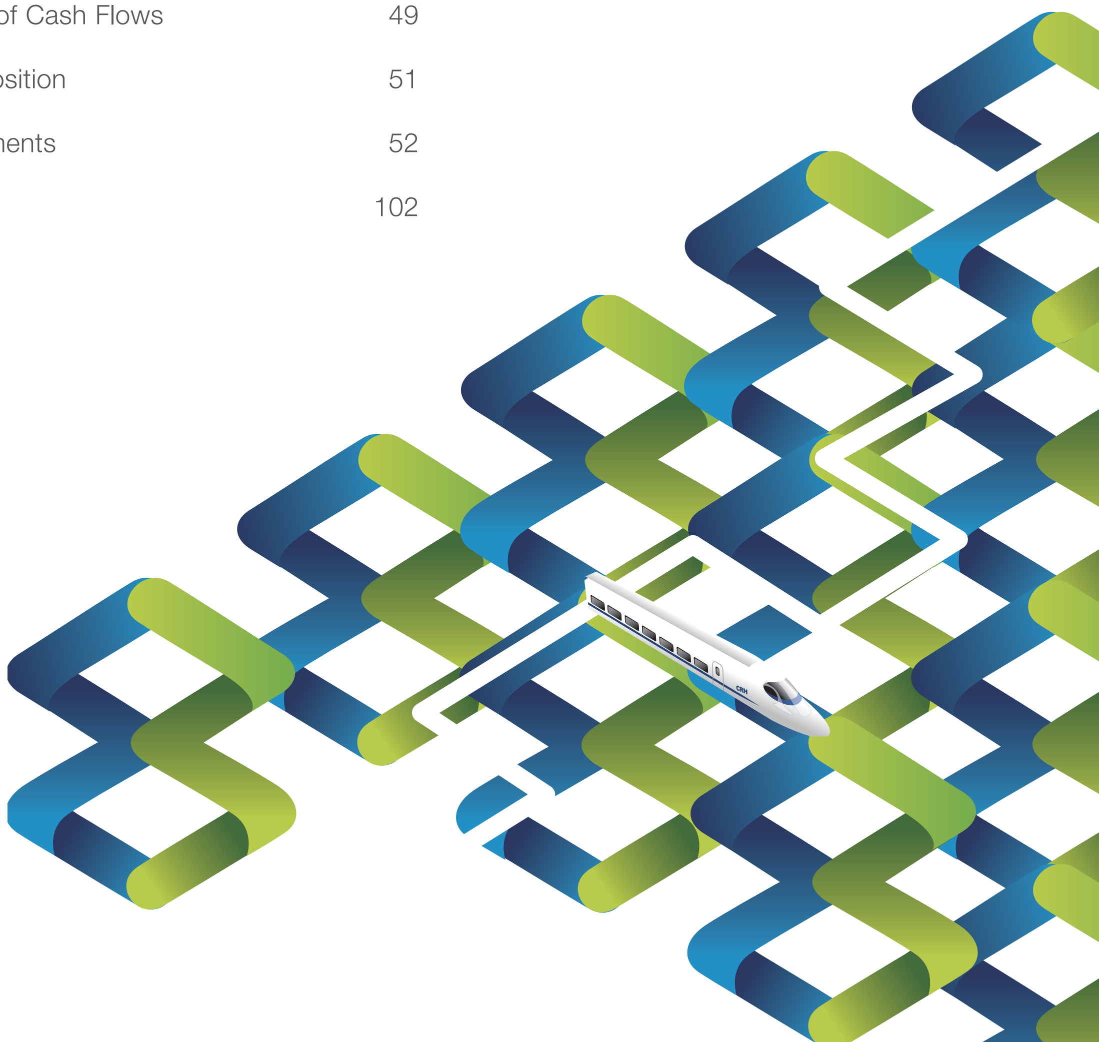
CHINA 33
MEDIA GROUP
LIMITED

CONTENTS



CORPORATE INFORMATION

DIRECTORS

Executive

Mr. Lin Pintong *(Chairman)*
Mr. Ruan Deqing
Mr. Han Wenqian *(Chief Executive Officer)*

Non-Executive

Mr. Wang Jianqing
Mr. Wang Fuqing

Independent Non-Executive

Mr. Gao Xingbo
Mr. Feng Bing
Mr. Chen Shaofeng
Ms. Xing Zhibin

LEGAL ADVISERS

As to Hong Kong law:

Chiu & Partners
40th Floor, Jardine House
1 Connaught Place
Hong Kong

As to PRC law:

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Beijing
China

AUDITORS

Ernst & Young
Certified Public Accountants
18th Floor, Two International Finance Centre
8 Finance Street
Central
Hong Kong

COMPLIANCE ADVISER

Oriental Patron Asia Limited

AUTHORISED REPRESENTATIVES

Mr. Ruan Deqing
Mr. Leung Ting Yuk

COMPANY SECRETARY

Mr. Leung Ting Yuk, *HKICPA, CPA Australia*

COMPLIANCE OFFICER

Mr. Ruan Deqing

AUDIT COMMITTEE MEMBERS

Mr. Gao Xingbo *(Chairman)*
Mr. Feng Bing
Mr. Chen Shaofeng

REMUNERATION COMMITTEE MEMBERS

Mr. Feng Bing *(Chairman)*
Mr. Ruan Deqing
Mr. Gao Xingbo

NOMINATION COMMITTEE MEMBERS

Mr. Chen Shaofeng *(Chairman)*
Mr. Lin Pintong
Mr. Gao Xingbo

REGISTERED OFFICE

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Grand Cayman, KY1-1111
Cayman Islands

HEAD OFFICE IN THE PRC

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Chongwen District
Beijing
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PRINCIPAL PLACE OF BUSINESS REGISTERED UNDER PART XI OF THE COMPANIES ORDINANCE

40th Floor
Jardine House
1 Connaught Place
Central
Hong Kong

PRINCIPAL BANKERS

Industrial Bank Co., Ltd.
Standard Chartered Bank (Hong Kong) Limited

HONG KONG SHARE REGISTRAR

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28 Queen's Road East
Hong Kong

WEBSITE ADDRESS

http://www.china33media.com

STOCK CODE

8087

CHAIRMAN'S STATEMENT

We are a channel media operator, focusing on high-speed railway in China

MR. LIN PINTONG
Chairman

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of China 33 Media Group Limited (the "Company"), I hereby present the audited annual results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2010.

We experienced continuous growth during the two years ended 31 December 2009 and 2010 as a result of the development of the high-speed railway network in China and the increasing railway passenger flow. Our revenue increased from approximately RMB104,719,000 to approximately RMB208,910,000, representing a year-on-year growth of 99.5% or approximately RMB104,191,000 as compared to the corresponding period in last year. The substantial increase in revenue was principally attributable to the increase in the revenue from the printed media business as a result of the rapid development of the high-speed railway network. Turnover of printed media rose by 110.8% or approximately RMB86,280,000 from approximately RMB77,889,000 in last year to approximately RMB164,169,000 in current year. Turnover from the audio programmes business reached approximately RMB35,374,000 in current year as compared to approximately RMB9,259,000 in last year, representing an increase of 282.0% or approximately RMB26,115,000, the increase was due to the expanded coverage of the audio programmes business during 2010. The revenue contribution from outdoor media business decreased by 46.7% to approximately RMB9,367,000 in current year from approximately RMB17,571,000 in last year.

We believe that the Group's success is attributable to the growth with the rapid development of the high-speed railway network in China and the combined media platform that can reach business and leisure travellers. Our competitive strengths are our dedicated and experienced management teams that have in-depth knowledge and experience in the advertising and media industry. We are the forerunner in the media business focusing on the PRC high-speed railway network which is totally different from the traditional media. The Group's combined media platforms involving advertising on printed media, audio programmes and outdoor media that can satisfy the requirements of different advertising customers.

FUTURE PROSPECTS

I would like to thank all the parties for their joint efforts in making the listing of the Company on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 28 February 2011 successful.

We will continue to maintain our business growth and expand our business by the implementation of various future plans and growth strategies. We will continue strengthening our leading position in the on-board printed media in the high-speed railway network in China by expanding our sales network through the establishment of sales offices at different PRC cities and strengthen our sales and advertising teams at different locations. We will also increase the number of route-specific supplements of our printed media, so that we can strengthen our customer base and accelerate our business growth.

To extend our advertising business at train stations through the advertising billboards at the train stations for regular trains and China railway high-speed ("CRH") trains, the Group has entered into contracts with independent third parties to develop and operate the advertising business through various media platforms at seven selected stations in China.

The Group will expand its business on the internet by acting as the sole agent of a website of an independent third party dedicated to the provision of railway related information and services including, railway information, such as development of railway construction, train timetables, train status, ticketing and news; information platform for railway related suppliers; railway information projects tendering; and highlights of all hyperlinks to sightseeing attractions, restaurants hotels along the railway network in China. We also plan to develop LED panels business on the CRH trains through the investment in Beijing Jiuhua Science and Technology Company Limited (北京九華互聯科技有限公司) by way of acquisition of a non-controlling interest held by the existing shareholders. All of these plans will provide the Group with opportunities to expand our business and strengthen our leading position in the high-speed railway network in China.

Finally, on behalf of the Board, I would like to thank the management and all the staff for their hard work and dedication to the Group, as well as the shareholders and customers for their support to the Group over the years.

Lin Pintong
Chairman

Hong Kong, 28 March 2011

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

China currently had 103 high-speed railway routes and the aggregate length of high-speed railway was approximately 8,358 km. According to the information provided by the Ministry of Railways at the 2009中國科協年會 (2009 Science and Technology Annual Meeting) and the information released by the Ministry of Railways during the 2010年第十一屆全國人民代表大會第三次會議 (Third Session of the 11th National Congress Meeting in 2010), China will have more than 110,000 km of railways in operation by the end of 2012, of which approximately 13,000 km will be used for the high-speed railway network. Pursuant to the report prepared by Huicong D&B Market Research, the total passenger traffic of the high-speed railway network in China reached approximately 285.0 million in 2009, representing approximately 4.7 times the passenger traffic in 2007. The total daily number of CRH train runs increased from 318 as of 31 December 2007 to 795 as of 31 December 2009. According to 鐵道部2010年全國鐵路會議工作報告 (2010 National Railways Conference Report of the Ministry of Railways), the total passenger traffic in CRH trains in 2010 increased to approximately 459.0 million.

According to《中長期鐵路網規劃》(The Medium and Long Term Railway Network Plan) published in 2004 and updated in 2008, a comprehensive railway network in China of approximately 120,000 km will be in operation by the end of 2020, of which approximately 50,000 km will be used for the high-speed railway network connecting all provincial capitals and cities with a population of over 500,000 people and covering over 90% of the total population of the country.

China's advertising industry is one of the fastest growing advertising markets in the world. According to the report of ZenithOptimedia, net advertising expenditure in China grew by 14.8% between 1998 and 2009, making it one of the fastest growing advertising markets in the world. The substantial growth of China advertising market was due to the rapid and sustained economic growth, the continuous growth in consumer spending and the relatively low level of advertising spending per capita in the past. Despite the contraction in global advertising market as a result of the global financial crisis in late 2008, China's advertising market is expected to outperform most of the developed countries in the world and maintains a steady growth in the coming years.

Railways is one of the most important public transportation systems in China. High and relatively stable passenger traffic combined with the unique characteristic of enabling advertising customers to reach target audience all over the country makes railways media one of the most effective advertising means.

Railways advertising market in China is composed of the following four major categories:–

1. Advertisements on free publications circulated on both regular trains and CRH trains. In respect of the free publications market on CRH trains, there are five publications approved by the Ministry of Railways for distribution on the high-speed railway network, which include the three publications operated and distributed by the Company, namely, "旅伴" (Fellow Traveller), "報林" (Resource) and "旅客報" (Passengers), and another two publications operated by independent third parties, namely "青年時訊" (Youth Express) and "和諧之旅" (CRH Magazine). Other than the free publications circulated on both regular trains and CRH trains, there are no other freely distributed newspapers generally available at all train station or terminals in China;

2. outdoor advertisements in railways stations, including billboards, light boxes, TVs advertisements in waiting rooms and platforms, etc.

3. advertisements in train compartments, including posters, TVs and tablecloth advertisements; and

4. broadcasting advertisements on regular trains. Other than the audio programmes provided by the Company, namely, "和諧鐵路之聲" (The Voice of Harmonious Railways) which are broadcasted nation-wide on regular trains and the audio programmes provided by certain local railway bureaus on their responsible regional railways, there is no other industry player who provides audio programmes broadcasted on regular trains in China.

Railways advertising in China is a relatively new advertising platform that has experienced rapid growth in recent years. As supported by the continuous growth in the passenger traffic and the number of routes of CRH trains, the directors believe that the high-speed railway network in China will be increasingly popular for the business and leisure travellers in China. This development ensures that the coverage of our media will continue to grow both in target audience numbers and geographically. Considered having a high proportion of affluent railway passengers, the development of the high-speed railway network in China will be instrumental to the Company's sustainable growth in the future.

BUSINESS REVIEW

As of 31 December 2010, the Group recorded a turnover of RMB208,910,000 (2009: RMB104,719,000), representing an increase of approximately 99.5% as compared with the corresponding period last year. Included in the amount of turnover was RMB164,169,000 generated by the printed media business representing a significant increase of approximately 110.8% (2009: RMB77,889,000) over the same period last year. Turnover of audio programmes business reached RMB35,374,000 (2009: RMB9,259,000), representing an increase of approximately 282.0% as compared with the same period in the previous year. Turnover of outdoor media business decreased approximately 46.7% to RMB9,367,000 (2009: RMB17,571,000) as compared with the same period in previous year.

REVENUE BY SEGMENT

Analysis of revenue by segment is as follows:

	2010 RMB'000	2009 RMB'000	Change (%)	2010 % of total revenue	2009
Printed media business	**164,169**	77,889	110.8	**78.6**	74.4
Audio programmes business	**35,374**	9,259	282.0	**16.9**	8.8
Outdoor media business	**9,367**	17,571	(46.7)	**4.5**	16.8
	208,910	104,719	99.5	**100.0**	100.0

Printed Media Business

Revenue from printed media business was the principal source of revenue for the year and it contributed approximately 78.6% of the Group's total revenue, it is expected to continue to be our principal source of revenue in the future. Revenue from printed media business principally represented the amount generated from the sales of the advertising space on the periodicals and newspaper operated by the Group and was recognised upon the publication of the periodicals and newspaper in which the respective advertisement was placed. "旅伴" (Fellow Traveller) and "報林" (Resource) are monthly nation-wide periodicals distributed on all CRH trains and selected regular trains in China. "旅客報" (Passengers) is a route-specific newspaper distributed on CRH trains which currently comprises 11 different route-specific supplements providing the local contents.

Revenue from printed media business increased by approximately 110.8%, from RMB77,889,000 in last year to RMB164,169,000 in current year. The growth is mainly attributable to the increase in both average price per advertisement page and total number of advertisement pages.

The analysis of average price per advertisement page and average monthly number of advertisement pages are set out as below:

	2010	2009	Change (%)
Average price per advertisement page (RMB)	**37,276**	31,599	18.0%
Average monthly number of advertisement pages (page)	**349**	201	73.6%

As a result of promising industry outlook and the increase in demand for advertisements in the printed media operated by the Group driven by the growth in passenger traffic of high-speed railway network and the increase in the number of high-speed railway routes, the average price per advertisement page and average monthly number of advertisement pages for the year ended 31 December 2010 increased by approximately 18.0% and 73.6% respectively as compared with 2009, which contribute to the robust growth in printed media advertising income.

Audio Programmes Business

Revenue from audio programmes business represented the amount generated from the sales of advertising timeslots which was being part of the audio programmes produced by the Group for broadcasting during train transmission. It is mainly driven by duration of the audio advertisements, the price per standard timeslot (i.e. 15 or 30 seconds) and the frequency of broadcast. Revenue from audio programmes business increased by RMB26,115,000 or approximately 282.0% to RMB35,374,000 in current year. The increase is mainly driven by the growth in demand for our audio advertising services in view of the national coverage of our audio programmes on all regular trains in the PRC in 2010. The Group started to provide audio programmes to all regular trains nation-wide in early 2010 as compared with certain local routes in 2009 only.

The analysis of total advertising timeslot (represent the sum of product of the duration and broadcast frequency of each audio advertisement based on the sales contract) is set out as follow:

	2010	2009	**Change (%)**
Total advertising timeslot (sum of product of the duration and broadcast frequency of each audio advertisement based on the sales contract)	**3,220,723**	1,108,274	190.6

Outdoor Media Business

Revenue from outdoor media business is mainly driven by the number of air traffic control towers and the price per advertising space. It dropped from RMB17,571,000 in last year to RMB9,367,000 in current year. The decrease was due to the fact that the Group successfully secured a large outdoor advertising contract in December 2008 pursuant to which the customer placed outdoor advertisements on 20 air traffic control towers for a term of ten months from 1 January 2009 to 31 October 2009. Upon expiry of the aforesaid contract, the Group secured another 1 year outdoor advertising contract in November 2009 with another customer, for the advertising space on 16 air traffic control towers. The advertising spaces chosen by the new customer were in general of relatively lower price. As a result, although the Group successfully renewed the contract before expiry of the original contract, revenue generated from outdoor media business decreased in current year.

SEGMENT RESULTS AND GROSS PROFIT MARGIN

Analysis of gross profit is as follows:

	Revenue		Cost		Segment results		Change	
	2010	2009	**2010**	2009	**2010**	2009		
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	%
Printed media business	**164,169**	77,889	**46,047**	36,062	**118,122**	41,827	**76,295**	182.4
Audio programmes business	**35,374**	9,259	**2,105**	1,539	**33,269**	7,720	**25,549**	330.9
Outdoor media business	**9,367**	17,571	**7,577**	8,764	**1,790**	8,807	**(7,017)**	(79.7)
	208,910	104,719	**55,729**	46,365	**153,181**	58,354	**94,827**	162.5

During the year, the segment results of printed media business recorded a segment profit of RMB118,122,000, representing an increase of approximately 182.4% as compared with a segment profit of RMB41,827,000 for last year. Audio programmes business continued to contribute profits to the Group and recorded a segment profit of RMB33,269,000 during the year, representing a significant increase of approximately 330.9% over that of the corresponding period in last year, which was RMB7,720,000. Segment results of outdoor media business decreased to RMB1,790,000 from RMB8,807,000, representing a decrease of approximately 79.7% as compared with the same period in last year. In overall, there was a significant increase in gross profit of RMB88,132,000, representing an increase of approximately 143.5% to RMB149,556,000 from RMB61,424,000 as compared to the corresponding period in last year.

Analysis of gross profit margin is as follows:

	Gross profit margin	
	2010	2009
	%	%
Printed media business	**69.7**	57.6
Audio programmes business	**94.0**	83.4
Outdoor media business	**19.1**	50.1
	71.6	58.7

Gross profit margin of printed media business increased from approximately 57.6% for last year to approximately 69.7% for the current year mainly due to the increase in average price per advertisement page, decrease in average printing cost per page as a result of bulk purchase and benefits resulting from economies of scale. Gross profit margin of audio programmes business reached approximately 94.0% in current year as compared to approximately 83.4% in last year. As majority of the costs of audio programmes such as amortisation expenses on intangible assets and management fee are relatively fixed cost in nature, the gross profit margin generally moved in line with the increase in revenue from audio programmes. Gross profit margin of outdoor media business decreased from approximately 50.1% for last year to approximately 19.1% for the current year, mainly due to the decrease in average price per advertising space and lesser advertising spaces were utilized as compared with last year.

The gross profit margin of the Group as a whole increased from approximately 58.7% for last year to approximately 71.6% for the current year. This was mainly due to the increase in revenue from printed media business as a result of the increase in average price per advertisement page and average monthly number of advertisement pages of the printed media due to the rapid development of the high-speed railway network in China. It also contributed from increase in revenue from audio programme business driven by the growth in demand for our audio programme as a result of the nation-wide coverage of our audio programmes business since January 2010. Benefiting from economies of scale, the gross profit margin of these two business segments are comparably high and as a result push up the Group's gross profit margin.

Other Income and Gains

Other income and gains increased from RMB915,000 in last year to RMB1,087,000 in current year, mainly due to the increase in interest income on bank deposits.

Cost of Sales

Cost of sales increased from RMB43,295,000 in last year to RMB59,354,000 in current year, representing an increase of approximately 37.1%. The increase in cost of sales was mainly attributable to the increase in printing costs for the printed media business, as well as agency fees payable to the Group's publishing partners and production and related costs.

Selling and Distribution Expenses

Selling and distribution expenses mainly include staff costs, commission payable to sales staff, travelling and related expenses, office expenses and others. It accounted for approximately 25.5% and 16.5% of the Group's total revenue for the years ended 31 December 2009 and 2010, respectively and the decrease in percentage was mainly due to economies of scale enjoyed as a result of business expansion as well as better cost control. The amount increased by approximately 28.8% from RMB26,677,000 in last year to RMB34,371,000 in current year, primarily as a result of increase in commission payable to sales staff which is in line with increase in sales for the year.

Administrative Expenses

Administrative expenses increased by approximately 32.7% from RMB18,253,000 in last year to RMB24,217,000 in current year, primarily due to the increase in business meeting expenses, social welfares, depreciation charges and professional fees.

Other Operating Income, Net

It represented write-back of impairment of trade receivables made in previous years.

Income Tax Expense

The income tax expense of the Group for the year was RMB24,537,000 (2009: RMB5,814,000) at the effective tax rate of 25.7% (2009: 40.1%).

Liquidity and Financial Resources

As at 31 December 2010, the Group's cash and cash equivalents, including bank deposits and cash in hand, and short-term bank deposits with original maturities not exceeding three months, amounted to RMB103,102,000, representing a net increase of RMB45,414,000 as compared to the position as at 31 December 2009. Net cash generated from operating activities surged RMB21,945,000 or approximately 102.3% to RMB43,407,000 in current year from RMB21,462,000 in last year.

As at 31 December 2010, the current ratio was 1.68 (2009: 0.85) and the gearing ratio of the Group was (0.11) (2009: 0.61) which was calculated based on the Group's net debt divided by the equity attributable to owners of the Company plus net debt. The Group satisfied their working capital needs principally from internally generated cash flow from operating activities.

Pledge of Assets

As at 31 December 2010, the Group has no assets pledged for bank borrowings or for other purpose (2009: Nil).

Contingent Liabilities

As at 31 December 2010, the Group did not have any significant contingent liabilities.

Capital Commitments

As at 31 December 2010, the Group did not have any significant capital commitments.

Total Comprehensive Income Attributable to Owners of the Company and Net Profit Margin

Total comprehensive income attributable to the owners of the Company for the year ended 31 December 2010 amounted to RMB71,324,000 (2009: RMB8,714,000), representing an increase of approximately 718.5% over that in the same period of last year. Net profit margin of the Group also rose by approximately 308.4% to 33.9% (2009: 8.3%).

Capital Structure

During the year under review, the Group had net assets of RMB113,089,000 (2009: RMB28,532,000), comprising non-current assets of RMB41,781,000 (2009: RMB50,943,000), and current assets of RMB186,463,000 (2009: RMB92,084,000). The Group recorded a net current asset position of RMB75,509,000 (2009: RMB15,726,000 (net current liabilities)), which primarily consists of cash and bank equivalents amounted to RMB103,102,000 (2009: RMB57,688,000) and trade receivables amounted to RMB58,078,000 (2009: RMB27,537,000). Major current liabilities are amount due to the ultimate holding company, other payables and accruals and tax payable amounted to RMB52,501,000 (2009: RMB62,398,000), RMB28,698,000 (2009: RMB31,018,000) and RMB18,642,000 (2009: RMB9,595,000), respectively. The Group has no bank borrowings.

Foreign Exchange Risk

The Group mainly operates in the PRC with most of the transactions settled in Renminbi. Part of the Group's cash and bank deposits are denominated in Hong Kong Dollars. The directors of the Company consider that the Group's risk in foreign exchange is insignificant. During the year under review, the Group did not hedge any exposure in foreign currency risk.

Human Resources

As at 31 December 2010, the Group employed a total of 603 employees (2009: 480 employees) situated in the PRC. The Group's emolument policy is formulated based on industry practices and performance of individual employees. During the year under review, the total staff costs (including Directors' emoluments) amounted to approximately RMB40,476,000 (2009: RMB29,400,000).

Material Acquisition and Disposal

During the year under review, no material acquisition or disposal of subsidiaries and associated companies was entered into by the Group.

Future Prospects

Looking forward, the Group will focus on the following plans for development as stated in the prospectus of the Company dated 22 February 2011 (the "Prospectus"). The Group will apply the proceeds from the listing as follows:

- extend advertising business at train stations through the advertising billboards at the train stations for regular trains and CRH trains. The Group has entered into contracts with certain state-owned railways media operators that one of the Group's subsidiary, Beijing Aoshen Media Advertising Co., Ltd. (北京奧神傳媒廣告有限公司) is granted the exclusive advertising right to install and operate the advertising panels at seven selected train stations operated by three railway bureaus.

- expand the Group's existing businesses by extending sales network through the establishment of sales offices at different PRC cities and strengthen the Group's sales and advertising teams at different locations. Increase the number of route-specific supplements of our printed media in order to strengthen the customer base and accelerate our business growth. To further broaden our coverage and penetration of audio programmes business in the market, we will continue to discuss with the various local railway bureaus for additional broadcasting time for advertisements on different routes of regular trains in China. To expand our outdoor media business, the Group will secure more advertising spaces on the air traffic control towers at the civil airports that are not currently operated by the Group.

- the Group has entered into a memorandum of understanding with 北京九華互聯科技有限公司 (Beijing Jiuhua Science and Technology Company Limited) ("Beijing Jiuhua"), an independent third party and owned by three individuals. Beijing Jiuhua is engaged in the business of digital contents and applications and has provided broadcasting control system software to relevant local railway bureaus. According to the memorandum of understanding which was effective from 13 September 2010, the Group intend to invest in Beijing Jiuhua by way of acquisition of a non-controlling interest held by the existing shareholders or such other methods as shall be agreed between the parties subject to satisfactory and complete due diligence by the Group. Should Beijing Jiuhua be able to secure the relevant LED panels business, the Group plans to negotiate for the relevant advertising agency business in these new on-board LED media.

- the Group has entered into an agreement with 中鐵信息工程集團有限公司 (Sino Rail Information Engineering Group Company Limited) ("Sino Rail") in October 2010 for an initial term of 10 years and the Group was appointed as the sole operator of the website dedicated to the provision of railway related information and services including, railway information, such as development of railway construction, train timetables, train status, ticketing and news; information platform for railway related suppliers; railway information projects tendering; and highlights of all hyperlinks to sightseeing attractions, restaurants and hotels along the railway network in China.

Since the listing of the shares of the Company on 28 February 2011 and up to the date of this annual report, the proceeds from the listing were not applied for any of the above use.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

Recognising the importance of a publicly listed company's responsibilities to enhance its transparency and accountability, the Company is committed to maintain a high standard of corporate governance in the interests of its shareholders. The Company devotes to best practice on corporate governance and to comply to the extent practicable, with the code provisions as set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 15 to the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules").

As the Company has not yet listed on the GEM of the Stock Exchange during the period under review, the requirements under the Code to the GEM Listing Rules or the continuing obligations requirements of a listed issuer pursuant to the GEM Listing Rules was not applicable the Company for the said period. Throughout the period since the listing of the shares of the Company on the GEM of the Stock Exchange on 28 February 2011 (the "Listing Date"), the Company has complied with the Code from the Listing Date up to the date of this report. The Company will continue to review its corporate governance practices in order to enhance its corporate governance standard, to comply with the increasingly tightened regulatory requirements and to meet the rising expectations of shareholders and investors.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specified enquiry with the Directors, all the Directors confirmed that they have complied with the required code of conduct and required standard of dealings concerning securities transactions by the directors from the Listing Date and up to the date of this Corporate Governance Report.

BOARD COMPOSITION

The Board comprises the following Directors:

Executive Directors

Mr. Lin Pintong *(Chairman)*
Mr. Ruan Deqing
Mr. Han Wenqian *(Chief Executive Officer)*

Non-Executive Directors

Mr. Wang Jianqing
Mr. Wang Fuqing

Independent Non-Executive Directors

Mr. Gao Xingbo
Mr. Feng Bing
Mr. Chen Shaofeng
Ms. Xing Zhibin

The biographical details of the directors and other senior management are disclosed in the section headed "Biographical Details of Directors and Senior Management" on pages 23 to 27 in this annual report. The composition of the Board is well balanced. Each of the directors has relevant expertise and extensive corporate and strategic planning experiences that may contribute to the business of the Group. The Company has complied with Rules 5.05(1) and (2) of the GEM Listing Rules since the Listing Date relating to the appointment of at least three independent non-executive directors and at least one of them has appropriate professional qualifications or accounting or related financial management expertise. All independent non-executive directors also meet the guidelines for assessment of their independence pursuant to Rule 5.09 of the GEM Listing Rules. The Board has received an annual confirmation of independence from each of the independent non-executive Directors. The Company considers all the independent non-executive directors to be independent.

THE BOARD

The Board is responsible for the leadership and control of, and promoting the success of the Company. This is achieved by the setting up of corporate and strategic objectives and policies, and the monitoring and evaluations of operating activities and financial performance of the Company.

All the directors carry out their duties in good faith and in compliance with applicable laws and regulations, taking decisions objectively and acting in the interests of the Company and its shareholders at all times.

There is no relationship, including financial, business, family or other material/relevant relationship(s) among members of the Board and between the Chairman and the CEO.

RESPONSIBILITIES AND DELEGATION OF FUNCTIONS

The Company has formalized and adopted written terms on the division of functions reserved to the Board and those delegated to the management. The Board reserves for its decision on all major matters of the Company, including the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant financial and operational matters.

All Directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary and senior management, with a view to ensuring compliance with Board procedures and all applicable laws and regulations. Any Director may request independent professional advice in appropriate circumstances at the Company's expense, upon reasonable request being made to the Board. The day-to-day management, administration and operations of the Company are delegated to the Chief Executive Officer and senior management of the Company. The Board has delegated a schedule of responsibilities to these officers for the implementation of Board decisions. The Board periodically reviews the delegated functions and work tasks. Prior to entering into any significant transactions, the aforesaid officers have to obtain the Board's approval.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Pursuant to the code provision A.2.1 of the Code, the roles of chairman and chief executive officer ("CEO") should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and CEO should be clearly established and set out in writing. To ensure a balance of power and authority, the Company fully supports the division of responsibility between the Chairman and the CEO. The roles of the Chairman and the CEO are segregated and performed by Mr. Lin Pintong and Mr. Han Wenqian respectively.

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

Each of the executive directors has entered into a service contract with the Company for an initial term of three years commencing from 17 December 2010 which shall be renewed and extended automatically for successive terms of one year and may be terminated by either party by giving not less than three months' prior written notice at the end of the initial term or at any time thereafter. Each of the non-executive directors and independent non-executive directors has entered into an appointment letter with the Company for a term of one year commencing from 17 December 2010 which shall be renewed and extended automatically for successive terms of one year and may be terminated by either party by giving at least three months' written notice after the initial term.

The directors are subject to retirement by rotation in accordance with the Company's articles of association. According to the Company's articles of association, one-third of the directors are required to retire from office at each annual general meeting, provided that every director shall be subject to retirement by rotation at least once in every three years. The Directors to retire every year shall be those appointed by the Board during the year and those who have been longest in office since their last re-election.

BOARD MEETING AND PROCEDURES

From the Listing Date to the date of this report, one meeting was held on 28 March 2011. The attendance of each Director is contained in the following table:

	Number of attendance/ number of meeting
Mr. Lin Pintong	1/1
Mr. Ruan Deqing	1/1
Mr. Han Wenqian	1/1
Mr. Wang Jianqing	1/1
Mr. Wang Fuqing	1/1
Mr. Gao Xingbo	1/1
Mr. Feng Bing	1/1
Mr. Chen Shaofeng	1/1
Ms. Xing Zhibin	1/1

Board members were provided with complete, adequate and timely information to allow them to fulfill their duties properly.

Schedules for annual meeting and draft agenda of each meeting is sent to all Directors in advance. Notice of at least 14 days is given for a regular Board meeting. For other Board and committee meetings, reasonable notice is generally given. Board papers together with all appropriate, complete and reliable information are dispatched to all directors at least 3 days before each regular Board meeting to ensure that the Directors have sufficient time to review the related documents and be adequately prepared for the meeting.

The Company Secretary is responsible to keep minutes of all Board meetings and committee meetings. Draft minutes are normally circulated to all Directors for comments within a reasonable time after each meeting and the final versions are open for Directors' inspection. The Company's Articles contains provisions requiring Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest.

BOARD COMMITTEES

The Board has established specific committees, namely the Company's audit committee (the "Audit Committee"), remuneration committee (the "Remuneration Committee") and nomination committee (the "Nomination Committee"), with written terms of reference which are available for viewing on the website of the Company to assist them in the efficient implementation of their functions. Specific responsibilities have been delegated to the above committees.

AUDIT COMMITTEE

The Company established the Audit Committee on 17 December 2010 with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules and paragraph C.3.3 of the Code. The primary duties of the Audit Committee are mainly to review the material investment, capital operation and material financial system of the Company; to review the accounting policy, financial position and financial reporting procedures of the Company; to communicate with external audit firms; to assess the performance of internal financial and audit personnel; and to assess the internal control of the Company. The Audit Committee has three members comprising Mr. Gao Xingbo (Chairman), Mr. Feng Bing and Mr. Chen Shaofeng. The Audit Committee did not hold any meeting during the year under review as the Company was listed on the GEM of the Stock Exchange on the Listing Date. One meeting of the Audit Committee was held after the Listing Date to review the final results and statements of the Group for the year, and the 2010 Annual Report of the Company (the "Annual Report"). The attendance of each member of the Audit Committee is contained in the following table:

	Number of attendance/ number of meeting
Mr. Gao Xingbo	1/1
Mr. Feng Bing	1/1
Mr. Chen Shaofeng	1/1

REMUNERATION COMMITTEE

The Company established the Remuneration Committee on 17 December 2010 with written terms of reference in compliance with paragraph B.1.3 of the Code. The primary duties of the Remuneration Committee include mainly: (i) reviewing the terms of the remuneration package of each director and member of senior management, and making recommendations to the Board regarding any adjustment thereof; and (ii) reviewing and evaluating the performance of individual executive directors for determining the amount of bonus (if any) payable to them. No director shall participate in any discussion about his or her own remuneration. The Remuneration Committee has three members comprising Mr. Feng Bing (Chairman), Mr. Ruan Deqing and Mr. Gao Xingbo. The remuneration of the directors was determined with reference to their respective experience, responsibilities with the Group and general market conditions. The Remuneration Committee did not hold any meeting during the year as the Company was listed on the Listing Date. One meeting of the Remuneration Committee was held after the Listing Date to review the remuneration package of the directors and senior management. The attendance of each member of the Remuneration Committee is contained in the following table:

	Number of attendance/ number of meeting
Mr. Feng Bing	1/1
Mr. Ruan Deqing	1/1
Mr. Gao Xingbo	1/1

NOMINATION COMMITTEE

The Company established the Nomination Committee on 17 December 2010 with written terms of reference. The primary duties of the Nomination Committee include the review of the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and to make recommendations to the Board regarding any proposed change, identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships, assess the independence of independent non-executive Directors. In reviewing and recommending the appointment of new directors, the Nomination Committee would seek to identify the competencies required to enable the Board to fulfill its responsibilities. The resume or document of the nominee or candidate will be given to the Nomination Committee for consideration. The Nomination Committee has adopted a process for selection and appointment of new directors which provides the procedure for identification of potential candidates, evaluation of the suitability of the candidate based on his qualifications, skills knowledge, business and related experience, commitment, ability to contribute to the Board process and such qualities and attributes that may be required by the Board.

The attendance of each member of the Nomination Committee is contained in the following table:

	Number of attendance/ number of meeting
Mr. Chen Shaofeng	1/1
Mr. Lin Pintong	1/1
Mr. Gao Xingbo	1/1

The Nomination Committee has three member comprising Mr. Chen Shaofeng (Chairman), Mr. Lin Pintong and Mr. Gao Xingbo. During the year, the Nomination Committee did not hold any meeting as the Company was listed on the GEM of the Stock Exchange on the Listing Date. One meeting of the Nomination Committee was held after the Listing Date to review the structure, composition of the Board and the succession plan for the Board. All members of the Nomination Committee attended the meeting.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Board acknowledges its responsibility to prepare the Company's financial statements for each financial year and to ensure that the financial statements are prepared in accordance with statutory requirements and applicable accounting standards. The statement by the auditors of the Company about their responsibilities for the financial statements is set out in the independent auditors' report contained in this annual report. The Board also ensures the timely publication of the financial statements. The Directors, having made appropriate enquiries, confirm that they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

AUDITORS' REMUNERATION

The amount of fees charged by the auditors generally depends on the scope and volume of the auditors' work. During the year ended 31 December 2010, the remuneration paid or payable to the auditors of the Company in respect of the statutory audit services and services rendered for the listing of the Company were approximately RMB1,500,000 and RMB5,610,000, respectively.

INTERNAL CONTROL

The Board is responsible for maintaining an adequate internal control system to safeguard shareholder investments and Company assets. The internal control system of the Group aims to facilitate effective and efficient operations, to ensure reliability of financial reporting and compliance with applicable laws and regulations, to identify and manage potential risks and to safeguard assets of the Group. The senior management shall review and evaluate the control process and monitor any risk factors on a regular basis and report to the Audit Committee on any findings and measures to address the variances and identified risks.

The Company has conducted review of its internal control system to ensure an effective and adequate internal control system in place. The Directors consider that the Company has implemented a series of procedures for safeguarding the Company's assets against unauthorized use or misappropriation, maintaining accounting records properly and ensuring the reliability of financial information.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Company has established a range of communication channels between itself and its shareholders, and investors. These include answering questions through the annual general meeting, the publication of annual, interim and quarterly reports, notices, announcements and circulars, the Company's website at www.china33media.com and meetings with investors and analysts.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Lin Pintong (林品通), aged 45, is the Chairman and an executive Director of the Company. He is responsible for the overall business operations of the Group and formulation of business development strategies. Mr. Lin was appointed as a Director on 5 May 2010. Mr. Lin graduated from the Fujian Agriculture and Forestry University (福建農林大學) (then known as Fujian Agriculture University (福建農學院)) with a bachelor's degree in agricultural mechanics in 1985. Mr. Lin was a teacher at Chengguan Middle School in Shou'ning County (壽寧縣城關中學) of Fujian Province during the period from August 1985 to August 1989, and a staff member of Economic Institution Reform Committee of Shou'ning County (壽寧縣經濟體制改革委員會) during the period from September 1989 to December 1989. Mr. Lin has 18 years of experience in the advertising and media industry and has in depth knowledge on the media/advertising industry in China. Prior to co-founding the Group with Mr. Ruan, Mr. Lin worked as a journalist for Mindong Newspaper Office (閩東報社) during the period from 1990 to 1992 and for Hong Kong Commercial Daily (香港商報) from 1992 to 1999. From 1999 to 2002, Mr. Lin was the Chairman of Fujian Annual Ring Advertisement Co., Ltd. (福州年輪廣告有限公司). Since 2002, Mr. Lin has participated in the management of Fujian Ao Shen Media Advertising Co. Ltd. (福建省奧神傳媒廣告有限責任公司) ("Fujian Aoshen") and Beijing Lvban Media Advertising Co., Ltd. (北京旅伴傳媒廣告有限公司) ("Beijing Lvban"). In the three years preceding the date of this annual report, Mr. Lin did not hold any directorship in other listed public companies.

Mr. Ruan Deqing (阮德清), aged 46, is an executive Director and is responsible for the operating and financial matters of the Group. He also acts as the compliance officer of the Group. Mr. Ruan was appointed as a Director on 5 May 2010. Mr. Ruan graduated from the Zhengzhou Institute of Railway Mechanics (鄭州鐵路機械學校) in 1986 and obtained an Adult Education Diploma in Advertising from the Xiamen University (廈門大學) in July 2000. Mr. Ruan has more than ten years of experience in the advertising industry. Prior to co-founding the Group with Mr. Lin, Mr. Ruan worked as a technician of the locomotive depot in Fuzhou of Nanchang Railway Bureau (南昌鐵路局福州機務處) during the period from 1986 to 1997. During the period from 1997 to 1999, Mr. Ruan worked at Fujian Huashui Advertising and Decorating Company Limited (福建華稅廣告裝潢有限公司). Mr. Ruan was the general manager of Fujian Annual Ring Advertisement Co., Ltd. (福州年輪廣告有限公司) during the period from 1999 to 2002. From August 2002 to April 2010, Mr. Ruan was the general manager of Fujian Ao Shen Media Advertising Co., Ltd. (福建省奧神傳媒廣告有限責任公司). In the three years preceding the date of this annual report, Mr. Ruan did not hold any directorship in other listed public companies.

Mr. Han Wenqian (韓文前), aged 42, is the Chief Executive Officer and an executive Director and oversees the sales and marketing activities of the Group. Mr. Han was appointed as a Director on 17 December 2010. Mr. Han graduated from Department of Chinese Language and Literature from Wuhan University (武漢大學) with a bachelor's degree in Chinese language and literature in1991. Prior to joining us in 2007, Mr. Han was a freelance worker during the period from 1991 to 1993. Mr. Han then joined Nanfang Advertising Company (南方廣告公司) in 1993. During the period from 1993 to 1996, Mr. Han worked at Yangcheng Evening News Jinyang Advertising Company Limited (羊城晚報金羊廣告公司) and from 1997 to 2000 at Guangdong Zhong Lian Advertising Company Limited (廣東中聯廣告公司). Mr. Han was a deputy general manager focusing on advertisement and distribution in Nanfang City News (南方

都市報) and a general manager of the advertising department in Guangzhou during the period from 2001 to 2003. During the period from 2003 to 2007, Mr. Han was a member of executive committee and general manager of Beijing News (新京報社) and a Director and general manager of Beijing News Media Co., Ltd. (北京新京報傳媒有限責任公司). In the three years preceding the date of this annual report, Mr. Han did not hold any directorship in other listed public companies.

Non-executive Directors

Mr. Wang Jianqing (王建青), aged 39, was appointed as a non-executive Director on 17 December 2010. Mr. Wang studied industrial accounting at the Fujian Zhonghua Professional University (福建中華職業大學) during the period from 1990 to 1993 and is a qualified PRC accountant. During the period from 1993 to 1997, Mr. Wang was an accountant at the finance department of Fujian Aquatic Products Supply Co., Ltd. (福建省水產物資供應公司). Mr. Wang was the manager of finance department of Fujian Lianyun Huarong Co., Ltd. (福建省聯運華榮有限公司) during the period from 1997 to 2000, and was the deputy manager of finance department of Fujian Yangzhenghua 851 Bio-technology Co., Ltd. (福建楊振華851生物科技股份有限公司) during the period from 2000 to 2003. During the period from 2003 to 2007, Mr. Wang was the senior manager of the finance department of Fujian Wanglong Computer and Internet Information Technologies Co., Ltd. (福建網龍計算機網絡信息技術有限公司). Mr. Wang is the General Manager of the risk control department of Sequedge (Fujian) Information Technology Development Co., Ltd. (星際（福建）信息科技發展有限公司) since 2008. In the three years preceding the date of this annual report, Mr. Wang did not hold any directorship in other listed public companies.

Mr. Wang Fuqing (王福清), aged 43, was appointed as a non-executive Director on December 2010. Mr. Wang obtained a bachelor's degree in agricultural economics and administration and a master degree in agricultural economics and administration in 1987 and 1992 respectively, from the Fujian Agriculture and Forestry University (福建農林大學) (then known as Fujian Agriculture University (福建農學院). Mr. Wang worked at Fujian Agriculture General Development Co., Ltd. (福建省農業綜合開發公司) during the period from 1992 to 1994. Mr. Wang has nearly ten years of experience in the securities and brokerage industry. He worked at the investment banking department of Fujian Industrial Securities Co., Ltd. (福建興業證券公司) from 1994 to 1995 and worked for China Merchants Securities Co., Ltd. (招商證券股份有限公司) in China during the period from 1995 to 2004. During the period from 2004 to 2006, Mr. Wang was the executive Director of Shenzhen Mindray Bio-medical Electronics Co., Ltd. (深圳邁瑞生物醫療電子股份有限公司) and was responsible for overseeing the capital market activities of the company. Since 2006, Mr. Wang is the general manager of Shenzhen Hui Jie Investment Company Ltd. (深圳市匯傑投資有限公司) and a Director of Make Sense Group Limited. In the three years preceding the date of this annual report, Mr. Wang did not hold any directorship in other listed public companies.

Independent non-executive Directors

Mr. Feng Bing (馮竝), aged 66, is an independent non-executive Director appointed on 17 December 2010. Mr. Feng graduated from the Academy of Social Sciences (社會科學院) in 1982 and obtained a master degree in literature. Mr. Feng worked as an editor at the People's Daily (人民日報) from 1982 to 1983 and at China Labour

Magazine (中國勞動雜誌) (the magazine published by the Ministry of Labour and Social Security of the PRC (中華人民共和國勞動和社會保障部)) during the period from 1983 to 1984. From 1984 to 1992, Mr. Feng was an editor at the Economic Daily (經濟日報社). During the period from 1992 to 1995, Mr. Feng was the deputy Secretary General of the former National Economic System Reform Commission (國家經濟體制改革委員會). In late 1995, Mr. Feng returned to Economic Daily (經濟日報社) and was the deputy editor until 2001 and then as the editor of the Economic Daily (經濟日報社) from 2001 to 2005, Mr. Feng continued to serve the Economic Daily (經濟日報社) until his retirement in 2009. Mr. Feng was awarded the 4th Outstanding Journalist (韜奮新聞獎) on 13 September 2000. Mr. Feng is currently the Chairman of China's Economic Press Association (中國經濟報刊協會), the vice executive chairman of the China's Entrepreneur Association (中國企業家協會) and China's Enterprises Federation (中國企業聯合會) and a member of the tenth National Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議全國委員會). Mr. Feng also teaches doctoral students at the Wuhan University (武漢大學). In the three years preceding the date of this annual report, Mr. Feng did not hold any directorship in other listed public companies.

Mr. Gao Xingbo (高興波), aged 47, is an independent non-executive Director appointed on 17 December 2010. Mr. Gao graduated from Liaoning Institute of Finance and Economics (遼寧財經學院) and obtained a bachelor's degree in economics in 1985 and obtained a master degree in economics from North East University of Finance and Economics (東北財經大學) in 1988. Mr. Gao also obtained a doctor degree in quantitative economics from Central University of Finance and Economics (中央財經大學) in 2009. Since 1988, Mr. Gao has been teaching economics, managerial economics and statistics at Central Institute of Finance (中央財政金融學院) (currently known as (中央財經大學)). In 2003 Mr. Gao became the vice president of the School of Economics of the Central University of Finance and Economics (中央財經大學) and is currently the vice president of the School of Statistics and an analyst of the Securities and Futures Institute of the university. In the three years preceding the date of this annual report, Mr. Gao did not hold any directorship in other listed public companies. Mr. Gao is the independent non-executive Director who has the qualifications and experience (as mentioned above) to meet the requirements under Rule 5.05(2) of the GEM Listing Rules.

Mr. Chen Shaofeng (陳少峰), aged 46, is an independent non-executive Director appointed on 17 December 2010. Mr. Chen graduated from the Department of Political Education of Fujian Normal University (福建師範大學政治教育系) with a bachelor's degree in education in 1984 and obtained a master degree in philosophy from the Department of Philosophy of Nanjing University (南京大學哲學系) in 1987. Mr. Chen also obtained a doctor degree in philosophy from the Department of Philosophy of Peking University (北京大學) in 1991. Mr. Chen was a postdoctoral research fellow at the Institute of Sociology of Peking University (北京大學社會學研究所) during the period from 1991 to 1993. During 1993 to 2000, Mr. Chen was an assistant professor of the Department of Philosophy of Peking University (北京大學哲學系) and is one of the professors of the department since 2000. Mr. Chen is currently the vice president of the Institute for Culture Industries of Peking University (北京大學文化產業研究院). In the three years preceding the date of this annual report, Mr. Chen did not hold any directorship in other listed public companies.

Ms. Xing Zhibin (邢質斌), aged 62, is an independent non-executive Director appointed on 17 December 2010. Ms. Xing was a newscaster and a professor level trainer in broadcasting at China Central Television (中國中央電視台) during the period from 1975 to 2009. Ms. Xing graduated from College of Journalism of All-China Journalist Association (中國記協職工新聞學院) in 1987 majoring in journalism. In the three years preceding the date of this annual report, Ms. Xing did not hold any directorship in other listed public companies.

SENIOR MANAGEMENT

Mr. Leung Ting Yuk (梁廷育), aged 36, joined the Group in May 2010 and is the chief financial officer and company secretary of the Company. He is responsible for the preparation of the Group's financial statements as well as developing and implementing effective financial policies and control procedures for the Group. Mr. Leung graduated from the University of Wollongong, Australia with a bachelor's degree in commerce in 2000. Mr. Leung is a member of the Hong Kong Institute of Certified Public Accountants and CPA Australia. Prior to joining the Group, Mr. Leung worked with Grant Thornton for over seven years during the period from November 2000 to January 2008. Mr. Leung was the chief financial officer and company secretary of China Kangda Food Company Limited (中國康大食品有限公司), a company listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with stock code 834 during the period from January 2008 to May 2010. Mr. Leung is an independent non-executive Director of Sino Union Energy Investment Group Limited (中聯能源投資集團有限公司), a company listed on the main board of the Stock Exchange with stock code 346.

Mr. Li Dong Ping (李冬平), aged 42, is the general manager of Guangzhou Lvban Advertising Co., Ltd. (廣州旅伴廣告有限公司) ("Guangzhou Lvban"). Mr. Li joined the Group in June 2009 and is responsible for the overall operations of Guangzhou Lvban. Mr. Li graduated from Airforce and Missile Institute (空軍導彈學院) in 1988 with a bachelor's degree in military science majoring in video frequency (視頻系統技術指揮). During the period from 1988 to 1995, Mr. Li was on military service with Unit 95037 of Chinese People's Liberation Army (中國人民解放軍95037部隊). Mr. Li has over ten years of experience in the media and advertising industry and prior to joining the Group, Mr. Li worked for several media and advertising companies including as editor at Guangzhou Tangyuan Advertising Company Limited (廣州唐元廣告有限公司) during the period from 1996 to 2000 and as deputy general manager and general manager of the advertising department in Zhuhai of Nanfang City News (南方都市報) during the period from 2000 to 2004. During the period from 2004 to 2007, Mr. Li was the deputy general manager of the advertising department of Beijing News Media Company Limited (北京新京報傳媒有限責任公司). Mr. Li was the deputy general manager of the advertising department of South City Weekly (南都週刊) and the general manager of the business unit of Southern Metropolis Entertainment Weekly (南都娛樂週刊) during the period from 2008 to 2009.

Mr. Yang Peiliang (楊培亮), aged 36, is the assistant to the Chief Executive Officer as well as the general manager of the Channel Media Department. Mr. Yang joined the Group in 2007 and held various positions including the supervisor of the Channel Media Department and the deputy general manager overseeing the Broadcast Department. Mr. Yang graduated from the Qingdao College of Chemistry (青島化工學院) in 1996 majoring in applied computer science. Prior to joining the Group, Mr. Yang worked at Jinan Bureau of Railways (濟南鐵路局) from 1996 to 2003 in various positions including technician and assistant engineer. Mr. Yang then joined Beijing Compass Books and Periodicals Distribution Co., Ltd. (北京羅盤正章書刊發行有限公司) in 2003 as the deputy general manager and was responsible for the daily administrative matters. During 2004 to 2006, Mr. Yang was the deputy Director of publishing and printing department of The First, the Beijing Daily Group (北京新奧傳媒有限公司(競報社)) and then joined Beijing Daily Group's Distribution Company (北京日報報業發行公司) and was the deputy head during the period from 2006 to 2007.

Mr. Gong Ke (龔克), aged 33, is the general manager of Jinan Lvban Advertising Co., Ltd. (濟南旅伴廣告有限公司) ("Jinan Lvban") and is responsible for the overall operations of Jinan Lvban. Mr. Gong obtained a bachelor's degree in industrial design and a master degree in art and design both from the Hunan University (湖南大學) in 1999 and 2002 respectively. Prior to joining the Group in 2009, Mr. Gong worked in Guangzhou Baima Information Company Limited (廣州白馬資訊有限公司) in 2003. During the period from 2003 to 2005, Mr. Gong worked as the manager of the property department in Beijing News Media Company Limited (北京新京報傳媒有限責任公司) and as the sales Director of Shenzhen Aoyi Information Network Company Limited (深圳市奧一信息網有限公司), during the period from 2005 to 2007. Mr. Gong also worked as the deputy manager of Hunan Branch Office of Centaline Property Shenzhen Limited (中原地產代理(深圳)有限公司湖南分公司) for strategic planning during the period from 2007 to 2009.

Mr. Zhou Mingliang (周明亮), aged 36, is the assistant to our Chief Executive Officer and the general manager of Shanghai Lvban Culture Transmission Co., Ltd. (上海旅伴文化傳播有限公司) ("Shanghai Lvban"). Mr. Zhou is responsible for the overall operations of Shanghai Lvban. Mr. Zhou graduated from Nanchang University (南昌大學) majoring in managerial economics in 1996. Prior to joining the Group in 2007, Mr. Zhou was the general manager of a Shenzhen based company held by Jiangxi Province Party Committee (江西省省委) during the period from 1999 to 2002 and worked at CCID Media (賽迪傳媒) as the sales manager during 2002 to 2003. Mr. Zhou worked as the Director of Beijing News Media Company Limited (北京新京報傳媒有限責任公司) during the period from 2003 to 2005. Mr. Zhou was the head of advertising department of Shenzhen Aoyi Information Network Company Limited (深圳市奧一信息網有限公司) during the period between 2005 and 2007.

REPORT OF THE DIRECTORS

The Directors are pleased to present their first report and the audited financial statements of the Company for the period from 5 May 2010 (date of incorporation) to 31 December 2010 and the audited consolidated financial statements of the Group for the year ended 31 December 2010.

REORGANIZATION AND USE OF PROCEEDS

Pursuant to a reorganization to rationalize the structure of the Group in preparation for the listing of the Company's shares on the GEM of the Stock Exchange, the Company became the holding company of the companies now comprising the Group on 17 December 2010. As part of the preparation for listing of the shares of the Company, the Company implemented a capitalization issue of 450,000,000 shares and an issue of 150,000,000 new shares during the placing for listing (the "Share Placing") in 2011. All such shares issued were ordinary shares and the 150,000,000 new shares were issued at HK$1.80 per share. The net proceeds of the Share Placing received by the Company were approximately HK$261,900,000 (excluding the sale commission). This proceeds are intended to be applied in accordance with the proposed application set out in the section headed "Future Plans and Proposed Use of Net Proceeds from the Placing" in the Prospectus.

PRINCIPAL ACTIVITIES

The principal business activity of the Company is investment holding. The principal activities and other particulars of the Company's subsidiaries are set out in note 17 to the financial statements.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2010 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 44 to 101 of this annual report.

The directors did not recommend the payment of any dividend for the year ended 31 December 2010 (2009: Nil).

CLOSURE OF THE REGISTER OF MEMBER

The register of members of the Company will be closed from 5 May 2011 to 6 May 2011, both dates inclusive, during which period no transfer of shares of the Company could be registered for determination of entitlement of shareholders of the Company to the attendance at the annual general meeting.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the past three financial years, as extracted from the published audited financial statements and the Prospectus, is set out on page 102 of this annual report. This summary does not form part of the audited financial statements.

COMPLIANCE ADVISER

As updated and notified by the Company's compliance adviser, Oriental Patron Asia Limited (the "**Compliance Adviser**"), none of the Compliance Adviser, or its directors, employees or associates (as defined under the GEM Listing Rules) had any interest in the share capital of the Company as at 31 December 2010 pursuant to Rule 6A.32 of the GEM Listing Rules.

Pursuant to an agreement dated 23 February 2011 entered into between the Company and the Compliance Adviser, the Compliance Adviser will receive a fee for acting as the Company's compliance adviser for the period from 28 February 2011 (being the Listing Date) and ending on the date on which the Company complies with Rule 18.03 of the GEM Listing Rules in respect of its financial results for the second full financial year, commencing after the Listing Date, i.e., the financial year ending 31 December 2013 or until the agreement is terminated in accordance with the terms and conditions set out therein.

The stabilisation period in connection with the Placing (such term as defined in the Prospectus) commenced from the Listing Date and ended on 30 March 2011, being the 30th day after the Listing Date (the "**Stabilization Period**").

Oriental Patron Securities Limited (being an associate of the Compliance Adviser) acted as the stabilizing manager in connection with the Placing and thus Oriental Patron Securities Limited may deal with the shares of the Company in discharging its duties as the stabilizing manager during the Stabilization Period.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group are set out in note 14 to the financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 28 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The shares of the Company were listed on the GEM of the Stock Exchange on 28 February 2011. Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 29 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2010, the Company's reserves available for distribution, calculated in accordance with the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to RMB7,948,000.

MAJOR CUSTOMERS AND SUPPLIERS

Sales to the Group's five largest customers accounted for approximately 12.5% of the total sales for the year and sales to the largest customer included therein amounted to approximately 3.4% of the total sales for the year. Services supplied from the Group's five largest suppliers accounted for approximately 45.3% of the total cost of sales for the year and service supplied from the Group's largest supplier included therein amounted to approximately 16.8% of the total cost of sales for the year. None of the Directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers and suppliers.

SHARE OPTION SCHEME

Particulars of the share option scheme adopted by the Group are set out in note 27 to the financial statements.

DIRECTORS

The directors during the year and up to the date of this report were:

Executive Directors

Mr. Lin Pintong *(Chairman)*	(appointed on 5 May 2010)
Mr. Ruan Deqing	(appointed on 5 May 2010)
Mr. Han Wenqian *(Chief Executive Officer)*	(appointed on 17 December 2010)

Non-Executive Directors

Mr. Wang Jianqing	(appointed on 17 December 2010)
Mr. Wang Fuqing	(appointed on 17 December 2010)

Independent Non-Executive Directors

Mr. Gao Xingbo	(appointed on 17 December 2010)
Mr. Feng Bing	(appointed on 17 December 2010)
Mr. Chen Shaofeng	(appointed on 17 December 2010)
Ms. Xing Zhibin	(appointed on 17 December 2010)

Pursuant to Article 105(A) of the Company's Article of Association, at each annual general meeting one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation and shall be eligible for re-election. Every Director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

By virtue of Article 105 (A) of the Articles of the Association of the Company, Mr. Wang Jianqing, Mr. Chen Shaofeng and Mr. Feng Bing will retire at the forthcoming annual general meeting, being eligible, will offer themselves for re-election at the annual general meeting.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of Directors of the Company and senior management of the Group are disclosed in the section headed "Biographical Details of Directors and Senior Management" on pages 23 to 27 of this annual report.

DIRECTORS' SERVICE AGREEMENTS

Each of the executive Directors has entered into a service contract with the Company for an initial term of three years with effect from 17 December 2010 which shall be automatically reserved and extended for successive terms of one year unless and until terminated by not less than three months' prior notice in writing served by either party on the other or by payment of three months' fixed salary in lieu of such notice at the end of the initial term or at any time thereafter.

Each of the non-executive Directors and independent non-executive Directors has entered into an appointment letter with the Company for a term of one year commencing from 17 December 2010 which shall be automatically renewed and extended for successive terms of one year and may be terminated after the initial term by either party by giving at least three months' written notice. The appointments are subject to the provisions of the Articles of Association with regard to vacation of office of directors, removal and retirement by rotation of directors.

Apart from the foregoing, no director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in note 33 to the financial statements of this annual report, none of the Directors had material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended 31 December 2010, the Directors were not aware of any business or interest of each Director, management shareholder (as defined in the GEM Listing Rules) and their respective associates that competes or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group.

NON-COMPETE UNDERTAKING

On 17 December 2010, Mr. Lin Pintong, Mr. Ruan Deqing, Lizhong Limited, Broad Win Limited and Joint Loyal Limited (collectively, the "Controlling Shareholders"), have given an irrevocable non-compete undertaking (the "Non-compete Undertaking") in favour of the Group pursuant to which each of them irrevocably, unconditionally, jointly and severally undertaken, among other matters, not to, directly or indirectly, carry on, invest in or be engaged in any business which would or might compete with the business of the Group. Details of the Non-compete Undertaking have been set out in the section headed "Relationship with our Controlling Shareholders" of the Prospectus.

The Non-compete Undertaking has become effective from the Listing Date.

The Company has received the confirmation from the Controlling Shareholders in respect of their compliance with the terms of the Non-compete Undertaking from the Listing Date to the date of this report.

The independent non-executive Directors had reviewed and confirmed that the Controlling Shareholders have complied with the Non-compete Undertaking and the Non-compete Undertaking has been enforced by the Company in accordance with its terms from the Listing Date to the date of this report.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As at the date of this report, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meanings of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required notification to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such director or chief executive is taken or deemed to have under such provision of the SFO) or which were required pursuant to section 352 of the SFO, to be entered in the register of members of the Company, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Long Positions in the Ordinary Shares of the Company

Name of director	Nature of interest	Number of shares held	Approximate percentage of shareholding (%)
Mr. Lin Pintong *(Note 1)*	Interest of a controlled corporation	265,500,000 ordinary shares	44.25
Mr. Ruan Deqing *(Note 2)*	Interest of a controlled corporation	265,500,000 ordinary shares	44.25
Mr. Han Wenqian *(Note 3)*	Interest of a controlled corporation	9,000,000 ordinary shares	1.50
Mr. Wang Fuqing *(Note 4)*	Interest of a controlled corporation	28,638,000 ordinary shares	4.77

Notes:–

(1) These shares are registered in the name of Lizhong Limited ("Lizhong"), 47.46% of the entire issued share capital of which is owned by Broad Win Limited ("Broad Win"). The entire issued share capital of Broad Win is owned by Mr. Lin Pintong ("Mr. Lin"), an executive director. Mr. Lin is deemed to be interested in all the shares in which Broad Win is interested by virtue of the SFO. Mr. Lin is the sole director of Broad Win.

(2) These shares are registered in the name of Lizhong, 47.46% of the entire issued share capital of which is owned by Joint Loyal Limited ("Joint Loyal"). The entire issued share capital of Joint Loyal is owned by Mr. Ruan Deqing ("Mr. Ruan"), an executive director. Mr. Ruan is deemed to be interested in all the shares in which Joint Loyal is interested by virtue of the SFO. Mr. Ruan is the sole director of Joint Loyal.

(3) These shares are registered in the name of Long Sunny Trading Limited ("Long Sunny"), the entire issued share capital of which is owned by Mr. Han Wenqian ("Mr. Han"), an executive director. Mr. Han is deemed to be interested in all the shares in which Long Sunny is interested by virtue of the SFO. Mr. Han is the sole director of Long Sunny.

(4) These shares are registered in the name of Make Sense Group Limited ("Make Sense"), the entire issued share capital of which is owned by Mr. Wang Fuqing ("Mr. Wang"), a non-executive director. Mr. Wang is deemed to be interested in all the shares in which Make Sense is interested by virtue of the SFO. Mr. Wang is the sole director of Make Sense.

Save as disclosed above, as at the date of this report, none of the Directors and chief executive of the Company had any other interests or short positions in any shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the directors to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITION IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

So far as is known to the Directors, as at the date of this report, the following persons (not being a Director or chief executive of the Company) had, or were deemed to have interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Long positions in shares and underlying shares of the Company

Name of shareholder	Nature of interest	Number of shares held	Approximate percentage of shareholding (%)
Lizhong *(Note 1)*	Beneficial owner	265,500,000	44.25
Broad Win *(Note 1)*	Interest of a controlled corporation	265,500,000	44.25
Ms. Pan Xiaoying *(Note 2)*	Interest of spouse	265,500,000	44.25
Joint Loyal *(Note 1)*	Interest of a controlled corporation	265,000,000	44.25
Ms. Liu Sibin *(Note 3)*	Interest of spouse	265,500,000	44.25
Mr. Kazunari Shirai *(Note 4)*	Interest of a controlled corporation	49,362,000	8.23
Ms. Junko Shirai *(Note 5)*	Interest of spouse	49,362,000	8.23
Smartisian Holdings Company Ltd. *(Note 6)*	Beneficial owner	36,000,000	6.0
Mr. Wang Shouzhong *(Note 6)*	Interest of a controlled corporation	36,000,000	6.0
Ms. Liu Jumei *(Note 6)*	Interest of spouse	36,000,000	6.0

Notes:–

(1) These shares are registered in the name of and beneficially owned by Lizhong, 47.46% and 47.46% of the entire issued share capital of Lizhong is owned by Broad Win and Joint Loyal respectively. The entire issued share capital of Broad Win and Joint Loyal is owned by Mr. Lin and Mr. Ruan respectively. Under the SFO, each of Mr. Lin, Mr. Ruan, Broad Win and Joint Loyal is deemed to be interested in all the shares held by Lizhong. The directors of Lizhong are Mr. Lin, Mr. Ruan and Mr. Han.

(2) Ms. Pan Xiaoying ("Ms. Pan") is the spouse of Mr. Lin. Therefore, Ms. Pan is deemed, or taken to be, interested in the 265,500,000 shares which Mr. Lin is deemed, or taken to be interested in for the purposes of the SFO.

(3) Ms. Liu Sibin ("Ms. Liu") is the spouse of Mr. Ruan. Therefore, Ms. Liu is deemed, or taken to be, interested in the 265,500,000 shares which Mr. Ruan is deemed, or taken to be interested in for the purposes of the SFO.

(4) Among these Shares, Sequedge Finance Inc. ("Sequedge Finance") is the beneficial owner of 29,185,701 shares and Sequedge ASA Capital (Cayman) II Limited ("Sequedge Capital") is the beneficial owner of 20,176,299 Shares. Mr. Kazunari Shirai ("Mr. Kazunari") is deemed to be interested in all these Shares by virtue of his interest in 72.08% of the entire issued share capital of Sequedge Finance and 60% of the entire issued share capital of Sequedge Capital.

(5) Ms. Junko Shirai ("Ms. Junko") is the spouse of Mr. Kazunari. Therefore, Ms. Junko is deemed, or taken to be, interested in all shares which Mr. Kazunari is deemed, or taken to be interested in for the purposes of the SFO.

(6) These shares are registered in the name of and beneficially owned by Smartisian Holdings Company Ltd. ("Smartisian Holdings"), the entire issued share capital of which is owned by Mr. Wang Shouzhong. Mr. Wang Shouzhong is deemed to be interested in all the shares in which Smartisian Holdings is interested by virtue of the SFO. Ms. Liu Jumei is the spouse of Mr. Wang Shouzhong. Ms. Liu Jumei is deemed, or taken to be, interested in all shares which Mr. Wang Shouzhong is deemed, or taken to be interested in for the purposes of the SFO.

Save as disclosed above, as at the date of this report, the Directors are not aware of any other persons (other than Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO, or who is directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

CORPORATE GOVERNANCE

The Company is committed to maintaining the highest standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 15 to 22 of this annual report.

EMOLUMENT POLICY

The emolument policy of the employees and senior management of the Group is set up by the remuneration committee on the basis of their merit, qualifications and competence. The emoluments of the directors are decided by the remuneration committee, having regard to market competitiveness, individual performance and achievement. The Company has adopted a share option scheme as an incentive to directors and eligible participants, details of the scheme is set out in note 27 to the financial statements.

RELATED PARTY TRANSACTIONS

Details of related party transactions of the Group during the year ended 31 December 2010 are set out in note 33 to the financial statements. Those related party transactions constitute continuing connected transactions exempted from the reporting, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules. The Company confirmed that it has complied with the disclosure requirements in accordance with Chapter 20 of the GEM Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

During the year under review, certain transactions entered into by the Group with the Connected Persons (as defined below) constituted non-exempt continuing connected transactions of the Company under the GEM Listing Rules.

Mr. Lin and Mr. Ruan were Directors and controlling shareholders of the Company. Fujian Ao Shen Media Advertising Co. Ltd, Beijing Datisu Media Advertising Co., Ltd, Beijing Lvban Media Advertising Co., Ltd, Chengdu Lvban Advertising Co., Ltd, Guangzhou Lvban Advertising Co., Ltd., Jinan Lvban Advertising Co., Ltd and Shanghai Lvban Culture Transmission Co., Ltd. (collectively the "PRC Contracting Entities") were owned as to 50% and 50% by Mr. Lin and Mr. Ruan and are associates of Mr. Lin and Mr. Ruan. By virtue of the GEM Listing Rules, Mr. Lin and Mr. Ruan and the PRC Contracting Entities (collectively, the "Connected Persons") were regarded as connected persons of the Company.

For reason as disclosed in the section headed "Connected transactions" in the Prospectus, series of contracts (the "Structure Agreements") were entered into by, among others, Aoshen Technology Service (Fuzhou) Co., Ltd. ("Aoshen Technology"), Hongkong Ao Shen Investment Co., Limited ("Aoshen Hong Kong"), Mr. Lin, Mr. Ruan and the PRC Contracting Entities on 17 December 2011 which include:

(1) framework agreements (the "Framework Agreements") dated 17 December 2010 entered into between (i) Aoshen Technology; (ii) the PRC Contracting Entities; and (iii) Mr. Lin and Mr. Ruan, whereby the PRC Contracting Entities have undertaken, among others, not to enter into any material business transaction without the prior written consent of Aoshen Technology. The PRC Contracting Entities shall appoint individuals as nominated by Aoshen Technology to be their directors and key management as and when Aoshen Technology sees fit. Furthermore, Aoshen Technology or its nominees is entitled to exercise their rights as if they were the shareholder of the PRC Contracting Entities. Any dividend distributable reserve and/or other assets (including residual assets upon dissolution of the PRC Contracting Entities) derived from the equity interests in the PRC Contracting Entities shall also be paid to Aoshen Technology or to such other entities or otherwise deal with in such other manner as Aoshen Technology may direct. Each of the Framework Agreements has become effective when it was executed on 17 December 2010 and will remain effective for a perpetual term unless and until terminated by Aoshen Technology by the giving of a 30-day advance notice in writing; or pursuant to the terms under other agreements entered into by the relevant parties; and it will be automatically terminated upon dissolution of the relevant PRC Contracting Entities;

(2) exclusivity agreements ("Exclusivity Agreements") dated 17 December 2010 entered into between Aoshen Technology and the PRC Contracting Entities whereby the PRC Contracting Entities have engaged Aoshen Technology on an exclusive basis to provide consultation services in the management of assets, operation and liabilities, sales and marketing and other supporting services. In consideration of the provision of the aforementioned services by Aoshen Technology, the PRC Contracting Entities have agreed to pay to Aoshen Technology (or such other entities as Aoshen Technology may direct) fees on an annual basis in arrears. Fees payable to Aoshen Technology by the PRC Contracting Entities will be equivalent to the total revenue less all the related costs, expenses and taxes of the respective PRC Contracting Entities, as audited by such certified public accountants of the PRC. Each of the Exclusivity Agreements has become effective when it was executed on 17 December 2010 and will remain effective for a perpetual term unless and until terminated by Aoshen Technology by the giving of a 30-day advance notice in writing; and it will be automatically terminated upon dissolution of the relevant PRC Contracting Entities;

(3) equity pledge agreements dated 17 December 2010 entered into between Aoshen Technology, Mr. Lin and Mr. Ruan, whereby Mr. Lin and Mr. Ruan have pledge their entire interests in each of the PRC Contracting Entities to secure the payment of consultations services fees to Aoshen Technology under the Exclusivity Agreements. Aoshen Technology is entitled to exercise its rights to sell the pledged equity interests on occurrence of any non-payment of such fees. None of the equity interests in the PRC Contracting Entities can be pledged or transferred unless otherwise with prior consent from Aoshen Technology. Furthermore, Aoshen Technology is entitled to all dividends derived from the pledged equity interests in the PRC Contracting Entities. Each of the equity pledge agreements has become effective when it was executed on 17 December 2010 until all payments in each of the Exclusivity Agreements are settled by the relevant PRC Contracting Entity, as well as upon which the relevant PRC Contracting Entity is no longer responsible for the performance under the Exclusivity Agreements; and they will be automatically terminated upon dissolution of the relevant PRC Contracting Entities;

(4) option agreements dated 17 December 2010 entered into between Aoshen Hong Kong, each of Mr. Lin and Mr. Ruan and each of the PRC Contracting Entities whereby Aoshen Hong Kong has been granted options to acquire the entire equity interest in the PRC Contracting Entities at nil consideration or the minimum amount as permitted by the applicable PRC laws. Subject to compliance with the PRC laws, such options may be exercised at any time and in any manner at the sole discretion of Aoshen Hong Kong. Prior to the exercise of such options, the respective registered capital or assets, business or revenues of the PRC Contracting Entities shall not be reduced or disposed of unless with the prior consent from Aoshen Hong Kong or Aoshen Technology. Subject to the compliance with applicable laws and the constitutional documents of each of the PRC Contracting Entities, any dividends, distributable reserve and/or other assets (including residual assets upon dissolution of the PRC Contracting Entities) shall also be assigned or transferred to Aoshen Hong Kong, its subsidiaries in the PRC or to such other entities or otherwise deal with in such other manner as Aoshen Hong Kong may direct as soon as practicable but in any event no later than three days upon such receipt. Each of the option agreements has become effective when it was executed on 17 December 2010 and will only expire on the date on which all the equity interests in the PRC Contracting Entities are transferred to Aoshen Hong Kong and/or its nominees, and the registrations of such equity transfers in the relevant Administration of Industry and Commerce in the PRC are completed; and it will be automatically terminated upon dissolution of the relevant PRC Contracting Entities; and

(5) power of attorney dated 17 December 2010 entered into between Aoshen Technology, Mr. Lin and Mr. Ruan in respect of each of the PRC Contracting Entities whereby the Group is authorised to exercise its rights in the PRC Contracting Entities as if it were the ultimate beneficial owner of the PRC Contracting Entities. Each of the power of attorney has become effective when it was executed on 17 December 2010 and will remain effective during the term of the Framework Agreements.

The purpose of the Structure Agreements is provide the Group with effective control over the financial and operational policies of the PRC Contracting Entities, Fuzhou Haidu Commercial Travel Media Co., Ltd and Beijing Luwang Culture Media Company Limited (collectively the "PRC Operating Entities"), to obtain the economic benefits from the PRC Operating Entities and acquire the equity interests in the PRC Contracting Entities as and when permitted under the applicable PRC laws and to allow the Company to consolidate the financial results of the PRC Operating Entities into the Group's financial statements as if they were the Group's subsidiaries, and the economic benefit of their business flows to the Group.

Confirmation of independent non-executive Directors:

The independent non-executive Directors have reviewed the above continuing connected transactions and confirmed that these transactions have been entered into:

(1) in the ordinary and usual course of business of the Company;

(2) either on normal commercial terms or on terms no less favourable to the Company than terms available to or from (as appropriate) independent third parties;

(3) in accordance with the terms of the Structure Agreements that are fair and reasonable and in the interests of the shareholders of the Company as a whole and have been operated so that the revenue generated by the PRC Contracting Entities has been substantially retained by Aoshen Technology; and

(4) no dividends or other distributions have been made by the PRC Contracting Entities to the holders of their respective equity interests which are not otherwise subsequently assigned or transferred to the Group.

Confirmation of auditors of the Company:

Ernst & Young, the Company's auditors, were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and with reference to Practice Note 740 *Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules* issued by the Hong Kong Institute of Certified Public Accountants. Ernst & Young have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 20.38 of the GEM Listing Rules. A copy of the auditors' letter has been provided by the Company to the Hong Kong Stock Exchange.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, the Company has maintained sufficient public float as at the latest practicable date prior to the issue of this annual report as required under the GEM Listing Rules.

EVENTS AFTER THE REPORTING PERIOD

Details of the significant events after the reporting period of the Group are set out in note 36 to the financial statements.

AUDITORS

Ernst & Young were appointed by the Directors as the first auditors of the Company. Ernst & Young will retire, and being eligible, offer themselves for re-appointment at the forthcoming annual general meeting. A resolution for their re-appointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

On Behalf of the Board
Lin Pintong
Chairman

Hong Kong, 28 March 2011

INDEPENDENT AUDITORS' REPORT

ERNST & YOUNG
安永

To the shareholders of China 33 Media Group Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of China 33 Media Group Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 44 to 101, which comprise the consolidated and company statements of financial position as at 31 December 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010, and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
18th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong

28 March 2011

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
REVENUE	6	**208,910**	104,719
Cost of sales		**(59,354)**	(43,295)
Gross profit		**149,556**	61,424
Other income and gains, net	6	**1,087**	915
Selling and distribution expenses		**(34,371)**	(26,677)
Administrative expenses		**(24,217)**	(18,253)
Other operating income/(expenses), net		**3,349**	(2,967)
Share of profits and losses of:			
A jointly-controlled entity		**(44)**	–
An associate		**47**	52
PROFIT BEFORE TAX	7	**95,407**	14,494
Income tax expense	10	**(24,537)**	(5,814)
PROFIT FOR THE YEAR		**70,870**	8,680
Attributable to:			
Owners of the Company	11	**70,669**	8,690
Non-controlling interests		**201**	(10)
		70,870	8,680
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	13		
Basic		**RMB15.70 cents**	RMB1.93 cents
Diluted		**RMB15.70 cents**	RMB1.93 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2010

	2010 *RMB'000*	2009 *RMB'000*
PROFIT FOR THE YEAR	**70,870**	8,680
OTHER COMPREHENSIVE INCOME FOR THE YEAR:		
Exchange differences on translation of foreign operations	**655**	24
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**71,525**	8,704
Attributable to:		
Owners of the Company	**71,324**	8,714
Non-controlling interests	**201**	(10)
	71,525	8,704

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	*14*	**6,567**	6,492
Intangible assets	*15*	**16,899**	26,838
Other non-current asset	*16*	**9,348**	10,424
Investment in a jointly-controlled entity	*18*	**1,426**	–
Investment in an associate	*19*	**1,892**	1,845
Deferred tax assets	*26*	**123**	123
Deposit	*21*	**5,526**	5,221
Total non-current assets		**41,781**	50,943
CURRENT ASSETS			
Trade receivables	*20*	**58,078**	27,537
Prepayments, deposits and other receivables	*21*	**23,518**	4,854
Amounts due from directors	*25*	**1,765**	2,005
Cash and cash equivalents	*22*	**103,102**	57,688
Total current assets		**186,463**	92,084
CURRENT LIABILITIES			
Trade payables	*23*	**7,874**	2,915
Other payables and accruals	*24*	**28,698**	31,018
Amounts due to directors	*25*	**3,239**	1,884
Amount due to the ultimate holding company	*25*	**52,501**	62,398
Tax payable		**18,642**	9,595
Total current liabilities		**110,954**	107,810
NET CURRENT ASSETS/(LIABILITIES)		**75,509**	(15,726)
TOTAL ASSETS LESS CURRENT LIABILITIES		**117,290**	35,217
NON-CURRENT LIABILITIES			
Deferred tax liabilities	*26*	**4,201**	6,685
Net assets		**113,089**	28,532

	Notes	2010 RMB'000	2009 RMB'000
EQUITY			
Equity attributable to owners of the Company			
Issued capital	*28*	**2,967**	–
Reserves	*29(a)*	**107,150**	25,761
		110,117	25,761
Non-controlling interests		**2,972**	2,771
Total equity		**113,089**	28,532

Lin Pintong
Director

Ruan Deqing
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2010

		Attributable to owners of the Company								
	Notes	Issued capital RMB'000	Share premium account* RMB'000	Capital reserve* RMB'000 (note 29(a))	Statutory reserve* RMB'000 (note 29(a))	Exchange reserve* RMB'000	Retained profit/ (accumulated losses)* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2009		–	–	25,442	67	247	(8,824)	16,932	2,481	19,413
Profit/(loss) for the year		–	–	–	–	–	8,690	8,690	(10)	8,680
Other comprehensive income for the year:										
Exchange differences on translation of foreign operations		–	–	–	–	24	–	24	–	24
Total comprehensive income/(loss) for the year		–	–	–	–	24	8,690	8,714	(10)	8,704
Capital contribution from a non-controlling shareholder of a subsidiary		–	–	–	–	–	–	–	300	300
Equity-settled share option transactions	27(a)	–	–	115	–	–	–	115	–	115
Appropriation to statutory reserve		–	–	–	1,549	–	(1,549)	–	–	–
At 31 December 2009 and 1 January 2010		–	–	25,557	1,616	271	(1,683)	25,761	2,771	28,532
Profit for the year		–	–	–	–	–	70,669	70,669	201	70,870
Other comprehensive income for the year:										
Exchange differences on translation of foreign operations		–	–	–	–	655	–	655	–	655
Total comprehensive income for the year		–	–	–	–	655	70,669	71,324	201	71,525
Acquisition of a subsidiary pursuant to the Reorganisation	28(d)	323	(323)	–	–	–	–	–	–	–
Capitalisation of an amount due to the ultimate holding company	28(e)	7	12,429	–	–	–	–	12,436	–	12,436
Capitalisation issue	28(f)	2,637	(2,637)	–	–	–	–	–	–	–
Deemed contribution from a shareholder		–	–	481	–	–	–	481	–	481
Equity-settled share option transactions	27(a)	–	–	115	–	–	–	115	–	115
Appropriation to statutory reserve		–	–	–	8,414	–	(8,414)	–	–	–
At 31 December 2010		2,967	9,469	26,153	10,030	926	60,572	110,117	2,972	113,089

* These reserve accounts comprise the consolidated reserves of RMB107,150,000 (2009: RMB25,761,000) in the consolidated statement of financial position as at 31 December 2010.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2010

	Notes	**2010** ***RMB'000***	2009 *RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**95,407**	14,494
Adjustments for:			
Share of profits and losses of:			
A jointly-controlled entity		**44**	–
An associate		**(47)**	(52)
Interest income		**(1,030)**	(751)
Loss on disposal of items of property, plant and equipment		**–**	46
Depreciation	*14*	**1,478**	1,098
Amortisation of intangible assets	*15*	**9,939**	9,939
Amortisation of other non-current asset	*16*	**1,076**	1,076
Impairment/(write-back of impairment) of trade receivables		**(3,625)**	3,070
Equity-settled share option expenses	*27*	**115**	115
		103,357	29,035
Increase in trade receivables		**(26,916)**	(20,288)
Increase in prepayments, deposits and other receivables		**(18,664)**	(2,627)
Decrease/(increase) in amounts due from directors		**240**	(1,936)
Increase in trade payables		**4,959**	319
Increase/(decrease) in other payables and accruals		**(2,320)**	16,787
Cash generated from operations		**60,656**	21,290
Interest received		**725**	462
PRC tax paid		**(17,974)**	(290)
Net cash flows from operating activities		**43,407**	21,462
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment	*14, 30*	**(993)**	(791)
Proceeds from disposal of items of property, plant and equipment		**–**	202
Capital injection to a joint-controlled entity		**(1,470)**	–
Net cash flows used in investing activities		**(2,463)**	(589)

	Notes	2010 RMB'000	2009 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital contribution from a shareholder		**481**	–
Capital contribution from a non-controlling shareholder of a subsidiary		**–**	300
Increase/(decrease) in amounts due to directors		**1,355**	(235)
Increase/(decrease) in an amount due to the ultimate holding company	*28*	**2,539**	(29)
New bank loans		**29,663**	–
Repayment of bank loans		**(29,663)**	–
Net cash flows from financing activities		**4,375**	36
NET INCREASE IN CASH AND CASH EQUIVALENTS		**45,319**	20,909
Cash and cash equivalents at beginning of year		**57,688**	36,755
Effect of foreign exchange rate changes, net		**95**	24
CASH AND CASH EQUIVALENTS AT END OF YEAR		**103,102**	57,688
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	*22*	**66,038**	41,525
Non-pledged time deposits with original maturity of less than three months when acquired	*22*	**37,064**	16,163
Cash and cash equivalents as stated on the consolidated statement of financial position		**103,102**	57,688

STATEMENT OF FINANCIAL POSITION

31 December 2010

	Notes	2010 RMB'000
NON-CURRENT ASSETS		
Investments in subsidiaries	*17*	**–**
Total non-current assets		**–**
CURRENT ASSETS		
Amount due from a subsidiary	*17*	**12,436**
Total current assets		**12,436**
CURRENT LIABILITIES		
Accruals	*24*	**(1,521)**
Total current liabilities		**(1,521)**
NET CURRENT ASSETS		**10,915**
Net assets		**10,915**
EQUITY		
Issued capital	*28*	**2,967**
Reserves	*29(b)*	**7,948**
Total equity		**10,915**

Lin Pintong
Director

Ruan Deqing
Director

1. CORPORATE INFORMATION AND GROUP REORGANISATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 5 May 2010 under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The registered office of the Company is located at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands and the principal place of business of the Company is 40th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong.

The Company has not carried out any business since its date of incorporation on 5 May 2010 except the acquisition of an investment in a subsidiary pursuant to a reorganisation (the "Reorganisation") as set out below.

Pursuant to the Reorganisation to rationalise the structure of the Company and its subsidiaries in preparation for the listing of the Company's shares on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the companies now comprising the Group on 17 December 2010.

Further details of the Reorganisation are set out in the Company's listing prospectus dated 22 February 2011 (the "Prospectus").

The shares of the Company were listed on the GEM of the Stock Exchange on 28 February 2011.

The Company is a subsidiary of Lizhong Limited ("Lizhong"), a company incorporated in the Cayman Islands, and is considered by the directors as the Company's ultimate holding company.

During the year, the Group was principally engaged in the operation and provision of advertising services of printed media and audio programmes for railway networks and advertising spaces on air traffic control towers at airports in Mainland China.

2.1 BASIS OF PRESENTATION AND PREPARATION

(a) Since the Company and the companies now comprising the Group were under common control both before and after the completion of the Reorganisation, the Reorganisation was accounted for using merger method of accounting. The financial statements have been prepared on the basis as if the Company has always been the holding company of the companies now comprising the Group.

The consolidated income statements, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for the years ended 31 December 2010 and 2009 include the results and cash flows of all companies now comprising the Group, as if the current structure had been in existence throughout the years ended 31 December 2010 and 2009, or since their respective dates of acquisition, incorporation or establishment, where this is a shorter period. The consolidated statement of financial position of the Group as at 31 December 2009 has been prepared to present the state of affairs of the Group as if the current structure had been in existence and in accordance with the respective equity interests and/or the power to exercise control over the individual companies attributable to the Company as at the respective dates.

2.1 BASIS OF PRESENTATION AND PREPARATION *(continued)*

(a) *(continued)*

In the opinion of the directors, the consolidated financial statements prepared on the above basis present more fairly the results and state of affairs of the Group as a whole.

(b) These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise standards and interpretations approved by the International Accounting Standards Board (the "IASB"), and International Accounting Standards ("IASs") and Standing Interpretations Committee Interpretations approved by the International Accounting Standards Committee, and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Comparative amounts have not been presented for the Company's statement of financial position and the notes thereto because the Company was not in existence as at 31 December 2009.

All IFRSs effective for the annual periods commencing from 1 January 2010, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of these financial statements throughout the years ended 31 December 2010 and 2009.

2.2 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

IFRS 1 Amendment	Amendment to IFRS 1 *First-time Adoption of International Financial Reporting Standards – Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters*[2]
	Amendment to IFRS 1 *First-time Adoption of International Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*[4]
IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*[4]
IFRS 9	*Financial Instruments*[6]
IAS 12 Amendments	Amendments to IAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*[5]
IAS 24 (Revised)	*Related Party Disclosures*[3]
IAS 32 Amendment	Amendment to IAS 32 *Financial Instruments: Presentation – Classification of Rights Issues*[1]
IFRIC 14 Amendments	Amendments to IFRIC 14 *Prepayments of a Minimum Funding Requirement*[3]
IFRIC 19	*Extinguishing Financial Liabilities with Equity Instruments*[2]

2.2 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS *(continued)*

Apart from the above, the IASB has issued *Improvements to IFRSs 2010* which sets out amendments to a number of IFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to IFRS 3 and IAS 27 are effective for annual periods beginning on or after 1 July 2010, while the amendments to IFRS 1, IFRS 7, IAS 1, IAS 34 and IFRIC 13 are effective for annual periods beginning on or after 1 January 2011 although there are separate transitional provisions for each standard or interpretation.

1 Effective for annual periods beginning on or after 1 February 2010
2 Effective for annual periods beginning on or after 1 July 2010
3 Effective for annual periods beginning on or after 1 January 2011
4 Effective for annual periods beginning on or after 1 July 2011
5 Effective for annual periods beginning on or after 1 January 2012
6 Effective for annual periods beginning on or after 1 January 2013

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. So far, the Group considers that these new and revised IFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of combination

These financial statements incorporate the financial statements of the Company and its subsidiaries for the years ended 31 December 2010 and 2009. As explained in note 2.1(a) above, the acquisition of subsidiaries under common control has been accounted for using the merger method of accounting. The acquisition of all other subsidiaries during the years ended 31 December 2010 and 2009, if any, is accounted for using the acquisition method.

The merger method of accounting involves incorporating the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party. No amount is recognised in respect of goodwill or the excess of the acquirers' interest in the net fair value of acquirees' identifiable assets, liabilities and contingent liabilities over the cost of investment at the time of common control combination. The consolidated income statement includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under common control, where this is a shorter period, regardless of the date of the common control combination.

Under the acquisition method, the cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of combination *(continued)*

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

All intragroup balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities. The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

Joint ventures

A joint venture is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which the Group and the other parties have an interest.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Joint ventures *(continued)*

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits or losses from the joint venture's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture is treated as:

(a) a subsidiary, if the Group has unilateral control, directly or indirectly, over the joint venture;

(b) a jointly-controlled entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture; or

(c) an associate, if the Group does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture.

Jointly-controlled entities

A jointly-controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's investments in jointly-controlled entities are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in the consolidated income statement and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its jointly-controlled entities are eliminated to the extent of the Group's investments in the jointly-controlled entities, except where unrealised losses provide evidence of an impairment of the asset transferred.

Associates

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the income statement in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Group or its ultimate holding company;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives used for this purpose are as follows:

Leasehold improvements	Over the shorter of the lease terms and 5 years
Motor vehicles	10 years
Office equipment	5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Other non-current asset

Other non-current asset comprises the payment to an independent third party which was ultimately authorised with the advertising agency right by a department of the PRC government for the installation and construction of necessary ancillary at various airports' air traffic control towers (the "Towers"), for the purpose of displaying advertisements. It is stated at cost less accumulated amortisation and any impairment losses. It is amortised on the straight-line basis over the estimated useful life i.e., the term of the exclusive advertising right on the Towers of nine years, commencing from the date when the Group starts using the advertising area of the Towers.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under operating leases are charged to the income statement on the straight-line basis over the lease terms.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The Group's financial assets include cash and cash equivalents, amounts due from directors, trade receivables, and deposits and other receivables.

Subsequent measurement

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income in the income statement. The loss arising from impairment is recognised in the income statement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(continued)*

Financial assets carried at amortised cost *(continued)*

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the income statement.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include trade payables, deposits received, other payables and accruals and amounts due to the ultimate holding company and directors.

Subsequent measurement

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the income statement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) printed media and audio advertising income, net of business tax, when the advertisements at various channels such as magazines and audio broadcasting are published/placed;

(b) outdoor advertising income, net of business tax, from airport control tower advertising spaces, on a time proportion basis over the terms of the relevant agreements; and

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition *(continued)*

(c) interest income, on an accrual basis using the effective interest rate method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Barter sale transactions

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction which generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction which generates revenue. The revenue is measured at the fair value of the goods or services received adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

Employee benefits

Pension schemes

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in central pension schemes operated by the local municipal government. The subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension schemes. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension schemes.

Other benefits

The Group contributes on a monthly basis to defined contribution housing, medical and other benefit plans organised by the PRC government. The PRC government undertakes to assume the benefit obligations of all existing and retired employees under these plans. Contributions to these plans by the Group are expensed as incurred. The Group has no further obligations for benefits for their qualified employees under these plans.

Share-based payment transactions

The ultimate holding company of the Company has granted certain share options to the employees of the Group as an inducement to join the Group. In addition, a share option scheme (the "Share Option Scheme") was adopted by the Company pursuant to a resolution in writing passed by the then shareholders of the Company on 17 December 2010. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using the Black-Scholes Option Pricing Model, further details of which are given in note 27 to these financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Employee benefits *(continued)*

Share-based payment transactions *(continued)*

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. All cancellations of equity-settled transaction awards are treated equally.

Foreign currencies

These financial statements are presented in RMB, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of overseas subsidiaries, jointly-controlled entities and associates are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the end of the reporting period and their income statements are translated into RMB at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies *(continued)*

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Impairment of assets

In determining whether an asset is impaired or whether the event previously causing the impairment no longer exists, the Group has to exercise judgement in the area of asset impairment, particularly in assessing: (1) whether an event has occurred that may affect the asset value, or such an event affecting the asset value has not been in existence; (2) whether the carrying value of an asset can be supported by the net present value of future cash flows, which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in preparing cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rate or the growth rate assumptions in the cash flow projections, could have a material effect on the net present value used in the impairment test.

Withholding taxes arising from the distributions of dividends

The Group's determination as to whether to accrue for withholding taxes arising from the distributions of dividends from certain subsidiaries according to the relevant tax jurisdictions is subject to judgement on the timing of the payment of the dividend. The Group considered that if the profits will not be distributed in the foreseeable future, no withholding taxes should be provided.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Useful life of an intangible asset – customer relationship

The Group determines the estimated useful life at 5.5 years and related amortisation charges for its customer relationship. This estimate is based on forecasted customer attrition pattern with reference to similar market information. Management will revise the amortisation charge where the useful life is different to the one previously estimated.

Impairment allowances for trade and other receivables

The Group estimates the impairment allowances for trade and other receivables by assessing the recoverability based on credit history and prevailing market conditions. This requires the use of estimates and judgements. Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. Where the expectation is different from the original estimate, such difference will affect the carrying amounts of trade and other receivables and thus the impairment loss in the period in which such estimate is changed. The Group reassesses the impairment allowances at the end of each reporting period.

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

5. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their advertising channels and has three reportable operating segments in Mainland China as follows:

(a) printed media advertising: sale of advertising spaces in magazines and newspapers;

(b) outdoor advertising: sale of advertising spaces at the Towers; and

(c) audio advertising: sale of advertising air time through audio broadcasting during train transmission.

5. OPERATING SEGMENT INFORMATION *(continued)*

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax.

The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest income, other unallocated income and gains as well as corporate and other unallocated expenses are excluded from such measurement. Corporate and other unallocated expenses included selling and distribution expenses, administrative expenses and other operating expenses except for impairment of trade receivables.

Segment assets include trade receivables, non-current deposit, other non-current asset and intangible assets as these assets are not managed on a group basis.

Segment liabilities include trade payables and receipts in advance from customers included in other payables and accruals as these liabilities are not managed on a group basis.

	Printed media advertising *RMB'000*	**Outdoor advertising** *RMB'000*	**Audio advertising** *RMB'000*	**Total** *RMB'000*
Year ended 31 December 2010				
Segment revenue:				
Sales to external customers	**164,169**	**9,367**	**35,374**	**208,910**
Segment results	**118,122**	**1,790**	**33,269**	**153,181**
Reconciliation:				
Interest income				**1,030**
Other unallocated income and gains, net				**57**
Share of profits and losses of:				
A jointly-controlled entity				**(44)**
An associate				**47**
Corporate and other unallocated expenses				**(58,864)**
Profit before tax				**95,407**
Income tax expense				**(24,537)**
Profit for the year				**70,870**
Segment assets	**49,227**	**18,617**	**22,329**	**90,173**
Reconciliation:				
Investment in a jointly-controlled entity				**1,426**
Investment in an associate				**1,892**
Corporate and other unallocated assets				**134,753**
Total assets				**228,244**

5. OPERATING SEGMENT INFORMATION *(continued)*

	Printed media advertising *RMB'000*	Outdoor advertising *RMB'000*	Audio advertising *RMB'000*	Total *RMB'000*
Segment liabilities	**(13,856)**	**(981)**	**(894)**	**(15,731)**
Reconciliation:				
Corporate and other unallocated liabilities				**(99,424)**
Total liabilities				**(115,155)**
Other segment information:				
Depreciation (unallocated)				**1,478**
Amortisation of intangible assets	**8,900**	**110**	**929**	**9,939**
Amortisation of other non-current asset	**–**	**1,076**	**–**	**1,076**
Write-back of impairment of trade receivables	**(3,625)**	**–**	**–**	**(3,625)**
Capital expenditure (unallocated)*				**3,023**

* *Capital expenditure (unallocated) consists of additions to property, plant and equipment and the capital contribution to a jointly-controlled entity during the year.*

5. OPERATING SEGMENT INFORMATION *(continued)*

	Printed media advertising *RMB'000*	Outdoor advertising *RMB'000*	Audio advertising *RMB'000*	Total *RMB'000*
Year ended 31 December 2009				
Segment revenue:				
Sales to external customers	77,889	17,571	9,259	104,719
Segment results	41,827	8,807	7,720	58,354
Reconciliation:				
Interest income				751
Other unallocated income and gains, net				164
Share of profit of an associate				52
Corporate and other unallocated expenses				(44,827)
Profit before tax				14,494
Income tax expense				(5,814)
Profit for the year				8,680
Segment assets	38,317	23,187	8,516	70,020
Reconciliation:				
Investment in an associate				1,845
Corporate and other unallocated assets				71,162
Total assets				143,027

5. OPERATING SEGMENT INFORMATION *(continued)*

	Printed media advertising *RMB'000*	Outdoor advertising *RMB'000*	Audio advertising *RMB'000*	Total *RMB'000*
Segment liabilities	(7,763)	(3,670)	–	(11,433)
Reconciliation:				
Corporate and other unallocated liabilities				(103,062)
Total liabilities				(114,495)
Other segment information:				
Depreciation (unallocated)				1,098
Amortisation of intangible assets	8,900	110	929	9,939
Amortisation of other non-current asset	–	1,076	–	1,076
Impairment of trade receivables	3,070	–	–	3,070
Capital expenditure (unallocated)				2,271

Geographical information

As the Group only operates in Mainland China and all of its customers are located in Mainland China, no geographical segment information is presented.

Information about major customers

For the year ended 31 December 2010, none of the Group's customers had individually accounted for over 10% of the Group's total revenue. For the year ended 31 December 2009, revenue from one of the Group's customers amounting to RMB15,755,000 under the outdoor advertising segment had individually accounted for over 10% of the Group's total revenue.

6. REVENUE, OTHER INCOME AND GAINS, NET

Revenue, which is also the Group's turnover, represents the advertising income, net of business tax. An analysis of revenue and other income and gains is as follows:

	2010 RMB'000	2009 RMB'000
Revenue		
Printed media advertising income	172,504	82,992
Outdoor advertising income	9,518	18,867
Audio advertising income	36,827	9,570
	218,849	111,429
Less: business tax	(9,939)	(6,710)
Total	208,910	104,719
Other income and gains, net		
Interest income	1,030	751
Others	57	164
Total	1,087	915

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2010 RMB'000	2009 RMB'000
Depreciation	1,478	1,098
Amortisation of intangible assets	9,939	9,939
Amortisation of other non-current asset	1,076	1,076
Impairment/(write-back of impairment) of trade receivables	(3,625)	3,070
Minimum lease payments under operating leases on land and buildings	3,785	3,387
Employee benefit expense (including directors' remuneration *(note 8)*):		
Wages and salaries	36,922	23,025
Equity-settled share option expenses	115	115
Pension scheme contributions*	3,439	6,260
	40,476	29,400
Auditors' remuneration	1,500	8
Exchange loss	190	–
Loss on disposal of items of property, plant and equipment	–	46

* *As at the end of the reporting period, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years.*

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on the GEM of the Stock Exchange and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	2010	2009
	RMB'000	*RMB'000*
Fees	**–**	–
Other emoluments:		
Salaries, bonuses, allowances and benefits in kind	**980**	800
Equity-settled share option expenses	**115**	115
Pension scheme contributions	**27**	26
	1,122	941

(a) Non-executive directors and independent non-executive directors

Mr. Wang Jianqing and Mr. Wang Fuqing were appointed as the non-executive directors of the Company on 17 December 2010.

Mr. Feng Bing, Mr. Gao Xingbo, Mr. Chen Shaofeng and Ms. Xing Zhibin were appointed as independent non-executive directors of the Company on 17 December 2010.

There were no fees or other emoluments payable to both non-executive directors and independent non-executive directors of the Company during the year (2009: Nil).

8. DIRECTORS' REMUNERATION *(continued)*

(b) Executive directors

	Fees	Salaries, bonuses, allowances and benefits in kind	Equity-settled share option expenses	Pension scheme contributions	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2010					
Executive directors:					
Mr. Lin Pintong ("Mr. Lin")	**–**	**240**	**–**	**4**	**244**
Mr. Ruan Deqing ("Mr. Ruan")	**–**	**240**	**–**	**3**	**243**
Mr. Han Wenqian ("Mr. Han")	**–**	**500**	**115**	**20**	**635**
	–	**980**	**115**	**27**	**1,122**
31 December 2009					
Executive directors:					
Mr. Lin	–	240	–	4	244
Mr. Ruan	–	240	–	3	243
Mr. Han	–	320	115	19	454
	–	800	115	26	941

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2009: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

During the years ended 31 December 2010 and 2009, one and three of the highest paid individuals were directors of the Company, respectively.

Details of the remuneration of the remaining four and two non-director, highest paid employees during the years ended 31 December 2010 and 2009, respectively, are as follows:

	2010	2009
	RMB'000	*RMB'000*
Salaries, allowances and benefits in kind	**1,843**	460
Pension scheme contributions	**57**	7
	1,900	467

9. FIVE HIGHEST PAID EMPLOYEES *(continued)*

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2010	2009
Nil to RMB500,000	**2**	2
RMB500,001 to RMB1,000,000	**2**	–
	4	2

During the current and prior years, no remuneration was paid by the Group to the directors or any of the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

10. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2009: Nil). Taxes on profits assessable in Mainland China have been calculated at the prevailing tax rates, based on existing legislation, interpretations and practices in respect thereof.

Pursuant to the PRC Corporate Income Tax Law, the PRC corporate income tax rate of all the PRC subsidiaries is 25%.

	2010	2009
	RMB'000	*RMB'000*
Group:		
Current – Mainland China		
Charge for the year	**27,021**	8,421
Deferred *(note 26)*	**(2,484)**	(2,607)
Total tax charge for the year	**24,537**	5,814

10. INCOME TAX *(continued)*

A reconciliation of the tax expense applicable to profit before tax at the statutory tax rates for the regions in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	2010	2009
	RMB'000	*RMB'000*
Profit before tax	**95,407**	14,494
Tax at the applicable tax rates	**23,852**	3,624
Losses attributable to a jointly-controlled entity	**11**	–
Profits attributable to an associate	**(12)**	(13)
Income not subject to tax	**(761)**	(72)
Expenses not deductible for tax	**207**	2,545
Tax losses not recognised	**1,399**	–
Tax losses utilised from previous periods	**(35)**	(499)
Others	**(124)**	229
Tax expense at the effective tax rate	**24,537**	5,814

11. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated profit attributable to owners of the Company for the year ended 31 December 2010 includes a loss of RMB1,521,000 which has been dealt with in the financial statements of the Company (note 29(b)).

12. DIVIDENDS

The directors resolved not to declare any dividend for the year ended 31 December 2010 (2009: Nil).

13. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic earnings per share is based on the profit for the year attributable to owners of the Company of RMB70,669,000 (2009: RMB8,690,000) and 450,000,000 (2009: 450,000,000) ordinary shares deemed to have been in issue throughout the years ended 31 December 2010 and 2009.

No adjustment has been made to the basic earnings per share presented to the years ended 31 December 2010 and 2009 as the Group had no potentially diluted ordinary shares in issue during those years.

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold improvements *RMB'000*	Motor vehicles *RMB'000*	Office equipment *RMB'000*	Total *RMB'000*
31 December 2010				
Cost:				
At 31 December 2009 and 1 January 2010	**2,398**	**3,304**	**2,118**	**7,820**
Additions	**52**	**4**	**1,497**	**1,553**
At 31 December 2010	**2,450**	**3,308**	**3,615**	**9,373**
Accumulated depreciation:				
At 31 December 2009 and 1 January 2010	**500**	**300**	**528**	**1,328**
Charge for the year	**507**	**338**	**633**	**1,478**
At 31 December 2010	**1,007**	**638**	**1,161**	**2,806**
Net carrying amount:				
At 31 December 2010	**1,443**	**2,670**	**2,454**	**6,567**
31 December 2009				
Cost:				
At 1 January 2009	2,371	1,694	1,810	5,875
Additions	241	1,610	420	2,271
Disposals	(214)	–	(112)	(326)
At 31 December 2009	2,398	3,304	2,118	7,820
Accumulated depreciation:				
At 1 January 2009	72	90	146	308
Charge for the year	453	210	435	1,098
Write-back on disposals	(25)	–	(53)	(78)
At 31 December 2009	500	300	528	1,328
Net carrying amount:				
At 31 December 2009	1,898	3,004	1,590	6,492

15. INTANGIBLE ASSETS

Group

	Contractual advertising rights *RMB'000*	Customer relationship *RMB'000*	Total *RMB'000*
31 December 2010			
Cost:			
At 31 December 2009, 1 January 2010 and 31 December 2010	**40,120**	**1,627**	**41,747**
Accumulated amortisation:			
At 31 December 2009 and 1 January 2010	**14,465**	**444**	**14,909**
Charge for the year	**9,643**	**296**	**9,939**
At 31 December 2010	**24,108**	**740**	**24,848**
Net carrying amount:			
At 31 December 2010	**16,012**	**887**	**16,899**
31 December 2009			
Cost:			
At 1 January 2009 and 31 December 2009	40,120	1,627	41,747
Accumulated amortisation:			
At 1 January 2009	4,822	148	4,970
Charge for the year	9,643	296	9,939
At 31 December 2009	14,465	444	14,909
Net carrying amount:			
At 31 December 2009	25,655	1,183	26,838

16. OTHER NON-CURRENT ASSET

Group

	2010 RMB'000	2009 RMB'000
Cost:		
At beginning and end of the year	**11,500**	11,500
Accumulated amortisation:		
At beginning of the year	**1,076**	–
Charge for the year	**1,076**	1,076
At end of the year	**2,152**	1,076
Net carrying amount	**9,348**	10,424

17. INVESTMENTS IN SUBSIDIARIES

Company

	2010 RMB'000
Unlisted shares, at cost	**–**
Amount due from a subsidiary	**12,436**
	12,436

The amount due from a subsidiary included in the Company's current assets of RMB12,436,000 (2009: Nil) is unsecured, interest-free and repayable on demand.

17. INVESTMENTS IN SUBSIDIARIES *(continued)*

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ establishment	Nominal value of issued/paid up share/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
香港奧神投資有限公司 Hongkong Ao Shen Investment Co., Limited ("Hong Kong Ao Shen")	Hong Kong	HK$100	100	–	Provision of management services
奧神技術服務 (福州) 有限公司* Ao Shen Technology Service (Fuzhou) Co., Ltd. ("Ao Shen Technology")	PRC	US$9,300,000 (2009: US$8,300,000)	–	100	Provision of consulting services
福建省奧神傳媒廣告有限責任公司**/*** Fujian Ao Shen Media Advertising Co., Ltd.	PRC	RMB3,000,000	–	100	Provision of advertising services
北京大提速傳媒廣告有限公司**/*** Beijing Datisu Media Advertising Co., Ltd.	PRC	RMB2,000,000 (2009: RMB1,000,000)	–	100	Provision of advertising services
北京旅伴傳媒廣告有限公司**/*** Beijing Lvban Media Advertising Co., Ltd.	PRC	RMB2,000,000 (2009: RMB1,000,000)	–	100	Provision of advertising services
上海旅伴文化傳播有限公司**/*** Shanghai Lvban Culture Transmission Co.. Ltd.	PRC	RMB2,000,000 (2009: RMB1,000,000)	–	100	Provision of advertising services
濟南旅伴廣告有限公司**/*** Jinan Lvban Advertising Co.. Ltd.	PRC	RMB2,000,000 (2009: RMB510,000)	–	100	Provision of advertising services
廣州旅伴廣告有限公司**/*** Guangzhou Lvban Advertising Co., Ltd.	PRC	RMB2,000,000 (2009: RMB500,000)	–	100	Provision of advertising services
北京路網文化傳媒有限公司*** Beijing Luwang Culture Media Company Limited	PRC	RMB1,000,000	–	60	Provision of advertising services
福州海都商旅傳媒有限公司*** Fuzhou Haidu Commercial Travel Media Co., Ltd.	PRC	RMB1,000,000	–	70	Provision of advertising services
成都旅伴廣告有限公司*** Chengdu Lvban Advertising Co., Ltd.	PRC	RMB2,000,000 (2009: RMB500,000)	–	100	Provision of advertising services

17. INVESTMENTS IN SUBSIDIARIES *(continued)*

Name	Place of incorporation/ establishment	Nominal value of issued/paid up share/ registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
北京奧神傳媒廣告有限公司*** Beijing Aoshen Media Advertising Co., Ltd	PRC	RMB2,000,000	–	100	Provision of advertising services
成都三三廣告有限公司*** Chengdu Sansan Advertising Co., Ltd	PRC	RMB2,000,000	–	100	Provision of advertising services
上海山山傳媒廣告有限公司*** Shanghai Shanshan Media Advertising Co., Ltd	PRC	RMB2,000,000	–	100	Provision of advertising services
廣州奧神廣告有限公司*** Guangzhou Aoshen Advertising Co., Ltd	PRC	RMB2,000,000	–	100	Provision of advertising services
濟南奧神廣告傳媒有限公司*** Jinan Aoshen Advertising Media Co., Ltd	PRC	RMB2,010,000	–	100	Provision of advertising services

* The entity is registered as a wholly-foreign-owned enterprise under the PRC law.

** The operations of the Group were initially conducted through these companies established in the PRC (the "Six Operating Entities"), each equally owned by Mr. Lin and Mr. Ruan (collectively referred to as the "Founders").

Under the prevailing laws and regulations in the PRC, companies with foreign ownership are prohibited from engaging in the magazine distribution business in Mainland China. In order to enable the Group to make investment in the magazine distribution business in Mainland China, certain contractual arrangements (the "Contractual Arrangements") were effectuated on 30 June 2008 among Ao Shen Technology, the Six Operating Entities and the Founders to the effect that the business operations, the decision-making power and financial and operating policies of the Six Operating Entities are ultimately controlled by Ao Shen Technology.

In particular, Ao Shen Technology undertakes to provide the Six Operating Entities with certain management and consulting services. In return, the Group is entitled to substantially all of the operating profits and residual benefits generated by the Six Operating Entities through intercompany charges levied on these services rendered. The Founders are also required to transfer their interests in the Six Operating Entities to the Group or the Group's designee upon a request made by the Group for a pre-agreed nominal consideration or the estimated value if required by the PRC laws by that time when the PRC laws and regulations allow such transfer in future. The ownership interests in the Six Operating Entities have also been pledged by the Founders to the Group in respect of the continuing obligations of the Six Operating Entities; and the Group is entitled to nominate and remove members of the board of directors of the Six Operating Entities in order to control their operating and financial decisions.

As a result of the effects of the Contractual Arrangements, the Six Operating Entities are accounted for as subsidiaries of the Company for accounting purposes.

On 17 December 2010, a new set of structure agreements were entered into among the Founders, Hong Kong Ao Shen, Ao Shen Technology and the Six Operating Entities to replace the Contractual Arrangements. Since the new structure agreements have covered all the terms of the Contractual Arrangements and have additional terms to further enhance the power to govern the financial and operating policies of the Six Operating Entities so as to obtain benefit from their activities, the Six Operating Entities continued being accounted for as subsidiaries of the Company for accounting purposes.

*** These entities are registered as limited liability companies under the PRC law.

The statutory financial statements of the above subsidiaries, except Hong Kong Ao Shen, are not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

18. INVESTMENT IN A JOINTLY-CONTROLLED ENTITY

	2010	2009
	RMB'000	*RMB'000*
Share of net assets	**1,426**	–

Particulars of the jointly-controlled entity are as follows:

Name	Place of establishment	Paid-up capital	Percentage of equity attributable indirectly to the Company	Principal activities
北京國鐵天通文化發展有限公司 Beijing Guo Tie Tian Tong Cultural Development Co., Ltd.	PRC	RMB3,000,000	49	Sale of magazines, newspapers and other electronic reading materials

The statutory financial statements of the jointly-controlled entity are not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

The following table illustrates the summarised financial information of the Group's jointly-controlled entity:

	2010	2009
	RMB'000	*RMB'000*
Share of the jointly-controlled entity's assets and liabilities:		
Current assets	**2,932**	–
Non-current assets	**22**	–
Current liabilities	**(44)**	–
Net assets	**2,910**	–
Share of the jointly-controlled entity's results:		
Revenue	**–**	–
Other income	**3**	–
	3	–
Total expenses	**(93)**	–
Income tax expenses	**–**	–
Loss after tax	**(90)**	–

19. INVESTMENT IN AN ASSOCIATE

	2010 RMB'000	2009 RMB'000
Share of deficits	(338)	(385)
Due from an associate	2,230	2,230
	1,892	1,845

The amount due from the associate is unsecured and interest-free. According to the joint venture agreement entered into between the shareholders of the associate, the amount due from the associate will not be repaid until the associate has a pre-determined amount of distributable retained profits.

Particulars of the associate are as follows:

Name	Place of establishment	Paid-up capital	Percentage of equity attributable indirectly to the Company	Principal activities
北京鳳凰金龍文化傳媒有限公司 Beijing Phoenix Dragon Culture Media Company Limited ("Phoenix Dragon")	PRC	RMB1,000,000	20	Provision of consulting and marketing services

The statutory financial statements of the associate are not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

The following table illustrates the summarised financial information of the Group's associate extracted from its management accounts:

	2010 RMB'000	2009 RMB'000
Assets	3,488	3,255
Liabilities	(5,180)	(5,179)
Revenue	2,156	2,257
Profit	232	260

20. TRADE RECEIVABLES

Group

	2010 RMB'000	2009 RMB'000
Trade receivables	**59,023**	32,107
Less: impairment	**(945)**	(4,570)
	58,078	27,537

The Group's trading terms with its customers are mainly on credit. The credit period is generally 30 days to 180 days. The Group seeks to apply strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. Although the Group's trade receivables relate to a number of diversified customers, there is a certain concentration of credit risk. The trade receivables from the five largest debtors at 31 December 2010 represented 31% (2009: 60%) of the total trade receivables, while 8% (2009: 24%) of the total trade receivables were due from the largest debtor. Trade receivables are non-interest-bearing.

As at the end of the reporting period, an aged analysis of the trade receivables, based on the advertisement publication date, is as follows:

Group

	2010 RMB'000	2009 RMB'000
Within 3 months	**35,968**	14,699
3 to 6 months	**10,724**	8,929
6 months to 1 year	**11,383**	5,383
Over 1 year	**948**	3,096
	59,023	32,107

The movements in provision for impairment of trade receivables are as follows:

Group

	2010 RMB'000	2009 RMB'000
At beginning of the reporting period	**4,570**	1,500
Impairment losses recognised/(write-back) *(note 7)*	**(3,625)**	3,070
At end of the reporting period	**945**	4,570

20. TRADE RECEIVABLES *(continued)*

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables with a carrying amount before provision of RMB945,000 (2009: RMB4,570,000) as at 31 December 2010. The Group does not hold any collateral over these balances.

The aged analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

Group

	2010	2009
	RMB'000	*RMB'000*
Neither past due nor impaired	**22,996**	13,624
Past due but not impaired:		
Less than 3 months	**13,037**	7,949
More than 3 months	**22,045**	5,964
	58,078	27,537

Receivables that were neither past due nor impaired mainly represent sales made to recognised and creditworthy customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good repayment record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Group

	Notes	**2010** **RMB'000**	2009 RMB'000
Current:			
Other receivables		**1,465**	1,036
Amount due from Lizhong	*(i)*	**1,748**	–
Prepayments	*(i)*	**11,763**	1,062
Rental, utility and other deposits		**691**	811
Staff advances		**7,851**	1,945
		23,518	4,854
Non-current:			
Deposit	*(ii)*	**5,526**	5,221
		29,044	10,075

Notes:

(i) The amount due from Lizhong of RMB1,748,000 and prepayments of RMB11,700,000 as at 31 December 2010 represented the expenditures incurred for the purpose of the Company's initial public offering. Pursuant to the deed of undertaking dated 17 December 2010 received from Lizhong, Lizhong agreed to bear the listing expenses except for the portion attributable to the listing of new shares of the Company under the placing as detailed in the Prospectus. After the listing of the Company's shares on the GEM of the Stock Exchange on 28 February 2011, the above balances were partly set off against the Company's share premium account and partly settled through the amount due to Lizhong for the portion it had undertaken to bear.

(ii) The balance represented the deposit paid for the exclusive right to sell the advertising spaces on the Towers in Mainland China for a period of nine years from 20 June 2008 to 19 June 2017. The deposit paid by the Group during the year ended 31 December 2008 amounted to RMB8,000,000 and is fully repayable to the Group upon the expiry of the term of the above exclusive right. The deposit is carried at amortised cost at the Group's statement of financial position using an effective interest rate of 5.85%.

22. CASH AND CASH EQUIVALENTS

Group

	2010	2009
	RMB'000	*RMB'000*
Cash and bank balances	**66,038**	41,525
Time deposits with banks	**37,064**	16,163
Cash and cash equivalents	**103,102**	57,688
Cash and cash equivalents are denominated in:		
RMB	**102,973**	52,191
United States dollars ("US$")	**129**	5,497
	103,102	57,688

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

23. TRADE PAYABLES

An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

Group

	2010	2009
	RMB'000	*RMB'000*
Within 3 months	**7,827**	2,585
3 to 6 months	**–**	–
Over 6 months	**47**	330
	7,874	2,915

As at 31 December 2010, included in the trade payables are trade payables of RMB1,531,000 (2009: Nil) due to a holding company of the non-controlling shareholder of a subsidiary and RMB840,000 (2009: RMB526,000) due to a non-controlling shareholder of a subsidiary which are repayable within 30 days.

Trade payables are non-interest-bearing and are normally settled on 30-day terms.

24. OTHER PAYABLES AND ACCRUALS

Group

	2010	2009
	RMB'000	*RMB'000*
Receipts in advance from customers	**7,857**	8,518
Deposits received	**322**	692
Accrued salaries and staff welfare	**15,831**	14,060
Other accruals	**2,605**	2,960
Other tax payable	**2,083**	4,550
Other payables	**–**	238
	28,698	31,018

Company

	2010
	RMB'000
Accruals	**1,521**

Other payables are non-interest-bearing and have an average term of one month.

25. BALANCES WITH DIRECTORS AND THE ULTIMATE HOLDING COMPANY

Particulars of the amounts due from directors, disclosed pursuant to Section 161B of the Hong Kong Companies Ordinance, are as follows:

Name	**31 December 2010** *RMB'000*	**Maximum amount outstanding during the year** *RMB'000*	31 December 2009 *RMB'000*
Mr. Lin	**873**	**1,428**	976
Mr. Ruan	**892**	**1,449**	1,014
Mr. Han	**–**	**15**	15
	1,765		2,005

The balances with directors and the ultimate holding company are unsecured, interest-free and have been fully settled up to the date of the financial statements.

26. DEFERRED TAX

Group

Deferred tax assets

	Tax losses *RMB'000*
At 1 January 2009	–
Deferred tax credited to the income statement during the year (note 10)	123
At 31 December 2009, 1 January 2010 and 31 December 2010	123

26. DEFERRED TAX *(continued)*

Group *(continued)*

Deferred tax liabilities

	Fair value adjustments arising from acquisition of subsidiaries *RMB'000*
At 1 January 2009	9,169
Deferred tax credited to the income statement during the year (note 10)	(2,484)
At 31 December 2009 and 1 January 2010	6,685
Deferred tax credited to the income statement during the year (note 10)	(2,484)
At 31 December 2010	4,201

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. In estimating the withholding taxes on dividends expected to be distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008, the directors have made assessment based on factors which included dividend policy and the level of capital and working capital required for the Group's operations in the foreseeable future. As at 31 December 2010 and 2009, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute their earnings accrued after 1 January 2008 in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB11,300,000 (2009: RMB2,000,000) at 31 December 2010.

As at 31 December 2010, the Group has estimated unprovided deferred tax assets of approximately RMB1,673,000 (2009: RMB309,000) calculated on tax losses of approximately RMB6,692,000 (2009: RMB1,236,000) arising in the PRC that can be carried forward for five years from the year in which the losses arose for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is considered not probable that the Group can utilise these losses in the foreseeable future.

27. EQUITY-SETTLED SHARE-BASED TRANSACTIONS

(a) Equity instruments granted to Mr. Han

(i) The terms and conditions of the grants

On 18 September 2007 and 1 April 2008, as an inducement for Mr. Han to join the Group and as incentives, 1,500,000 (the "First Grant") and 1,000,000 (the "Second Grant") share options were granted at nil consideration to Mr. Han, respectively. Each option gave Mr. Han the right to subscribe for one ordinary share of the ultimate holding company and was settled gross in shares. It was mutually agreed that the ordinary shares issued, upon exercise of the options of the First Grant, were subject to a repurchase option held by the ultimate holding company. The ultimate holding company has the right to repurchase these shares at US$0.001 per share should Mr. Han cease to be an employee of the Group within four years from the date of the First Grant. The number of shares that could be repurchased would be calculated on a pro rata basis for the period during which Mr. Han was not serving the Group. On 28 October 2008, 1,500,000 share options under the First Grant held by Mr. Han were exercised at the exercise price of US$0.001 per share, amounting to US$1,500 (equivalent to RMB10,257). The share options of the Second Grant were fully vested on the date of grant and were not subject to a repurchase option.

The share options granted to Mr. Han have been accounted for as equity-settled share-based payments. The equity instruments granted comprise four tranches of 375,000 share options each with one, two, three and four years of vesting periods for the First Grant.

(ii) Fair value of equity instruments granted and assumptions

The fair value of equity-settled share options granted was estimated as at the date of grant using the Black-Scholes Option Pricing Model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	18 September 2007	1 April 2008
Dividend yield (%)	–	–
Expected volatility (%)	36	41
Risk-free interest rate (%)	3.56	3.66
Expected life of options (year)	3	2.5
Weighted average share price (US$ per share)	0.04	0.15

The expected life of the options is based on the assumption that the share options would be exercised upon the Reorganisation. The expected volatility is estimated based on daily stock prices of comparable companies for a period with a length commensurate to the expected term.

No other feature of the options granted was incorporated into the measurement of fair value.

27. EQUITY-SETTLED SHARE-BASED TRANSACTIONS *(continued)*

(a) Equity instruments granted to Mr. Han *(continued)*

On 20 August 2010, a total of 1,000,000 share options under the Second Grant held by Mr. Han were exercised at the exercise price of US$0.001 per share, amounting to US$1,000 (equivalent to RMB6,811), resulted in the issue of 1,000,000 ordinary shares of the ultimate holding company on 20 August 2010. As at 31 December 2010, there is no such outstanding share options held by Mr. Han.

The fair values of the share options under the First Grant and the Second Grant, as mentioned in note (i) above, were RMB461,000 and RMB727,000, respectively.

Equity-settled share-based payment expenses amounting to RMB115,000 (2009: RMB115,000) during the year ended 31 December 2010 were recognised in the income statement.

(b) Equity instruments granted to other key management personnel

(i) The terms and conditions of the grants

From 30 September 2007 to 10 December 2007, as an inducement for a group of key employees (the "Key Employees") to join the Group, 2,500,000 share options were granted at nil consideration to the Key Employees. These share options give the Key Employees the right to subscribe for ordinary shares of the ultimate holding company of the Company, representing in aggregate 5% of the total ordinary shares of the ultimate holding company at the exercise date, and is settled gross in shares. These share options were fully vested on the grant date, and then be exercisable for three years commencing from the date of grant. The exercise price is US$0.001 per share at the date of exercise.

(ii) Fair value of equity instruments granted and assumptions

The fair value of equity-settled share options granted was estimated as at the dates of grant using the Black-Scholes Option Pricing Model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	30 September 2007 to 10 December 2007
Dividend yield (%)	–
Expected volatility (%)	36 – 37
Risk-free interest rate (%)	3.64 – 4.04
Expected life of options (year)	2.81 – 3
Weighted average share price (US$ per share)	0.04

The expected lives of the options are based on the assumption that the share options would be exercised upon the Reorganisation. The expected volatility is estimated based on daily stock prices of comparable companies for a period with a length commensurate to the expected term.

No other feature of the options granted was incorporated into the measurement of fair value.

On 20 August 2010, a total of 2,500,000 share options held by the Key Employees were exercised at the exercise price of US$0.001 per share, amounting to US$2,500 (equivalent to RMB17,028), resulted in the issue of 2,500,000 ordinary shares of the ultimate holding company on 20 August 2010. As at 31 December 2010, there is no such outstanding share options held by the Key Employees.

27. EQUITY-SETTLED SHARE-BASED TRANSACTIONS *(continued)*

(c) The Share Option Scheme was adopted by the Company pursuant to a resolution in writing passed by the then shareholders of the Company on 17 December 2010.

The purpose of the Share Option Scheme is to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group. The directors consider the Share Option Scheme, with its broadened basis of participation, will enable the Group to reward the employees, the directors and other selected participants for their contributions to the Group.

The participants of the Share Option Scheme include (i) any employee of the Company, any of the subsidiaries or any entity (the "Invested Entity") in which any member of the Group holds an equity interest; (ii) any non-executive directors of the Company, any of the subsidiaries of the Company or any Invested Entity; (iii) any supplier of goods or services to any member of the Group or any Invested Entity; (iv) any advertising customer of any member of the Group or any Invested Entity; (v) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity; (vi) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity; (vii) any adviser or consultant to any area of business or business development of any member of the Group or any Invested Entity; (viii) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group.

The maximum number of the shares that may be allotted and issued upon the exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of the Group) under the Share Option Scheme and any other share option scheme of the Group shall not exceed 10% of the number of shares in issue on the Listing Date (the "General Scheme Limit") i.e., on 28 February 2011. The Company may seek approval of the shareholders in general meeting to refresh the General Scheme Limit provided that the total number of shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of the Group shall not exceed 10% of the number of shares in issue as at the date of approval of the limit.

The total number of shares issued and which may fall to be issued upon the exercise of the options granted under the Share Option Scheme and any other share option scheme of the Group (including both exercised or outstanding options) to each grantee in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being (the "Individual Limit"). Any further grant of options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant must be separately approved by the shareholders in general meeting of the Company with such grantee and his associates abstaining from voting. The number and terms (including the exercise price) of options to be granted must be fixed before the approval of the shareholders and the date of the Board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the exercise price under note (1) to Rule 23.03(9) of the GEM Listing Rules.

27. EQUITY-SETTLED SHARE-BASED TRANSACTIONS *(continued)*

(c) *(continued)*

An option may be accepted by a participant within 21 days from the date of the offer of grant of the option. An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the directors to each grantee, which period may commence from the date of the offer for the grant of options is made, but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination thereof.

Unless otherwise determined by the directors and stated in the offer for the grant of options to a grantee, there is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised.

A nominal consideration of HK$1 is payable on acceptance of the grant of an option. The exercise price for the shares under the Share Option Scheme shall be a price determined by the directors, but shall not be less than the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of the shares on the date of the offer for the grant, which must be a business day; (ii) the average closing price of shares as stated in the Stock Exchange's daily quotations for the five business days immediately preceding the date of the offer for the grant; and (iii) the nominal value of a share.

The Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Share Option Scheme is adopted (i.e. 17 December 2010).

The total number of shares available for issue under the Share Option Scheme is 60,000,000 shares, representing 10% of the issued share capital of the Company as at the date of the financial statements.

Since the adoption of the Share Option Scheme and up to the date of the financial statements, no option has been granted under the Share Option Scheme.

28. SHARE CAPITAL

Shares

	2010 ***RMB'000***
Authorised:	
40,000,000,000 ordinary shares of US$0.001 each	**263,672**
Issued and fully paid:	
450,000,000 ordinary shares of US$0.001 each	**2,967**

28. SHARE CAPITAL *(continued)*

Shares *(continued)*

The following changes in the Company's authorised and issued share capital took place during the period from 5 May 2010 (date of incorporation) to 31 December 2010, and subsequent to the reporting period up to 28 February 2011 (the listing date of the Company's shares on the GEM of the Stock Exchange):

	Notes	**Number of ordinary shares**	**Nominal value of ordinary shares** *RMB'000*
Authorised:			
Upon incorporation (50,000,000 shares of US$0.001 each)	*(a)*	50,000,000	330
Increase in authorised share capital on 17 December 2010	*(b)*	39,950,000,000	263,342
		40,000,000,000	263,672
Issued:			
Upon incorporation (1 share of US$0.001 allotted and issued at nil paid)	*(c)*	1	–
On acquisition of Hong Kong Ao Shen on 17 December 2010			
– allotment and issuance of 48,999,999 shares credited as fully paid	*(d)*	48,999,999	323
– 1 nil paid share credited as fully paid	*(d)*	–	–
Capitalisation of an amount due to Lizhong of RMB12,436,000	*(e)*	1,000,000	7
Capitalisation issue credited as fully paid on the share premium account of the Company	*(f)*	400,000,000	2,637
Issued capital as at 31 December 2010		450,000,000	2,967
Issuance of new shares on 25 February 2011	*(g)*	150,000,000	989
At 28 February 2011		600,000,000	3,956

(a) On 5 May 2010, the authorised share capital was US$50,000 divided into 50,000,000 shares having a par value of US$0.001 each.

(b) Pursuant to a resolution passed on 17 December 2010, the authorised share capital of the Company was increased from US$50,000 to US$40,000,000 by the creation of 39,950,000,000 additional new shares of US$0.001 each.

(c) On 5 May 2010, one share was allotted and issued, at nil paid, to Codan Trust Company (Cayman) Limited, which was transferred to Lizhong on the same date.

(d) On 17 December 2010, the Company acquired from Lizhong an aggregate of 100 shares of HK$1 each in the share capital of Hong Kong Ao Shen, being its entire issued share capital, in consideration of and in exchange for which the Company (i) allotted and issued, credited as fully paid, an aggregate of 48,999,999 shares to Lizhong and (ii) credited as fully paid at par the one nil paid share then held by Lizhong (note (c)).

28. SHARE CAPITAL *(continued)*

Shares *(continued)*

(e) On 17 December 2010, the Company issued and allotted 1,000,000 shares to Lizhong, credited as fully paid, in full satisfaction of the amount of part of the shareholder's loan for the principal amount of approximately RMB12,436,000 owed by Hong Kong Ao Shen to Lizhong.

(f) Pursuant to a resolution passed on 17 December 2010, 400,000,000 shares were allotted and issued at a par value of US$0.001 each in proportion to the holders of shares whose names appear on the register of members of the Company at the close of business on 17 December 2010.

(g) In connection with the Company's initial public offering, 150,000,000 shares of US$0.001 each were issued at a price of HK$1.8 per share for a total cash consideration, before expenses, of approximately HK$270,000,000 on 25 February 2011. Dealings in these shares on the Stock Exchange commenced on 28 February 2011.

29. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

(1) Capital reserve

The capital reserve mainly comprises the following:

(i) *Injection of the Six Operating Entities*

As more fully explained in note 17 to the financial statements, pursuant to the contractual arrangements effectuated on 30 June 2008, the Six Operating Entities were injected to the Group at nil consideration and the net fair value of the identifiable net assets of the Six Operating Entities amounted to RMB23,797,000 with reference to the valuation performed by an independent firm of professional valuers was credited as capital contribution from a shareholder under the capital reserve.

(ii) *Equity-settled share-based payment transactions*

The fair value of share options granted to employees is recognised as an employee expense with a corresponding increase in the capital reserve, over the period during which the employees become unconditionally entitled to the options in accordance with the accounting policy adopted for share-based payments in note 3 to the financial statements.

(2) Statutory reserve

As stipulated by the relevant regulations in the PRC, the Company's subsidiaries established and operating in Mainland China are required to appropriate 10% of their profit after tax (after offsetting prior years' losses) as determined in accordance with the PRC accounting rules and regulations, to the statutory reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of a dividend to equity owners.

The statutory reserve can be used to make good previous years' losses, if any, and may be converted into paid-up capital by issuing additional capital to the owners in proportion to the owners' existing equity holdings, provided that the balance after such conversion is not less than 25% of the registered capital.

29. RESERVES *(continued)*

(b) Company

	Share premium account	Accumulated loss	Total
	RMB'000	*RMB'000*	*RMB'000*
Upon incorporation	–	–	–
Loss and total comprehensive loss for the year	–	(1,521)	(1,521)
Acquisition of a subsidiary pursuant to the Reorganisation (notes 28(d))	(323)	–	(323)
Capitalisation of an amount due to the ultimate holding company (note 28(e))	12,429	–	12,429
Capitalisation issue (note 28(f))	(2,637)	–	(2,637)
At 31 December 2010	9,469	(1,521)	7,948

30. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

Major non-cash transactions:

(i) During the year ended 31 December 2009, the Group acquired a motor vehicle with a fair value of RMB1,480,000 via a barter sale transaction.

(ii) During the year ended 31 December 2010, the Group acquired certain office equipment with a fair value of RMB560,000 via a barter sale transaction.

31. OPERATING LEASE COMMITMENTS

The Group leases its office premises under operating lease arrangements. Leases for these properties are negotiated for terms of one to five years.

At the end of each reporting period, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2010	2009
	RMB'000	*RMB'000*
Within 1 year	**2,901**	2,667
After 1 year but within 5 years	**3,133**	4,005
	6,034	6,672

At the end of each reporting period, the Company did not have any significant operating lease commitments.

32. CONTINGENT LIABILITIES

At the end of each reporting period, the Group and the Company did not have any significant contingent liabilities.

33. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in these financial statements, the Group had the following material related party transactions during the year:

(a) Related party transactions

	Notes	**2010** **RMB'000**	2009 RMB'000
Advertising agency fee to an associate	*(a)*	**2,333**	1,934
Advertising agency fee to a non-controlling shareholder of a subsidiary	*(b)*	**2,094**	1,594
Advertising fee to the holding company of a non-controlling shareholder of a subsidiary	*(c)*	**6,445**	–
Printing expenses reimbursed to a non-controlling shareholder of a subsidiary	*(d)*	**4,745**	2,992

Notes:

(a) The advertising agency fee was paid/payable to an associate, Phoenix Dragon, for the exclusive advertising agency rights of a magazine operated by the associate.

(b) The advertising agency fee was paid/payable to a non-controlling shareholder of a subsidiary for the exclusive advertising rights of certain magazines.

(c) The advertising agency fee was paid/payable to the holding company of a non-controlling shareholder of a subsidiary for the exclusive advertising rights of a newspaper.

(d) The printing expenses were paid to a non-controlling shareholder of a subsidiary based on actual costs incurred.

The above transactions are charged at a pre-determined rate mutually agreed by the parties. The directors are of the opinion that these related party transactions were conducted in the ordinary course of business.

(e) Pursuant to the deed of undertaking dated 17 December 2010 received from Lizhong, Lizhong agreed to bear the listing expenses except for the portion attributable to the listing of new shares of the Company under the placing as detailed in the Prospectus.

The related party transactions above also constitute connected transactions or continuing connected transactions as defined in Chapter 20 of the GEM Listing Rules.

(b) Balances with related parties

The outstanding balances with related parties at the end of each reporting period are set out in notes 21, 23 and 25 to these financial statements.

33. RELATED PARTY TRANSACTIONS *(continued)*

(c) Key management personnel compensation

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 8 to these financial statements and certain of the highest paid employees as disclosed in note 9 to these financial statements, is as follows:

	2010	2009
	RMB'000	*RMB'000*
Short-term employee benefits	**2,267**	1,897
Post-employment benefits	**45**	48
Equity-settled share option expenses	**115**	115
	2,427	2,060

34. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each reporting period are as follows:

Group

	2010	2009
	RMB'000	*RMB'000*
Financial assets – loans and receivables		
Due from an associate *(note 19)*	**2,230**	2,230
Trade receivables	**58,078**	27,537
Financial assets included in prepayments, deposits and other receivables	**17,281**	9,013
Amounts due from directors	**1,765**	2,005
Cash and cash equivalents	**103,102**	57,688
	182,456	98,473
Financial liabilities – financial liabilities at amortised cost		
Trade payables	**7,874**	2,915
Financial liabilities included in other payables and accruals	**322**	930
Amounts due to directors	**3,239**	1,884
Amount due to the ultimate holding company	**52,501**	62,398
	63,936	68,127

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and time deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The directors review and agree policies for managing each of these risks and they are summarised below.

Foreign currency risk

The Group's monetary assets, liabilities and transactions are principally denominated in RMB or US$. The Group's certain operating assets are located in Mainland China and Hong Kong and denominated in US$. As the Group's net profit is reported in RMB, there will be a translation gain/(loss) as a result of the RMB appreciation/(depreciation) to US$.

The following table demonstrates the sensitivity at the end of each reporting period to a reasonably possible change in the US$ exchange rate, with all other variables held constant, of the Group's profit before tax.

	Increase/ (decrease) in US$ rate	**Increase/ (decrease) in profit before tax**
	%	*RMB'000*
2010		
If RMB weakens against US$	5	1
If RMB strengthens against US$	(5)	(1)
2009		
If RMB weakens against US$	5	275
If RMB strengthens against US$	(5)	(275)

Credit risk

The Group trades only with recognised and creditworthy customers. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and on an individual basis. Each of the customers has been attached with a trading limit and any excess to the limit must be approved by the general manager of the operation unit. Under the tight control of the credit term and detailed assessment of the creditworthiness of individual customers, the Group's exposure to bad debts is maintained as minimal.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 20 to these financial statements.

None of the Group's other receivables is either past due or impaired. The financial assets are included in other receivables for which there was no recent history of default.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and the projected cash flows from operations.

The Group maintains a balance between continuity of funding and flexibility through maintaining sufficient cash. The directors have reviewed the Group's working capital and capital expenditure requirements and determined that the Group has no significant liquidity risk. The maturity profile of the Group's financial liabilities as at the end of each reporting period, based on the contractual undiscounted payments, was less than one year.

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain satisfactory capital ratios in order to support its business.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2010 and 2009.

The Group monitors capital using a gearing ratio, which is net debt divided by the equity attributable to owners of the Company plus net debt. Net debt includes amounts due to the ultimate holding company and directors, trade payables, other payables and accruals less cash and cash equivalents. The gearing ratios as at the end of each reporting period were as follows:

Group

	2010	2009
	RMB'000	*RMB'000*
Trade payables	**7,874**	2,915
Other payables and accruals	**28,698**	31,018
Due to directors	**3,239**	1,884
Due to the ultimate holding company	**52,501**	62,398
Less: Cash and cash equivalents	**(103,102)**	(57,688)
Net debt	**(10,790)**	40,527
Equity attributable to owners of the Company	**110,117**	25,761
Total	**99,327**	66,288
Gearing ratio	**(11%)**	61%

36. EVENTS AFTER THE REPORTING PERIOD

Save as disclosed elsewhere in the financial statements, the shares of the Company were listed on the GEM of the Stock Exchange on 28 February 2011.

37. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 March 2011.

SUMMARY FINANCIAL INFORMATION

The financial information for the years ended 31 December 2006 and 2007 was not disclosed as combined financial statements for the Group have not been prepared for those years. The summary of the combined results of the Group for each of the two years ended 31 December 2008 and 2009 and the assets, liabilities and non-controlling interests of the Group as at 31 December 2008 and 2009 has been extracted from the Company's listing prospectus dated 22 February 2011. Such summary was prepared as if the current structure of the Group has been in existence throughout these financial years. The consolidated results of the Group for the year ended 31 December 2010 and the consolidated assets, liabilities and non-controlling interests of the Group as at 31 December 2010 are those set out in the audited financial statements.

RESULTS

	Year ended 31 December		
	2010	2009	2008
	RMB'000	*RMB'000*	*RMB'000*
Revenue	**208,910**	104,719	28,707
Profit/(loss) before tax	**95,407**	14,494	(8,959)
Income tax credit/(expense)	**(24,537)**	(5,814)	434
Profit/(loss) for the year	**70,870**	8,680	(8,525)
Attributable to:			
Owners of the Company	**70,669**	8,690	(7,954)
Non-controlling interests	**201**	(10)	(571)
	70,870	8,680	(8,525)

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December		
	2010	2009	2008
	RMB'000	*RMB'000*	*RMB'000*
Total assets	**228,244**	143,027	111,419
Total liabilities	**(115,155)**	(114,495)	(92,006)
Non-controlling interests	**(2,972)**	(2,771)	(2,481)
	110,117	25,761	16,932

The summary above does not form part of the audited financial statements.