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 2012

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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CORPORATE INFORMATION

DIRECTORS

Executive Directors
Mr. Lin Pintong *(Chairman)*
Mr. Ruan Deqing
Mr. Han Wenqian *(Chief Executive Officer)*
Mr. Wang Fuqing (formerly a non-executive Director; re-designated as executive Director on 1 June 2012)

Non-Executive Director
Mr. Wang Jianqing

Independent Non-Executive Directors
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:
Jingtian & Gongcheng
34th Floor, Tower 3, China Central Place
77 Jianguo Road
Chaoyang District
Beijing
China

AUDITORS

Ernst & Young
Certified Public Accountants
22/F CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

COMPLIANCE ADVISER

Oriental Patron Asia Limited

AUTHORISED REPRESENTATIVES

Mr. Ruan Deqing
Mr. Lee Man Tai (appointed on 31 October 2012)
Mr. Leung Ting Yuk (resigned on 31 October 2012)

COMPANY SECRETARY

Mr. Lee Man Tai, *FCCA, FCPA*
(appointed on 31 October 2012)
Mr. Leung Ting Yuk, *HKICPA, CPA Australia*
(resigned on 31 October 2012)

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

Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HEAD OFFICE IN THE PRC

Room 802, 8th Floor, Office Building A3
Xinyi Garden
Chongwen District
Beijing
China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG REGISTERED UNDER PART XI OF THE COMPANIES ORDINANCE

Room 4215
Office Tower
Convention Plaza
No. 1 Harbour Road
Wanchai
Hong Kong

PRINCIPAL BANKERS

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

HONG KONG SHARE REGISTRAR

Tricor Investor Services Limited
26/F, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

WEBSITE ADDRESS

http://www.china33media.com

STOCK CODE

8087

CHAIRMAN'S STATEMENT

MR. LIN PINTONG
Chairman

WE ARE A channel media operator, focusing on high-speed railway IN CHINA

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 2012 (the "Year").

INDUSTRY REVIEW

Since the economic growth in China slowed down as a whole in 2012, real estate and consumption markets sentiment was weakened. Confidences in placing advertisements by corporations were impaired, which resulted in the sluggish performance of the overall advertising market in China. According to the quarterly report prepared by Nielson on Global Advertising Trends, there were signs demonstrating a gradual recovery in the advertising market in China during the second half of 2012. The regional advertising market of China recorded mild growth in the third quarter after the continuous fall during the first half of the year. However, the Ministry of Railways has gradually increased the investment in public infrastructures. It is our belief that there is still ample room of development for railways in China, which will facilitate the operations of advertising business on the railway network, and will contribute as a positive stimulus on the sustainable development of the Group in future.

FINANCIAL HIGHLIGHTS

During the Year, the Group's revenue increased from approximately RMB216,841,000 to approximately RMB226,353,000, representing a year-on-year growth of approximately 4.4%. The Group recorded a total comprehensive loss attributable to owners of the Company for the year amounted to approximately RMB108,023,000 while it recorded a total comprehensive income attributable to owners of the Company amounted to approximately RMB9,366,000 last year.

The Group experienced many difficulties and challenges in 2012. On one hand, due to the imposition of control measures on the real estate sector by the PRC government, advertising orders from property developers and companies related to property development declined. This caused the slow growth in revenue for the Year as compared with the corresponding year in 2011. On the other hand, the Group was faced with decrease of profit margin because of surging operating costs, including increase in staff costs and printing costs, amortisation of agency fee, maintenance fees and media service fees paid for the advertisement projects on headrests cover sheets, folding tables and poster frames on high-speed railway trains, as well as the increase in agency fees to the Group's publishing partners, and the contractual disputes between Beijing Aoshen Media Advertising Co., Ltd. ("Beijing Aoshen"), a wholly-owned subsidiary of the Company, and Guangzhou Railway Group Culture Advertising Company as announced by the Company on 13 December 2012 and 21 March 2013.

BUSINESS REVIEW

Despite the challenges in 2012, the Group believes that the railway related sector will benefit from the rapid economic growth in China. In addition, the PRC government has supportive policies for the development of railway networks from China's 12th Five-Year Plan. With the active pursuits made by the Central Government to promote urbanisation, industries related to the construction of railways will thus be benefited. The Ministry of Railways had increased its capital investment for the rapid development of high-speed railway network in China from RMB516 billion at the beginning of 2012 to RMB630 billion. As the numbers of both business and leisure passengers using high-speed railway network continued to grow, the Group is conferred with many opportunities to develop the advertising business focusing on the high-speed railway network.

The integrated media platform of the Group covers printed media, audio programmes and outdoor media. The Group's competitive edges are reflected from its management and sales teams, which have extensive experiences in the advertising and media business, and are capable to apprehend and satisfy needs of different advertising customers and media industries. We will proactively capture opportunities arising in the market to drive the development of the Group's business along the rapid development of high-speed railway network in China.

The Group entered into contracts with certain state-owned railway media operators in 2012, and was granted with sole advertising agency rights. As at 31 December 2012, the Group installed and operated the billboards and LEDs advertisements at twenty selected train stations operated by five railway bureaus, including Harbin-Dalian High-Speed Railway which has just commenced its operation. During the Year, the Group had installed billboards, LEDs and related facilities at several stations, and had entered into advertising contracts with several customers. These projects will bring revenue to the Group and further strengthen our business coverage. In addition to the advertising business through railway, we will continue to identify more advertising spaces on the air traffic control towers at the civil airports that are currently operated by the Group in order to expand the Group's outdoor media business.

CHAIRMAN'S STATEMENT

PROSPECTS

Looking ahead, we will endeavor to maintain the growth of our existing businesses and expand into diversified new businesses. The Group will continue to establish sales offices in different cities in the PRC to expand our sales network, as well as to strengthen our sales and advertising teams in order to reinforce our leading position in the printed media on high-speed trains in China. Moreover, with the commencement of the four main railway routes, namely Beijing-Shijiazhuang railway, Shijiazhuang-Wuhan railway, Ningbo-Hangzhou railway and Harbin-Dalian railway in the future, the Group will also increase the number of route-specific supplements of our printed media, which will be instrumental to the Group's sustainable growth in the development of advertising business on the railway network in China.

The Group has developed a diverse advertising platform of printed media, and obtained an exclusive right of "東方養生" (Ever Green) on first class cabins of Hainan Airlines as a contracted operation partner, through the establishment of a joint venture with Hainan Airlines Xinhua Culture Group under the Hainan Airlines Group. Hence, the Group has secured a new media channel from the joint venture. This will also strengthen high-end customer base and provide additional income to the Group. Meanwhile, the Group also endeavored to develop new media business. In order to expand into advertising business related to television, the Group cooperated with a directly owned subsidiary of China Central Television ("CCTV"), and obtained the production rights of "地理・中國"(Geographic China), one of the programmes of CCTV's Science & Education Channel (CCTV-10). This cooperation will further expand the Group's advertising platforms and customer base. It is expected that this new business can attract high-end advertising customers and generate substantial revenue for the Group in the coming years.

In future, we will continue to utilise the Group's competitive advantages in seeking potential opportunities of merger and acquisition so as to achieve growth from synergy in operations and to develop a more diversified advertising platform.

ACKNOWLEDGEMENT

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 over the years. The management is confident in achieving better results in the future, creating added value for the Group, shareholders and all staff.

Lin Pintong
Chairman

Hong Kong, 25 March 2013

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Group's total revenue for the year ended 31 December 2012 was RMB226,353,000, representing an increase of approximately 4.4% as compared to RMB216,841,000 for the year ended 31 December 2011. The Group recorded a total comprehensive loss attributable to owners of the Company for the year amounted to RMB108,023,000 while it recorded a total comprehensive income attributable to owners of the Company amounted to RMB9,366,000 last year.

REVENUE BY SEGMENT

Analysis of revenue by segment is as follows:

	2012	2011		**2012**	2011
	RMB'000	*RMB'000*	**Change (%)**	**% of total revenue**	
Printed media advertising	**145,901**	180,148	(19.0)	**64.5**	83.1
Audio programmes advertising	**7,726**	12,995	(40.5)	**3.4**	6.0
Outdoor media advertising	**72,726**	23,698	206.9	**32.1**	10.9
	226,353	216,841	4.4	**100.0**	100.0

Printed Media Advertising

Revenue from printed media advertising was the principal source of revenue for the year and it contributed approximately 64.5% of the Group's total revenue. It is expected to continue to be the principal source of revenue in the future. Revenue from printed media advertising 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 China Railway High-speed ("CRH") trains and selected regular trains in China. "旅客報" (Passengers) and "旅客報1318" (Passengers 1318) (which is a special edition of "旅客報" (Passengers) available on the route of the CRH trains Beijing-Shanghai only) are route-specific newspapers distributed on CRH trains which comprises 12 different route-specific supplements providing the local contents as at 31 December 2012.

Revenue from printed media advertising decreased by approximately 19%, from RMB180,148,000 last year to RMB145,901,000 current year. The decrease was mainly attributable to the decrease of advertising orders from property developers and companies related to property development due to the imposition of control measures on the real estate sector by the PRC government.

MANAGEMENT DISCUSSION AND ANALYSIS

Audio Programmes Advertising

Revenue from audio programmes advertising represented the amount generated from the sales of advertising timeslots which was 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 advertising decreased by RMB5,269,000 or approximately 40.5% to RMB7,726,000 for the current year. The decrease was mainly resulted from the decrease in demand for advertising as a result of the Wenzhou's high-speed train collision incident on 23 July 2011 and the loss of a major customer has not renewed the advertising contract which expired last year.

Outdoor Media Advertising

Revenue from outdoor media advertising represented the amount generated from the sales of advertising spaces on the air traffic control towers at various airports, billboards and LED installed at certain selected train stations and advertising on headrest cover sheets, folding tables and poster frames on CRH trains.

Revenue from outdoor media advertising increased from RMB23,698,000 last year to RMB72,726,000 for the current year. The increase was mainly due to the commencement of billboards and LED advertising and advertising on headrest cover sheets, folding tables and poster frames in the second half of 2011.

SEGMENT RESULTS AND PROFIT/(LOSS) MARGIN OF SEGMENT

Analysis of segment results is as follows:

	Revenue		Cost		Segment results		Change	
	2012	2011	**2012**	2011	**2012**	2011		
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	%
Printed media advertising	**145,901**	180,148	**76,537**	73,122	**69,364**	107,026	**(37,662)**	(35.2)
Audio programmes advertising	**7,726**	12,995	**8,614**	9,757	**(888)**	3,238	**(4,126)**	(127.4)
Outdoor media advertising	**72,726**	23,698	**91,679**	23,409	**(18,953)**	289	**(19,242)**	(6,658.1)
	226,353	216,841	**176,830**	106,288	**49,523**	110,553	**(61,030)**	(55.2)

During the year, the segment results of printed media advertising recorded a segment profit of RMB69,364,000, representing a decrease of approximately 35.2% as compared with a segment profit of RMB107,026,000 for last year. Audio programmes advertising recorded a segment loss of RMB888,000 for the year while it recorded a segment profit of RMB3,238,000 last year. Segment results of outdoor media advertising recorded a segment loss of RMB18,953,000 for the year while it recorded a segment profit of RMB289,000 last year which mainly resulted from the amortisation of agency fee, maintenance fees and media service fees paid for the advertisement project on headrest cover sheets, folding tables and poster frames on high-speed railway trains and the agency fees for the operation of billboards and LED advertising at certain selected train stations. In overall, there was a decrease in segment results of RMB61,030,000, representing a decrease of approximately 55.2% to RMB49,523,000 from RMB110,553,000 as compared to the corresponding period last year.

Analysis of profit/(loss) margin of segment is as follows:

	Profit/(loss) margin of segment	
	2012	2011
	%	%
Printed media advertising	**47.5**	59.4
Audio programmes advertising	**(11.5)**	24.9
Outdoor media advertising	**(26.1)**	1.2
Profit margin of all segments	**21.9**	51.0

Profit margin of printed media advertising decreased from approximately 59.4% for last year to approximately 47.5% for the current year. This was mainly due to the impairment on trade receivables for overdue balances. Moreover, high costs incurred for a newly published monthly supplement called "旅客報 1318" (Passengers 1318) (which is a special edition of "旅客報" (Passengers) and for distribution on the CRH trains Beijing-Shanghai only) and the increase in headcounts and increment of staff costs have caused the gross profit margin to drop in current year.

Profit margin of audio programmes advertising decreased from approximately 24.9% last year to loss margin of approximately 11.5% for the current year. This was mainly resulted from the impairment on trade receivables for certain long-aged overdue balances.

Profit margin of outdoor media advertising decreased from approximately 1.2% last year to loss margin of approximately 26.1% for the current year. This was mainly resulted from the amortisation of agency fee, maintenance fees and media service fees paid for the advertisement project on headrest cover sheets, folding tables and poster frames on CRH trains and the agency fees for the operation of billboards and LED advertising at certain selected train stations.

MANAGEMENT DISCUSSION AND ANALYSIS

The profit margin of segment as a whole decreased from approximately 51.0% last year to approximately 21.9% for the current year. This was mainly driven by impairment on trade receivables for overdue balances, increase in headcounts, increment of staff costs, higher printing costs for the printed media business, as well as the agency fees for the operation of billboards and LED advertising at certain selected train stations and the amortisation of agency fee, maintenance fees and media service fees paid for the advertisement project on headrest cover sheets, folding tables and poster frames on high-speed railway trains.

Other Income/(expense) and Gains, Net

Other expense and gains, net of RMB2,135,000 for the current year while other income and gains, net of RMB4,220,000 last year, mainly due to the increase in amortised interest expense on non-current deposits, net.

Cost of Sales

Cost of sales increased from RMB83,600,000 last year to RMB149,717,000 for the current year, representing an increase of approximately 79.1%. The increase in cost of sales was mainly attributable to the increase in headcounts, increment of staff costs, higher printing costs for the printed media business, as well as agency fees for the operation of billboards and LED advertising at certain selected train stations and amortisation of agency fee, maintenance fees and media service paid for the advertisement project on headrests cover sheets, folding tables and poster frames on high-speed railway trains.

Selling and Distribution Expenses

Selling and distribution expenses mainly include salary, bonus, commission payable to sales staff, travelling and related expenses, office expenses and others. It accounted for approximately 22.6% and 38.4% of the Group's total revenue for the years ended 31 December 2011 and 2012, respectively and the increase in percentage was mainly due to more expenses incurred for the expansion of existing business and increment of average salary of sales staff. The amount increased by approximately 77.5% from RMB49,006,000 last year to RMB86,967,000 for the current year, primarily as a result of increase in average salary, bonus and commission payables to sales staff, business meeting and expenses related to the establishing of representative offices for the expansion of existing business alongside the development of the CRH network in China.

Administrative Expenses

Administrative expenses increased by approximately 48.5% from RMB39,117,000 last year to RMB58,080,000 for the current year, primarily due to the increase in staff welfare, entertainment and business meeting expenses, legal and professional fees and other taxes and levies and increment of average salary and number of staff.

Other Operating Expenses, Net

It mainly represented the impairment of trade receivables, the impairment of intangible assets, the impairment of available-for-sale investment and the impairment of non-current deposits made for the current year.

Income Tax Expense

The income tax expense of the Group for the year was RMB7,621,000 (2011: RMB11,974,000) at the effective tax rate of 6.6% (2011: 45.3%).

Liquidity and Financial Resources

As at 31 December 2012, 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 RMB132,237,000, representing a net decrease of RMB68,263,000 as compared to the position as at 31 December 2011.

As at 31 December 2012, the current ratio was 3.24 (2011: 6.75) and the gearing ratio of the Group was (0.45) (2011: (0.94)) 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 its working capital needs principally from internally generated cash flow from operating activities.

Pledge of Assets

As at 31 December 2012, the Group has no assets pledged for bank borrowings or for other purpose (2011: Nil).

Contingent Liabilities

As at 31 December 2012, the Group did not have any significant contingent liabilities.

Capital Commitments

As at 31 December 2012, save as disclosed in note 34 to the financial statements, the Group did not have any significant capital commitments.

Total Comprehensive Income/(Loss) Attributable to Owners of the Company and Net Profit/(Loss) Margin

Total comprehensive loss attributable to the owners of the Company for the year ended 31 December 2012 amounted to RMB108,023,000 as compared to total comprehensive income of RMB9,366,000 in the previous corresponding year. Net loss margin of the Group was approximately 47.5% as compared to the net profit margin of approximately 6.7% for the previous corresponding year.

MANAGEMENT DISCUSSION AND ANALYSIS

Capital Structure

During the year under review, the Group had net assets of RMB234,863,000 (2011: RMB343,875,000), comprising non-current assets of RMB68,574,000 (2011: RMB52,322,000), and current assets of RMB241,427,000 (2011: RMB346,332,000). The Group recorded a net current asset position of RMB166,853,000 (2011: RMB295,021,000), which primarily consists of cash and bank equivalents amounted to RMB142,587,000 (2011: RMB210,850,000), trade receivables amounted to RMB43,409,000 (2011: RMB44,318,000) and prepayments, deposits and other receivables amounted to RMB35,356,000 (2011: RMB60,553,000). Major current liabilities are other payables and accruals and trade payables amounted to RMB42,066,000 (2011: RMB27,138,000) and RMB30,214,000 (2011: RMB15,948,000), 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 and United States Dollars. The Directors 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 2012, the Group employed a total of 798 employees (2011: 786 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 RMB81,010,000 (2011: RMB51,859,000).

Material Acquisition and Disposal

Save as disclosed in note 31 to the financial statements, no material acquisition or disposal of subsidiaries and associated companies was entered into by the Group during the year ended 31 December 2012.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

Recognising the importance of a 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 former Code on Corporate Governance Practices (the "Former Code") contained in Appendix 15 to the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules"). Following various amendments to the GEM Listing Rules, which came into effect on 1 April 2012, the Former Code was renamed as the Corporate Governance Code (the "Code"). Save as disclosed below, the Directors consider that the Company has complied with the Code during the year ended 31 December 2012. 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.

Pursuant to paragraph E.1.2 of the Code, the chairman of the Board should attend the annual general meeting. Due to other business engagement, Mr. Lin Pintong, chairman of the Board, did not attend the last annual general meeting of the Company on 4 May 2012 and Mr. Han Wenqian, an executive Director acted as chairman of the annual general meeting to answer questions raised by the shareholders.

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 specific enquiry of all the Directors, save as disclosed below, all the Directors confirmed that they have complied with the code of conduct and required standard of dealings concerning securities transactions by the directors during the year ended 31 December 2012.

The Company's interim results announcement for the six months ended 30 June 2012 was scheduled to be announced on 14 August 2012 and the black-out period during which the Directors were prohibited from dealing in the Shares commenced on 15 July 2012 and ended on 14 August 2012. On 16 July 2012, in contravention of Rule 5.56(a)(ii) of the GEM Listing Rules which requires a director not to deal in any securities of an issuer during the period of 30 days immediately preceding the publication date of the half-year results up to the day when its results are published, Mr. Wang Fuqing, an executive Director, acquired 100,000 shares ("Shares") of the Company during the black-out period. The Company will reiterate and remind the Directors from time to time in respect of the relevant rules and requirements in relation to Directors' dealing in securities in order to ensure the compliance of the code of conduct and Rules 5.48 to 5.67 of the GEM Listing Rules.

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)*
Mr. Wang Fuqing (formerly a non-executive Director; re-designated as executive Director on 1 June 2012)

Non-Executive Director

Mr. Wang Jianqing

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 can contribute to the business of the Group. During the year ended 31 December 2012, the Company has complied with Rules 5.05A, 5.05(1) and (2) of the GEM Listing Rules relating to the appointment of at least three independent non-executive directors representing more than one-third of the Board 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 setting up 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 Chief Executive Officer ("CEO") of the Company.

RESPONSIBILITIES AND DELEGATION OF FUNCTIONS

The Company has formalised 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 (the "Company Secretary") and senior management of the Company, 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 CEO 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 should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer 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.

CORPORATE GOVERNANCE REPORT

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

Each of Mr. Lin Pintong, Mr. Ruan Deqing and Mr. Han Wenqian has entered into a service contract with the Company for an initial term of three years commencing from 17 December 2010 and Mr. Wang Fuqing has entered into a service contract with the Company for an initial term of three years commencing from 1 June 2012, all of 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 Director 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 who have been longest in office since their last re-election or appointment.

BOARD MEETING, GENERAL MEETING AND PROCEDURES

For the year ended 31 December 2012, the Board convened a total of eight Board meetings. The following is the Directors' attendance record of the board meetings held by the Board and the general meeting of the Company:

	Number of attendance/ number of Board meeting	Number of attendance/ number of general meeting
Mr. Lin Pintong	8/8	0/1
Mr. Ruan Deqing	8/8	0/1
Mr. Han Wenqian	7/8	1/1
Mr. Wang Fuqing	7/8	0/1
Mr. Wang Jianqing	8/8	0/1
Mr. Gao Xingbo	7/8	1/1
Mr. Feng Bing	8/8	0/1
Mr. Chen Shaofeng	8/8	0/1
Ms. Xing Zhibin	8/8	0/1

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

Schedules for annual Board meeting and draft agenda of each Board 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 three 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 of association 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.

CONTINUOUS PROFESSIONAL DEVELOPMENT

All Directors have been given relevant guideline materials regarding the duties and responsibilities of being a Director, the relevant laws and regulations applicable to the Directors, duty of disclosure of interest and business of the Group and such induction materials will also be provided to newly appointed Directors shortly upon their appointment as Directors of the Company. All Directors have been updated on the latest developments regarding the GEM Listing Rules and other applicable regulatory requirement to ensure compliance and enhance their awareness of good corporate governance practices. Continuing briefings and professional development to Directors will be arranged whenever necessary.

Pursuant to the code provision A.6.5 of the Code, for the financial year ended 31 December 2012, all Directors had participated in continuous professional development in the following manner:

	Type of trainings
Mr. Lin Pintong	A, B
Mr. Ruan Deqing	A, B
Mr. Han Wenqian	A, B
Mr. Wang Fuqing	A, B
Mr. Wang Jianqing	B
Mr. Gao Xingbo	B
Mr. Feng Bing	B
Mr. Chen Shaofeng	B
Ms. Xing Zhibin	B

A: attending internal briefing session in relation to corporate governance
B: reading materials in relation to regulatory update

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES

As at 31 December 2012, the Board has established three board committees, namely the 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 Stock Exchange and 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 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. During the year ended 31 December 2012, the Audit Committee had reviewed the final results of the Group for 2011, the 2011 annual report of the Company, the 2012 interim results and report of the Company and the quarterly results and report for the periods ended 31 March 2012 and 30 September 2012. The Audit Committee had reviewed the Group's internal controls for the year. The Group's final results for the year ended 31 December 2012 had been reviewed by the Audit Committee before submission to the Board for approval. Members of the Audit Committee were of the opinion that the preparation of such results complied with the applicable accounting standards, the GEM Listing Rules and that adequate disclosure have been made.

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

	Number of attendance/ number of meeting
Mr. Gao Xingbo	4/4
Mr. Feng Bing	4/4
Mr. Chen Shaofeng	4/4

REMUNERATION COMMITTEE

The Company established the Remuneration Committee on 17 December 2010 with written terms of reference in compliance with 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. During the year ended 31 December 2012, five meetings of the Remuneration Committee were held to review the remuneration package of the directors and senior management of the Group.

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

	Number of attendance/ number of meeting
Mr. Feng Bing	5/5
Mr. Ruan Deqing	5/5
Mr. Gao Xingbo	5/5

NOMINATION COMMITTEE

The Company established the Nomination Committee on 17 December 2010 with written terms of reference in compliance with the Code. 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 at least annually and to make recommendations on any proposed change to the Board to complement the Company's corporate strategy, 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 Nomination Committee has three member comprising Mr. Chen Shaofeng (Chairman), Mr. Lin Pintong and Mr. Gao Xingbo. During the year ended 31 December 2012, three meeting of the Nomination Committee was held to review the structure, composition of the Board and the succession plan for the Board. All members of the Nomination Committee attended the meeting.

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

	Number of attendance/ number of meeting
Mr. Chen Shaofeng	3/3
Mr. Lin Pintong	3/3
Mr. Gao Xingbo	3/3

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.

INDEPENDENT AUDITOR'S 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 2012, the remuneration paid or payable to the auditors of the Company in respect of the statutory audit services was approximately RMB1,621,000. No non-audit services provided by the auditors of the Company during the year.

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 Board 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.

SHAREHOLDERS' RIGHT

As one of the measures to safeguard shareholder's interest and rights, separate resolutions can be proposed at shareholders' meetings on each substantial issue, including the election of individual directors, for shareholders' consideration and voting. All resolutions put forward at shareholders' meeting will be voted by poll pursuant to the GEM Listing Rules and the poll voting results will be posted on the GEM website and the Company's website after the relevant shareholders' meeting.

Procedures for shareholders to convene an extraordinary general meeting

Pursuant to article 64 of the articles of association of the Company, an extraordinary general meeting of the Company ("EGM") may be convened by the Board on requisition of one or more shareholders (the "Requisitionist(s)") holding at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meeting (the "Requisition"). Such Requisition shall be made in writing to the Directors or the Company Secretary and sent to the Company's principal place of business in Hong Kong (details of which are set out in the section headed "Corporate Information" of this annual report). For the purpose of requiring an EGM to be called by the Directors, such Requisition must state the object of business to be transacted at the meeting and must be signed by the Requisitionists. The EGM shall be held within two months after the deposition of such Requisition. If the Board fails to proceed to convene such EGM within 21 days of the deposit of such Requisition, the Requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the Requisitionist(s) as a result of the failure of the Board shall be reimbursed to the Requisitionist(s) by the Company.

CORPORATE GOVERNANCE REPORT

Procedures for raising enquiries

Shareholders should direct their questions about their shareholdings, share transfer, registration and payment of dividend to the Company's Hong Kong share registrar (details of which are set out in the section headed "Corporate Information" of this annual report).

For putting forward any enquiries to the Board, shareholders may send written enquiries to the Company. Shareholders may send their enquiries or requests in respect of their rights to the Company's principal place of business in Hong Kong.

Shareholders are reminded to lodge their questions together with their detailed contact information for the prompt response from the Company if it deems appropriate.

Procedures and contact details for putting forward proposals at shareholders' meetings

To put forward proposals at a general meeting of the Company, shareholder should lodge a written notice of his/her/its proposal (the "Proposal") with his/her/its detailed contact information to the Company's principal place of business in Hong Kong.

The identity of such shareholder and his/her/its request will be verified with the Company's Hong Kong share registrar and upon confirmation by the Hong Kong share registrar that the request is proper and in order and made by a shareholder of the Company, the Board will determine in its sole discretion whether the Proposal may be included in the agenda for the general meeting to be set out in the notice of meeting.

The notice period to be given to all the shareholders of the Company for consideration of the Proposal raised by such shareholder concerned at the general meeting varies according to the nature of the Proposal as follows:

(1) Notice of not less than 21 clear days and not less than 20 clear business days in writing if the Proposal requires approval in an annual general meeting;

(2) Notice of not less than 21 clear days and not less than 10 clear business days in writing if the Proposal requires approval by way of a special resolution in an extraordinary general meeting; and

(3) Notice of not less than 14 clear days and not less than 10 clear business days in writing if the Proposal requires approval in an extraordinary general meeting other than by way of a special resolution of the Company.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Lin Pintong (林品通), aged 47, 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 an 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 in Hong Kong or overseas.

Mr. Ruan Deqing (阮德清), aged 48, 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 (福建華税廣告裝潢有限公司). 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 in Hong Kong or overseas.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Han Wenqian (韓文前), aged 44, 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. He is responsible for overseeing the sales and marketing activities of the Group. 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 in Hong Kong or overseas.

Mr. Wang Fuqing (王福清), aged 45, was appointed as a Non-Executive Director on 17 December 2010 and re-designated as Executive Director on 1 June 2012. 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 in Hong Kong or overseas.

Non-Executive Director

Mr. Wang Jianqing (王建青), aged 41, 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 in Hong Kong or overseas.

Independent Non-Executive Directors

Mr. Feng Bing (馮竝), aged 68, 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 in Hong Kong or overseas.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Gao Xingbo (高興波), aged 49, 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, professor 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 in Hong Kong or overseas. 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 48, 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 in Hong Kong or overseas.

Ms. Xing Zhibin (邢質斌), aged 64, 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 in Hong Kong or overseas.

SENIOR MANAGEMENT

Mr. Lee Man Tai (李文泰), aged 36, joined the Group in October 2012 and is the chief financial officer and Company Secretary. Mr. Lee 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. Lee graduated from Lingnan University (嶺南大學) in 2000 with a bachelor's degree in business of administration and obtained a master's degree of business of administration in financial services from The Hong Kong Polytechnic University (香港理工大學) in 2010. Mr. Lee is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. Mr. Lee has over ten years of professional experience in accounting and auditing. Mr. Lee worked with Victor W.N. Ngai & Co CPA (魏穎楠會計師事務所), from June 2000 to July 2001. He then worked with Grant Thornton CPA (均富會計師行) (then known as BDO Limited (香港立信德豪會計師事務所有限公司)) from September 2001 to April 2006. Before joining the Company, from October 2006 to October 2012, Mr. Lee was the chief financial officer and company secretary of China Yuanbang Property Holdings Limited (中國元邦房地產控股有限公司), a company incorporated in Bermuda whose shares are listed on the main board of the Singapore Exchange Securities Trading Limited with stock code B2X.

Mr. Li Dong Ping (李冬平), aged 44, 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. Zhou Mingliang (周明亮), aged 38, is the assistant to our Chief Executive Officer and the general manager of Shanghai Shanshan Media Advertising Co., Ltd. (上海山山傳媒廣告有限公司) ("Shanghai Shanshan"). Mr. Zhou is responsible for the overall operations of Shanghai Shanshan. 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 Jiangxi Province Lian Nong Limited (江西省聯農有限公司), 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 media consultant 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 Director 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 report and the audited financial statements of the Company for the year ended 31 December 2012 and the audited consolidated financial statements of the Group for the year ended 31 December 2012.

USE OF PROCEEDS

On 28 February 2011, the Company issued 150,000,000 new shares by placing for listing (the "Share Placing"). 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).

During the period from the latest practicable date (the "LPD") (as defined in the prospectus (the "Prospectus") of the Company dated 22 February 2011) to 31 December 2012, the net proceeds from the Share Placing and the partial exercise of the Over-allotment Option (as defined in the Prospectus) had been applied as follows:

Business objectives for the period from the LPD to 31 December 2012 as stated in the Prospectus	Planned use of proceeds from the LPD to 31 December 2012 as stated in the Prospectus (HK$ million) *(Note)*	Actual use of proceeds from the LPD to 31 December 2012 (HK$ million)	Actual business progress up to 31 December 2012
1. Extension of advertising business to train stations: To contract with two local railway bureaus for installation of outdoor advertising billboards and provide ongoing maintenance services for the advertising space.	108.0	73.4	The Group has signed the contracts with five local railway bureaus for installation of outdoor advertising billboards and LED. As at 31 December 2012, approximately HK$58.0 million has been paid as agency fees and deposits and approximately HK$15.4 million has been utilised for installation of billboards and LED at more than twenty train stations operated by these five local railway bureaus. Further investment will be made in the coming year when the installation of outdoor advertising billboards have been approved by the relevant local railway bureaus and/or the relevant train stations have been renovated so that the billboards can be installed.
2. Expansion of existing business alongside the development of the high-speed railway network in China: To establish new representative offices and employ 70 staff to promote and expand the sales network.	60.0	22.7	The Group has established two new representative offices at Henan and Hainan provinces. As of 31 December 2012, the Group has employed 60 new staff for the promotion and expansion of sales network in the above representative offices. Moreover, the Group has also employed an addition of 153 staff at other locations for the expansion of sale network.

	Business objectives for the period from the LPD to 31 December 2012 as stated in the Prospectus	Planned use of proceeds from the LPD to 31 December 2012 as stated in the Prospectus (HK$ million) *(Note)*	Actual use of proceeds from the LPD to 31 December 2012 (HK$ million)	Actual business progress up to 31 December 2012
3.	Commencement of the operation of new on-board media on trains in China: To make equity investment in a company to install LED panels and related audio/video systems on trains and make further equity investment in that company for the operation of LED panels and related systems on train.	38.0	38.0	Because of the change of policy of Ministry of Railway, the contract for the operation of LED panels and related audio/video system are subject to open tenders. Since the expected successful bidding price and/or investment costs become much higher than expected, the Directors have decided to re-allocate the proceeds to the new business of advertising on the headrest cover sheets, folding tables and poster frames on several routes of CRH trains.
4.	Acquiring additional advertising space on air traffic control towers: To commence the operation of additional advertising space on three air traffic control towers.	10.0	3.6	The Group has commenced the operation of additional advertising on six traffic control towers.
5.	Commencement of the advertising business on the internet: To launch website for advertising business and provision of information and services in relation to the China railway system and to continue the operation and maintenance of the website.	33.0	5.8	As the government will operate its own website in relation to the provision of information and services relating to China railway system, the Group can no longer launch and operate such website for its internet advertising business. The Directors have decided to re-allocate the proceeds to the new business of advertising on the headrest cover sheets, folding tables and poster frames on several routes of CRH trains.
6.	Repayment of amount due to Lizhong Limited ("Lizhong"): To repay HK$40 million due to Lizhong.	40.0	40.0	The Group has repaid HK$40 million to Lizhong.
Total		289.0	183.5	

Note: This sum represents an aggregate amount of the planned use of proceeds from each of the periods from the LPD to 31 December 2012 as stated in the Prospectus, save for the commencement of operation of new on-board media on trains in China which was for the period from the LPD to 31 December 2011 and repayment of amount due to Lizhong which was for the period from the LPD to 30 June 2011 only.

REPORT OF THE DIRECTORS

Actual application of the net proceeds, except for the commencement of operation of new on-board media on trains in China and the repayment of amount due to Lizhong, was lower as compared to the planned application due to the reasons as explained above and/or the CRH train accident happened on 23 July 2011 which slowed down the development of CRH train in China. The Directors expect that some of the business objectives stated in the Prospectus for the period from the LPD to 31 December 2012 will be revisited in 2013. The Directors will constantly evaluate the Group's business objectives and will change or modify plans against the changing market condition to ascertain the business growth of the Group.

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 loss for the year ended 31 December 2012 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 45 to 123 of this annual report.

The Directors did not recommend the payment of any dividend for the year ended 31 December 2012 (2011: Nil).

CLOSURE OF THE REGISTER OF MEMBER

The register of members of the Company will be closed from 2 May 2013 to 3 May 2013, both dates inclusive, during which period no transfer of shares (the "Shares") of the Company could be registered for determination of entitlement of shareholders of the Company to the attendance at the forthcoming annual general meeting of the Company.

FIVE YEAR FINANCIAL SUMMARY

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the past five financial years, as extracted from the audited financial statements in this annual report and the Prospectus is set out on page 124 of this annual report. This summary does not form part of the audited financial statements.

INTERESTS OF THE COMPLIANCE ADVISER

As notified by Oriental Patron Asia Limited ("OPAL"), the compliance adviser of the Company, save for an indirect holding of 1,778,000 Shares by an associate (as defined under the GEM Listing Rules) of OPAL, of which 1,206,000 Shares has been subsequently disposed of after 31 December 2012, neither OPAL nor its directors or employees or associates (as defined under the GEM Listing Rules) had any interests in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities) as at 31 December 2012 pursuant to Rule 6A.32 of the GEM Listing Rules.

Pursuant to an agreement dated 23 February 2011 entered into between OPAL and Company, OPAL has received and will receive fee for acting as the compliance adviser of the Company for the period from 28 February 2011 (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 (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 "Stabilisation Period").

Oriental Patron Securities Limited (being an associate of OPAL) acted as the stabilising manager in connection with the Placing and thus Oriental Patron Securities Limited may deal with the Shares in discharging its duties as the stabilising manager during the Stabilisation 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.

REPORT OF THE DIRECTORS

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

During the year ended 31 December 2012, the Company repurchased 1,468,000 issued ordinary Shares of the Company on the Stock Exchange with a view to benefiting shareholders as a whole by enhancing the net assets and earnings per Share of the Company. Accompanying the 432,000 Shares which were repurchased in 2011 but have not been cancelled as at 31 December 2011, 1,900,000 Shares were cancelled in January 2012.

Month of repurchase	Number of Shares repurchased	Highest price paid per Share	Lowest price paid per Share	Aggregate consideration paid	Equivalent aggregate consideration paid
		HK$	*HK$*	*HK$'000*	*RMB'000*
January 2012	1,468,000	0.69	0.64	989	817

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities for the year ended 31 December 2012.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 30 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2012, 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 RMB195,488,000 (2011: RMB204,113,000).

MAJOR CUSTOMERS AND SUPPLIERS

Sales to the Group's five largest customers accounted for approximately 21.5% (2011: 15.8%) of the total sales for the year and sales to the largest customer included therein amounted to approximately 7.8% (2011: 5.3%) of the total sales for the year. Services supplied from the Group's five largest suppliers accounted for approximately 56.5% (2011: 43.5%) of the total cost of sales for the year and service supplied from the Group's largest supplier included therein amounted to approximately 15.9% (2011: 17.9%) 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 29 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)*
Mr. Ruan Deqing
Mr. Han Wenqian *(Chief Executive Officer)*
Mr. Wang Fuqing (formerly a non-executive Director; re-designated as executive Director on 1 June 2012)

Non-Executive Director

Mr. Wang Jianqing

Independent Non-Executive Directors

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

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. Han Wenqian, Mr. Wang Jianqing and Ms. Xing Zhibin will retire at the forthcoming annual general meeting, Mr. Han Wenqian and Mr. Wang Jianqing, being eligible, will offer themselves for re-election at the annual general meeting. Ms. Xing Zhibin will not offer herself for re-election.

REPORT OF THE DIRECTORS

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of Directors 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 Mr. Lin Pintong, Mr. Ruan Deqing and Mr. Han Wenqian has entered into a service contract with the Company for an initial term of three years with effect from 17 December 2010 and Mr. Wang Fuqing has entered into a service contract with the Company for an initial term of three years commencing from 1 June 2012, all of 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 Director 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 8 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 2012, the Directors were not aware of any business or interest of each of the Directors, controlling shareholders and their respective associates (as defined in the GEM Listing Rules) 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.

REPORT OF THE DIRECTORS

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

As at 31 December 2012, 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")) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange, pursuant to the required standard of dealings by directors of listed issuer referred to in rule 5.46 of the GEM Listing Rules, 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	Interest of a controlled corporation	265,500,000 ordinary Shares *(Note 1)*	44.25
Mr. Ruan Deqing	Interest of a controlled corporation	265,500,000 ordinary Shares *(Note 2)*	44.25
Mr. Han Wenqian	Interest of a controlled corporation	9,000,000 ordinary Shares *(Note 3)*	1.50
Mr. Wang Fuqing	Interest of a controlled corporation	28,638,000 ordinary Shares *(Note 4)*	4.77
	Beneficial owner	1,194,000 ordinary Shares	0.20

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"), an 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 31 December 2012, 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) as recorded in the register required to be kept under Section 352 of the SFO.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as is known to the Directors, as at 31 December 2012, 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	6.00
Mr. Wang Shouzhong *(Note 6)*	Interest of a controlled corporation	36,000,000	6.00
Ms. Liu Jumei *(Note 6)*	Interest of spouse	36,000,000	6.00

REPORT OF THE DIRECTORS

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 for the purposes of the SFO.

(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 31 December 2012, 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 as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

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 13 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 29 to the financial statements.

The remuneration of the senior management of the Group by band for the year ended 31 December 2012 is set out below:

Remuneration bands	Number of senior management
Nil to RMB500,000	1
RMB500,001 to RMB1,000,000	1
RMB1,000,001 to RMB1,500,000	1
	3

Further details of the Directors' remuneration and the five highest paid employees are set out in notes 8 and 9 to the financial statements respectively.

RELATED PARTY TRANSACTIONS

Details of related party transactions of the Group during the year ended 31 December 2012 are set out in note 37 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 and Beijing Datisu Media Advertising Co., Ltd, (collectively the "Contracting Entities", each a "Contracting Entity") 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, Mr. Ruan and the Contracting Entities (collectively, the "Connected Persons") were regarded as connected persons of the Company.

REPORT OF THE DIRECTORS

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 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 Contracting Entities; and (iii) Mr. Lin and Mr. Ruan, whereby the Contracting Entities have undertaken, among others, not to enter into any material business transaction without the prior written consent of Aoshen Technology. The 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 Contracting Entities. Any dividend distributable reserve and/or other assets (including residual assets upon dissolution of the Contracting Entities) derived from the equity interests in the 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 Contracting Entity;

(2) exclusivity agreements ("Exclusivity Agreements") dated 17 December 2010 entered into between Aoshen Technology and the Contracting Entities whereby the 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 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 Contracting Entities will be equivalent to the total revenue less all the related costs, expenses and taxes of the respective 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 Contracting Entity;

(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 pledged their entire interests in each of the 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 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 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 Contracting Entity, as well as upon which the relevant Contracting Entity is no longer responsible for the performance under the Exclusivity Agreements; and they will be automatically terminated upon dissolution of the relevant Contracting Entity;

(4) option agreements dated 17 December 2010 entered into between Aoshen Hong Kong, each of Mr. Lin and Mr. Ruan and each of the Contracting Entities whereby Aoshen Hong Kong has been granted options to acquire the entire equity interest in the 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 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 Contracting Entities, any dividends, distributable reserve and/or other assets (including residual assets upon dissolution of the 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 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 Contracting Entity; 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 Contracting Entities whereby the Group is authorised to exercise its rights in the Contracting Entities as if it were the ultimate beneficial owner of the 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 to provide the Group with effective control over the financial and operational policies of the Contracting Entities, Fuzhou Haidu Commercial Travel Media Co., Ltd and Beijing Luwang Culture Media Company Limited (collectively the "Operating Entities"), to obtain the economic benefits from the Operating Entities and acquire the equity interests in the Contracting Entities as and when permitted under the applicable PRC laws and to allow the Company to consolidate the financial results of the 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;

REPORT OF THE DIRECTORS

(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 Contracting Entities has been substantially retained by Aoshen Technology; and

(4) no dividends or other distributions have been made by the 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, 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

The Group has no significant events after the reporting period.

AUDITORS

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, 25 March 2013

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 45 to 123, which comprise the consolidated and company statements of financial position as at 31 December 2012, 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.

INDEPENDENT AUDITORS' REPORT

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 2012, and of the Group's loss 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
22/F, CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

25 March 2013

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2012

	Notes	**2012** **RMB'000**	2011 RMB'000
REVENUE	6	**226,353**	216,841
Cost of sales		**(149,717)**	(83,600)
Gross profit		**76,636**	133,241
Other income/(expense) and gains, net	6	**(2,135)**	4,220
Selling and distribution expenses		**(86,967)**	(49,006)
Administrative expenses		**(58,080)**	(39,117)
Other operating expenses		**(28,342)**	(22,739)
Share of profits and losses of:			
A jointly-controlled entity		**(439)**	(414)
Associates		**(632)**	223
PROFIT/(LOSS) BEFORE TAX	7	**(99,959)**	26,408
Income tax expense	10	**(7,621)**	(11,974)
PROFIT/(LOSS) FOR THE YEAR		**(107,580)**	14,434
Attributable to:			
Owners of the Company	11	**(107,109)**	14,923
Non-controlling interests		**(471)**	(489)
		(107,580)	14,434
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	13		
Basic (cents)		**(RMB17.85)**	RMB2.58
Diluted (cents)		**(RMB17.85)**	RMB2.58

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2012

	2012	2011
	RMB'000	*RMB'000*
PROFIT/(LOSS) FOR THE YEAR	**(107,580)**	14,434
OTHER COMPREHENSIVE LOSS FOR THE YEAR:		
Exchange differences on translation of foreign operations	**(914)**	(5,557)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	**(108,494)**	8,877
Attributable to:		
Owners of the Company	**(108,023)**	9,366
Non-controlling interests	**(471)**	(489)
	(108,494)	8,877

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**8,349**	5,820
Intangible assets	15	**2,351**	13,968
Other non-current assets	16	**21,080**	17,551
Investment in a jointly-controlled entity	18	**573**	1,012
Investments in associates	19	**8,049**	2,115
Available-for-sale investment	20	**439**	1,277
Deposits	22	**27,733**	10,579
Total non-current assets		**68,574**	52,322
CURRENT ASSETS			
Trade receivables	21	**43,409**	44,318
Prepayments, deposits and other receivables	22	**35,356**	60,553
Amounts due from directors	26	**3,260**	30,611
Amount due from a shareholder	26	**16,815**	–
Cash and cash equivalents	23	**142,587**	210,850
Total current assets		**241,427**	346,332
CURRENT LIABILITIES			
Trade payables	24	**30,214**	15,948
Other payables and accruals	25	**42,066**	27,138
Amounts due to directors	26	**–**	454
Amount due to a shareholder	26	**–**	1,784
Amount due to a related company	26	**–**	1,900
Tax payable		**2,294**	4,087
Total current liabilities		**74,574**	51,311
NET CURRENT ASSETS		**166,853**	295,021
TOTAL ASSETS LESS CURRENT LIABILITIES		**235,427**	347,343
NON-CURRENT LIABILITIES			
Deferred tax liabilities	27	**564**	3,468
Net assets		**234,863**	343,875

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
EQUITY			
Equity attributable to owners of the Company			
Issued capital	*28*	**3,957**	3,969
Reserves	*30(a)*	**224,094**	332,923
		228,051	336,892
Non-controlling interests		**6,812**	6,983
Total equity		**234,863**	343,875

Lin Pintong
Director

Ruan Deqing
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2012

		Attributable to owners of the Company										
	Notes	Issued capital RMB'000	Share premium account * RMB'000	Treasury shares * RMB'000	Capital reserve * RMB'000 (note 30(a))	Statutory reserve * RMB'000 (note 30(a))	Share redemption reserve * RMB'000	Exchange reserve * RMB'000	Retained profits * RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2011		2,967	9,469	–	26,153	10,030	–	926	60,572	110,117	2,972	113,089
Profit/(loss) for the year		–	–	–	–	–	–	–	14,923	14,923	(489)	14,434
Other comprehensive loss for the year:												
Exchange differences on translation of foreign operations		–	–	–	–	–	–	(5,557)	–	(5,557)	–	(5,557)
Total comprehensive income/(loss) for the year		–	–	–	–	–	–	(5,557)	14,923	9,366	(489)	8,877
Capital contribution from non-controlling shareholders of subsidiaries		–	–	–	–	–	–	–	–	–	4,500	4,500
Issue of shares	28(a), (b)	1,009	230,463	–	–	–	–	–	–	231,472	–	231,472
Share issue expenses		–	(13,366)	–	–	–	–	–	–	(13,366)	–	(13,366)
Equity-settled share option transactions	29(a)	–	–	–	86	–	–	–	–	86	–	86
Repurchase and cancellation of ordinary shares	28(c)	(7)	(560)	–	–	–	7	–	(7)	(567)	–	(567)
Net change in treasury shares	28(c)	–	–	(216)	–	–	–	–	–	(216)	–	(216)
Transfer to statutory reserve		–	–	–	–	2,405	–	–	(2,405)	–	–	–
At 31 December 2011 and 1 January 2012		3,969	226,006	(216)	26,239	12,435	7	(4,631)	73,083	336,892	6,983	343,875

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2012

		Attributable to owners of the Company										
	Notes	Issued capital RMB'000	Share premium account * RMB'000	Treasury shares * RMB'000	Capital reserve * RMB'000 (note 30(a))	Statutory reserve * RMB'000 (note 30(a))	Share redemption reserve * RMB'000	Exchange reserve * RMB'000	Retained profits (accumulated loss)* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 31 December 2011 and 1 January 2012		3,969	226,006	(216)	26,239	12,435	7	(4,631)	73,083	336,892	6,983	343,875
Loss for the year		–	–	–	–	–	–	–	(107,109)	(107,109)	(471)	(107,580)
Other comprehensive loss for the year:												
Exchange differences on translation of foreign operations		–	–	–	–	–	–	(914)	–	(914)	–	(914)
Total comprehensive loss for the year		–	–	–	–	–	–	(914)	(107,109)	(108,023)	(471)	(108,494)
Capital contribution from non-controlling shareholders of subsidiaries		–	–	–	–	–	–	–	–	–	300	300
Repurchase and cancellation of ordinary shares	*28(d)*	(12)	(1,022)	–	–	–	12	–	(12)	(1,034)	–	(1,034)
Net change in treasury shares	*28(c)*	–	–	216	–	–	–	–	–	216	–	216
Transfer to statutory reserve		–	–	–	–	353	–	–	(353)	–	–	–
At 31 December 2012		3,957	224,984	–	26,239	12,788	19	(5,545)	(34,391)	228,051	6,812	234,863

* These reserve accounts comprise the consolidated reserves of RMB224,094,000 (2011: RMB332,923,000) in the consolidated statement of financial position as at 31 December 2012.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		**(99,959)**	26,408
Adjustments for:			
Share of profits and losses of:			
A jointly-controlled entity		**439**	414
Associates		**632**	(223)
Bank interest income	6	**(2,301)**	(2,134)
Amortised interest expense on non-current deposits, net	6	**6,146**	447
Loss on disposal of items of property, plant and equipment	7	**–**	2
Depreciation	7	**1,371**	1,331
Amortisation of intangible assets	7	**2,930**	2,931
Amortisation of other non-current assets	7	**1,278**	1,278
Impairment of trade receivables	7	**16,926**	22,688
Impairment of intangible assets	7	**8,687**	–
Impairment of available-for-sale investment	7	**838**	–
Impairment of non-current deposits	7	**1,500**	–
Equity-settled share option expenses	7	**–**	86
		(61,513)	53,228
Increase in trade receivables		**(16,733)**	(8,928)
Decrease/(increase) in prepayments, deposits and other receivables		**25,197**	(37,035)
Decrease in amounts due from directors		**27,351**	1,765
Increase in amount due from a shareholder		**(16,815)**	–
Increase in amounts due from fellow subsidiaries		**–**	(2,766)
Increase in trade payables	32	**15,200**	8,074
Increase/(decrease) in other payables and accruals		**14,928**	(1,560)
Increase/(decrease) in an amount due to a related company		**(1,900)**	1,900
Cash generated used in operations		**(14,285)**	14,678
Interest received		**2,301**	2,134
PRC tax paid		**(12,318)**	(27,139)
Net cash flows used in operating activities		**(24,302)**	(10,327)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment	14, 32	**(3,184)**	(2,642)
Additions to other non-current assets	16	**(4,807)**	(9,481)
Capital contribution to associates		**(7,500)**	–
Acquisition of an available-for-sale investment	20	**–**	(1,277)
Additions to non-current deposits		**(24,800)**	(5,500)
Increase in time deposits with original maturity of over three months when acquired	23	**–**	(10,350)
Disposals of subsidiaries	31	**–**	(25,789)
Net cash flows used in investing activities		**(40,291)**	(55,039)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares under public placing	28(a), (b)	–	231,472
Share issue expenses		–	(13,366)
Repurchase of shares	28(c), (d)	(818)	(783)
Capital contribution from non-controlling shareholders of subsidiaries		300	4,500
Decrease in amounts due to directors		(454)	(2,785)
Decrease in an amount due to a shareholder		(1,784)	(50,717)
Net cash flows from/(used in) financing activities		(2,756)	168,321
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(67,349)	102,955
Cash and cash equivalents at beginning of year		200,500	103,102
Effect of foreign exchange rate changes, net		(914)	(5,557)
CASH AND CASH EQUIVALENTS AT END OF YEAR		132,237	200,500
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	23	50,539	70,755
Non-pledged time deposits with original maturity of less than three months when acquired	23	92,048	140,095
Cash and cash equivalents as stated on the consolidated statement of financial position		142,587	210,850
Non-pledged time deposit with original maturity of more than three months when acquired	23	(10,350)	(10,350)
		132,237	200,500

STATEMENT OF FINANCIAL POSITION

31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
NON-CURRENT ASSETS			
Investments in subsidiaries	17	**–**	–
Total non-current assets		**–**	–
CURRENT ASSETS			
Amount due from a subsidiary	17	**201,067**	205,383
Cash and cash equivalents		**342**	3,580
Total current assets		**201,409**	208,963
CURRENT LIABILITIES			
Accruals	25	**1,709**	771
Amount due to a subsidiary	17	**255**	110
Total current liabilities		**1,964**	881
NET CURRENT ASSETS		**199,445**	208,082
Net assets		**199,445**	208,082
EQUITY			
Issued capital	28	**3,957**	3,969
Reserves	30(b)	**195,488**	204,113
Total equity		**199,445**	208,082

Lin Pintong
Director

Ruan Deqing
Director

NOTES TO FINANCIAL STATEMENTS

31 December 2012

1. CORPORATE INFORMATION

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 address of the Company is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands and the principal place of business of the Company is Room 4215, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong.

Pursuant to a reorganisation (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 then 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 principal activity of the Company is investment holding. 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 outdoor advertising spaces on air traffic control towers at airports, trains and railway stations in Mainland China.

2.1 BASIS OF PREPARATION

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. These financial statements have been prepared under the historical cost convention. They are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2012. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if it results in a deficit balance.

2.1 BASIS OF PREPARATION *(continued)*

Basis of consolidation *(continued)*

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an entity 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/(accumulated loss), as appropriate.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following revised IFRSs for the first time for the current year's financial statements.

IFRS 1 Amendments	Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards — Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Disclosures — Transfers of Financial Assets*
IAS 12 Amendments	Amendments to IAS 12 *Income Taxes — Deferred Tax: Recovery of Underlying Assets*

The adoption of these revised IFRSs has had no significant financial effect on these financial statements.

2.3 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:

IAS 1 Amendments	Amendments to IAS 1 *Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income*[1]
IFRS 1 Amendments	Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards — Government Loans*[2]
IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities*[2]
IFRS 9	*Financial Instruments*[4]
IFRS 10	*Consolidated Financial Statements*[2]
IFRS 11	*Joint Arrangements*[2]
IFRS 12	*Disclosure of Interests in Other Entities*[2]
IFRS 10, IFRS 11 and IFRS 12 Amendments	Amendments to IFRS 10, IFRS 11 and IFRS 12 — *Transition Guidance*[2]
IFRS 10, IFRS 12 and IAS 27 (2011) Amendments	Amendments to IFRS 10, IFRS 12 and IAS 27 (2011) — *Investment Entities*[3]
IFRS 13	*Fair Value Measurement*[2]
IFRIC 20	*Stripping Costs in the Production Phase of a Surface Mine*[2]
IAS 19 Amendments	Amendments to IAS 19 *Employee Benefits*[2]
IAS 27 (Revised)	*Separate Financial Statements*[2]
IAS 28 (Revised)	*Investments in Associates and Joint Ventures*[2]
IAS 32 Amendments	Amendments to IAS 32 *Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities*[3]
Annual Improvements 2009–2011 Cycle	Amendments to a number of IFRSs issued in May 2012[2]

1 Effective for annual periods beginning on or after 1 July 2012
2 Effective for annual periods beginning on or after 1 January 2013
3 Effective for annual periods beginning on or after 1 January 2014
4 Effective for annual periods beginning on or after 1 January 2015

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

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.

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;

(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; or

(d) an equity investment accounted for in accordance with IAS 39, if the Group holds, directly or indirectly, less than 20% of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

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

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.

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.

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

Impairment of non-financial assets *(continued)*

An assessment is made at the end of each reporting period as to whether there is an 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 is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party:

(iv) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(v) the entity is controlled or jointly controlled by a person identified in (a); and

(vi) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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 depreciates them accordingly.

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 including 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 assets

Other non-current assets are stated at costs less accumulated amortisation and any impairment losses. They are amortised on the straight-line basis over their respective estimated useful life, i.e., the term of the exclusive advertising right.

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

Other non-current assets *(continued)*

Other non-current assets comprise the payments to:

(a) an independent third party which was ultimately authorised with the advertising agency right by a department of the People's Republic of China (the "PRC") government for the installation and construction of necessary ancillary at various airports' air traffic control towers (the "Towers") in the PRC, for the purpose of displaying advertisements. The term of the exclusive advertising right on the Towers was 9 years, commencing from the date when the Group starts using the advertising area of the Towers; and

(b) independent third parties which were ultimately authorised with the advertising agency right by a department of the PRC government for the installation and construction of outdoor advertising spaces at various railway stations in the PRC, for the purpose of displaying advertisements. The terms of the exclusive advertising rights on these advertising spaces ranged from 3 to 5.5 years, commencing from the date when the Group obtained the exclusive advertising rights.

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.

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 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.

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

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 transaction cost, except in the case of financial assets recorded at fair value through profit or loss.

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.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

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/(expense) and gains, net, in the income statement. The loss arising from impairment is recognised in the income statement.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

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

Investments and other financial assets *(continued)*

Available-for-sale financial investments (continued)

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the income statement in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the income statement in other operating expenses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the income statement as other income in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management's intent to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets.

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.

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

Derecognition of financial assets *(continued)*

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it 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 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 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 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 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, net of directly attributable transaction costs.

The Group's financial liabilities include trade payables, other payables and accruals and amounts due to directors, a related company and a shareholder.

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

Financial liabilities *(continued)*

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 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.

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 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.

Treasury shares

Own equity instruments which are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration is recognised in equity.

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

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 jurisdictions 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:

- when 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

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when 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.

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

Income tax *(continued)*

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 the outdoor advertising spaces at airport control towers, trains and railway stations on a time proportion basis over the terms of the relevant agreements; and

(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 over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

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

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.

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

Employee benefits *(continued)*

Share-based payments

The shareholder 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 payments, 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 29 to these financial statements.

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 payments, 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.

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

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 prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in 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 gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

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 prevailing 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.

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.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

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 their accompanying disclosures, and the disclosure of contingent liabilities. 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 described below.

Useful life of an intangible asset — customer relationship

The Group determines the estimated useful life at 5.5 years and the 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, including "other non-current 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 outdoor advertising spaces at the Towers, trains and railway stations; and

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

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/(loss), which is a measure of adjusted profit/(loss) before tax.

The adjusted profit/(loss) before tax is measured consistently with the Group's profit/(loss) before tax except that bank interest income, amortised interest expense on non-current deposits, net, other unallocated income and gains, net, share of profits and losses of a jointly-controlled entity and associates 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, impairment of intangible assets, impairment of available-for-sale investment and impairment of non-current deposits.

Segment assets include trade receivables, non-current deposits, other non-current assets, intangible assets and prepayments 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.

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 2012				
Segment revenue:				
Sales to external customers	**145,901**	**72,726**	**7,726**	**226,353**
Segment results	**69,364**	**(18,953)**	**(888)**	**49,523**
Reconciliation:				
Bank interest income				**2,301**
Amortised interest expense on non-current deposits, net				**(6,146)**
Other unallocated income and gains, net				**1,710**
Share of profits and losses of:				
A jointly-controlled entity				**(439)**
Associates				**(632)**
Corporate and other unallocated expenses				**(146,276)**
Loss before tax				**(99,959)**
Income tax expense				**(7,621)**
Loss for the year				**(107,580)**
Segment assets	**32,074**	**76,774**	**5,824**	**114,672**
Reconciliation:				
Investment in a jointly-controlled entity				**573**
Investments in associates				**8,049**
Available-for-sale investment				**439**
Cash and cash equivalents				**142,587**
Amounts due from directors				**3,260**
Amount due from a shareholder				**16,815**
Corporate and other unallocated assets				**23,606**
Total assets				**310,001**

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 2012 (continued)				
Segment liabilities	**(20,734)**	**(22,792)**	**–**	**(43,526)**
Reconciliation:				
Corporate and other unallocated liabilities				**(31,612)**
Total liabilities				**(75,138)**
Other segment information:				
Depreciation (unallocated)				**1,371**
Amortisation of intangible assets	**1,891**	**110**	**929**	**2,930**
Amortisation of other non-current assets	**–**	**1,278**	**–**	**1,278**
Impairment of trade receivables	**8,363**	**768**	**7,795**	**16,926**
Impairment of intangible assets	**8,687**	**–**	**–**	**8,687**
Impairment of available-for-sale investment (unallocated)				**838**
Impairment of non-current deposits	**–**	**1,500**	**–**	**1,500**
Capital expenditure (allocated)*	**–**	**4,807**	**–**	**4,807**
Capital expenditure (unallocated)**				**3,184**

* Capital expenditure (allocated) consists of additions to other non-current assets during the year.

** Capital expenditure (unallocated) consists of additions to property, plant and equipment 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 2011				
Segment revenue:				
Sales to external customers	180,148	23,698	12,995	216,841
Segment results	107,026	289	3,238	110,553
Reconciliation:				
Bank interest income				2,134
Amortised interest expense on non-current deposits, net				(447)
Other unallocated income and gains, net				2,533
Share of profits and losses of:				
A jointly-controlled entity				(414)
An associate				223
Corporate and other unallocated expenses				(88,174)
Profit before tax				26,408
Income tax expense				(11,974)
Profit for the year				14,434
Segment assets	44,747	63,949	3,790	112,486
Reconciliation:				
Investment in a jointly-controlled entity				1,012
Investment in an associate				2,115
Available-for-sale investment				1,277
Cash and cash equivalents				210,850
Amounts due from directors				30,611
Corporate and other unallocated assets				40,303
Total assets				398,654

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 2011 (continued)				
Segment liabilities	(18,112)	(5,919)	(2,455)	(26,486)
<u>*Reconciliation:*</u>				
Corporate and other unallocated liabilities				(28,293)
Total liabilities				(54,779)
Other segment information:				
Depreciation (unallocated)				1,331
Amortisation of intangible assets	1,892	110	929	2,931
Amortisation of other non-current assets	–	1,278	–	1,278
Impairment of trade receivables	14,739	–	7,949	22,688
Capital expenditure (allocated)*	–	9,481	–	9,481
Capital expenditure (unallocated)**				3,919

* Capital expenditure (allocated) consists of additions to other non-current assets during the year.

** Capital expenditure (unallocated) consists of additions to property, plant and equipment and an acquisition of an available-for-sale investment during the year.

Geographical information

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

Information about major customers

For the years ended 31 December 2012 and 2011, no revenue derived from a single customer of the Group 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, net, is as follows:

	2012	2011
	RMB'000	*RMB'000*
Revenue		
Printed media advertising income	**149,400**	188,079
Outdoor advertising income	**74,532**	24,666
Audio advertising income	**8,030**	13,461
	231,962	226,206
Less: Business tax	**(5,609)**	(9,365)
Total	**226,353**	216,841
Other income/(expense) and gains, net		
Bank interest income	**2,301**	2,134
Amortised interest expense on non-current deposits, net *(note 22)*	**(6,146)**	(447)
Government grants*	**653**	2,325
Others	**1,057**	208
Total	**(2,135)**	4,220

* There are no unfulfilled conditions or contingencies relating to the government grants.

7. PROFIT/(LOSS) BEFORE TAX

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

	Notes	2012 RMB'000	2011 RMB'000
Depreciation	14	**1,371**	1,331
Amortisation of intangible assets	15	**2,930**	2,931
Amortisation of other non-current assets	16	**1,278**	1,278
Impairment of trade receivables*	21	**16,926**	22,688
Impairment of intangible assets*	15	**8,687**	–
Impairment of available-for-sale investment*	20	**838**	–
Impairment of non-current deposits*		**1,500**	–
Minimum lease payments under operating leases on land and buildings		**5,700**	5,089
Employee benefit expense (including directors' remuneration *(note 8)*):			
Wages and salaries		**74,018**	46,844
Equity-settled share option expenses		**–**	86
Pension scheme contributions**		**6,992**	4,929
		81,010	51,859
Auditors' remuneration		**1,621**	1,582
Exchange loss/(gain), net		**(523)**	3,919
Loss on disposal of items of property, plant and equipment		**–**	2

* The impairment of trade receivables, the impairment of intangible assets, the impairment of available-for-sale investment and the impairment of non-current deposits are included in "other operating expenses" on the face of the consolidated income statement.

** 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:

	2012	2011
	RMB'000	*RMB'000*
Fees	**983**	488
Other emoluments:		
Salaries, allowances and benefits in kind	**1,443**	1,381
Discretionary bonus	**–**	1,000
Equity-settled share option expenses	**–**	86
Pension scheme contributions	**27**	27
	1,470	2,494
	2,453	2,982

8. DIRECTORS' REMUNERATION *(continued)*

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

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonus RMB'000	Equity-settled share option expenses RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
31 December 2012						
Non-executive director:						
Mr. Wang Jianqing	–	–	–	–	–	–
Mr. Wang Fuqing#	–	–	–	–	–	–
	–	–	–	–	–	–
Independent non-executive directors:						
Mr. Feng Bing ("Mr. Feng")	180	–	–	–	–	180
Mr. Gao Xingbo ("Mr. Gao")	180	–	–	–	–	180
Mr. Chen Shaofeng ("Mr. Chen")	180	–	–	–	–	180
Mr. Xing Zhibin ("Mr. Xing")	180	–	–	–	–	180
	720	–	–	–	–	720

8. DIRECTORS' REMUNERATION *(continued)*

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

	Fees	Salaries, allowances and benefits in kind	Discretionary bonus	Equity-settled share option expenses	Pension scheme contributions	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2011						
Non-executive directors:						
Mr. Wang Jianqing	–	–	–	–	–	–
Mr. Wang Fuqing#	–	–	–	–	–	–
	–	–	–	–	–	–
Independent non-executive directors:						
Mr. Feng	122	–	–	–	–	122
Mr. Gao	122	–	–	–	–	122
Mr. Chen	122	–	–	–	–	122
Mr. Xing	122	–	–	–	–	122
	488	–	–	–	–	488

8. DIRECTORS' REMUNERATION *(continued)*

(b) Executive directors

	Fees	Salaries, allowances and benefits in kind	Discretionary bonus	Equity-settled share option expenses	Pension scheme contributions	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2012						
Executive directors:						
Mr. Lin Pintong ("Mr. Lin")	–	481	–	–	4	485
Mr. Ruan Deqing ("Mr. Ruan")	–	481	–	–	3	484
Mr. Han Wenqian ("Mr. Han")^	–	481	–	–	20	501
Mr. Wang Fuqing#	263	–	–	–	–	263
	263	1,443	–	–	27	1,733

8. DIRECTORS' REMUNERATION *(continued)*

(b) Executive directors *(continued)*

	Fees	Salaries, allowances and benefits in kind	Discretionary bonus	Equity-settled share option expenses	Pension scheme contributions	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2011						
Executive directors:						
Mr. Lin	–	446	–	–	4	450
Mr. Ruan	–	446	–	–	3	449
Mr. Han^	–	489	1,000	86	20	1,595
	–	1,381	1,000	86	27	2,494

With effect from 1 June 2012, Mr. Wang Fuqing, a non-executive director of the Company, was re-designated as an executive director of the Company.

^ Mr. Han is also the chief executive officer of the Group.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2011: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

During the year ended 31 December 2012, the five highest paid individuals were not directors of the Company (2011: two were directors of the Company).

Details of the remuneration for the year of the five (2011: remaining three) highest paid employees are as follows:

	2012	2011
	RMB'000	*RMB'000*
Salaries, allowances and benefits in kind	**3,601**	1,936
Pension scheme contributions	**128**	68
	3,729	2,004

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

	Number of employees	
	2012	2011
Nil to RMB500,000	**–**	1
RMB500,001 to RMB1,000,000	**4**	2
RMB1,000,001 to RMB1,500,000	**1**	–
	5	3

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 (2011: Nil). Taxes on profits assessable in Mainland China have been calculated at the prevailing tax rate, 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%.

	2012	2011
	RMB'000	*RMB'000*
Group:		
Current — Mainland China		
Charge for the year	**6,080**	12,363
Underprovision in prior periods	**4,445**	221
Deferred *(note 27)*	**(2,904)**	(610)
Total tax charge for the year	**7,621**	11,974

A reconciliation of the tax expense/(credit) applicable to profit/(loss) before tax at the statutory tax rate for the jurisdictions in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	2012	2011
	RMB'000	*RMB'000*
Profit/(loss) before tax	**(99,959)**	26,408
Tax at the applicable tax rate	**(24,990)**	6,602
Adjustments in respect of current tax of previous periods	**4,445**	221
Losses attributable to a jointly-controlled entity	**110**	104
Losses/(profits) attributable to associates	**158**	(56)
Income not subject to tax	**(1,551)**	(1,037)
Expenses not deductible for tax	**20,903**	5,027
Tax losses not recognised	**8,386**	1,152
Tax losses utilised from previous periods	**–**	(123)
Others	**160**	84
Tax expense at the effective tax rate	**7,621**	11,974

11. PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated profit/(loss) attributable to owners of the Company for the year ended 31 December 2012 includes a loss of RMB7,819,000 (2011: RMB20,156,000) which has been dealt with in the financial statements of the Company (note 30(b)).

12. DIVIDENDS

The directors do not recommend the payment of a dividend for the year ended 31 December 2012 (2011: Nil).

13. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic earnings/(loss) per share amount is based on the loss for the year attributable to owners of the Company of RMB107,109,000 (2011: profit of RMB14,923,000) and the weighted average number of ordinary shares of 600,068,000 (2011: 579,275,000) in issue during the year.

No adjustment has been made to the basic earnings/(loss) per share amounts presented for the years ended 31 December 2012 and 2011 as the Group had no potentially dilutive 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 2012				
Cost:				
At 31 December 2011 and 1 January 2012	**2,469**	**2,873**	**3,503**	**8,845**
Additions	**–**	**3,524**	**376**	**3,900**
At 31 December 2012	**2,469**	**6,397**	**3,879**	**12,745**
Accumulated depreciation:				
At 31 December 2011 and 1 January 2012	**1,429**	**305**	**1,291**	**3,025**
Charge for the year	**475**	**272**	**624**	**1,371**
At 31 December 2012	**1,904**	**577**	**1,915**	**4,396**
Net carrying amount:				
At 31 December 2012	**565**	**5,820**	**1,964**	**8,349**
31 December 2011				
Cost:				
At 1 January 2011	2,450	3,308	3,615	9,373
Additions	66	2,130	446	2,642
Disposals	(47)	–	(3)	(50)
Disposal of subsidiaries *(note 31)*	–	(2,565)	(555)	(3,120)
At 31 December 2011	2,469	2,873	3,503	8,845
Accumulated depreciation:				
At 1 January 2011	1,007	638	1,161	2,806
Charge for the year	469	176	686	1,331
Disposals	(47)	–	(1)	(48)
Disposal of subsidiaries *(note 31)*	–	(509)	(555)	(1,064)
At 31 December 2011	1,429	305	1,291	3,025
Net carrying amount:				
At 31 December 2011	1,040	2,568	2,212	5,820

15. INTANGIBLE ASSETS

Group

	Contractual advertising rights *RMB'000*	Customer relationship *RMB'000*	Total *RMB'000*
31 December 2012			
Cost:			
At 31 December 2011, 1 January 2012 and 31 December 2012	**40,120**	**1,627**	**41,747**
Accumulated amortisation and impairment:			
At 31 December 2011 and 1 January 2012	**26,743**	**1,036**	**27,779**
Charge for the year	**2,635**	**295**	**2,930**
Impairment during the year	**8,391**	**296**	**8,687**
At 31 December 2012	**37,769**	**1,627**	**39,396**
Net carrying amount:			
At 31 December 2012	**2,351**	**–**	**2,351**
31 December 2011			
Cost:			
At 1 January 2011 and 31 December 2011	40,120	1,627	41,747
Accumulated amortisation:			
At 1 January 2011	24,108	740	24,848
Charge for the year	2,635	296	2,931
At 31 December 2011	26,743	1,036	27,779
Net carrying amount:			
At 31 December 2011	13,377	591	13,968

As detailed in note 40 to these financial statements, the distribution of the Group's two magazines was halted on the highspeed railway network in Mainland China in January 2013. The directors considered that the net carrying amounts of the contractual advertising rights and customer relationship as at 31 December 2012 of RMB8,391,000 and RMB296,000, respectively, in relation to the two halted magazines should be fully impaired as at 31 December 2012 since the Group could unlikely generate any future economic benefits from the intangible assets in relation to these two magazines. Accordingly, the impairment of the intangible assets in aggregate of RMB8,687,000 has been recognised in the income statement for the year ended 31 December 2012.

16. OTHER NON-CURRENT ASSETS

Group

	2012	2011
	RMB'000	*RMB'000*
Cost:		
At beginning of the year	**20,981**	11,500
Additions	**4,807**	9,481
At end of the year	**25,788**	20,981
Accumulated amortisation:		
At beginning of the year	**3,430**	2,152
Charge for the year	**1,278**	1,278
At end of the year	**4,708**	3,430
Net carrying amount	**21,080**	17,551

17. INVESTMENTS IN SUBSIDIARIES

Company

	2012	2011
	RMB'000	*RMB'000*
Unlisted shares, at cost	**–**	–

The balances with subsidiaries are 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 and operation	Nominal value of issued/paid-up share/ registered capital	Percentage of equity attributable to the Company 2012	2011	Principal activities
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	100	Provision of management services
奧神技術服務(福州)有限公司[1] Ao Shen Technology Service (Fuzhou) Co., Ltd. ("Ao Shen Technology")	PRC/Mainland China	US$25,000,000	100	100	Provision of consulting services
福建省奧神傳媒廣告有限責任公司[2,3] Fujian Ao Shen Media Advertising Co., Ltd.	PRC/Mainland China	RMB31,630,000 (2011: RMB3,000,000)	100	100	Provision of advertising services
北京大提速傳媒廣告有限公司[2,3] Beijing Datisu Media Advertising Co., Ltd.	PRC/Mainland China	RMB27,000,000	100	100	Provision of advertising services
北京路網文化傳媒有限公司[3] Beijing Luwang Culture Media Company Limited	PRC/Mainland China	RMB1,000,000	60	60	Provision of advertising services
福州海都商旅傳媒有限公司[3] Fuzhou Haidu Commercial Travel Media Co., Ltd.	PRC/Mainland China	RMB1,000,000	70	70	Provision of advertising services
北京奧神傳媒廣告有限公司[3] Beijing Aoshen Media Advertising Co., Ltd ("Beijing Aoshen")	PRC/Mainland China	RMB20,000,000	100	100	Provision of advertising services
成都三三廣告有限公司[3] Chengdu Sansan Advertising Co., Ltd.	PRC/Mainland China	RMB2,000,000	100	100	Provision of advertising services
上海山山傳媒廣告有限公司[3] Shanghai Shanshan Media Advertising Co., Ltd.	PRC/Mainland China	RMB2,000,000	100	100	Provision of advertising services
廣州奧神廣告有限公司[3] Guangzhou Aoshen Advertising Co., Ltd.	PRC/Mainland China	RMB2,000,000	100	100	Provision of advertising services
濟南奧神廣告傳媒有限公司[3] Jinan Aoshen Advertising Media Co., Ltd.	PRC/Mainland China	RMB2,010,000	100	100	Provision of advertising services

17. INVESTMENTS IN SUBSIDIARIES *(continued)*

Name	Place of incorporation/ establishment and operation	Nominal value of issued/paid-up share/ registered capital	Percentage of equity attributable to the Company		Principal activities
			2012	2011	
北京華夏博思文化發展有限公司[3] Beijing Hua Xia Bo Si Culture Development Co., Ltd. ("Beijing Hua Xia")	PRC/Mainland China	RMB10,000,000	65	65	Chinese culture research and education
北京中視大業廣告傳媒有限公司[3] Beijing Zhong Shi Da Ye Advertising Media Co., Ltd. ("Beijing Zhong Shi")	PRC/Mainland China	RMB5,000,000	80	80	Provision of advertising services
瀋陽奧神傳媒廣告有限公司[4] Shenyang Aoshen Media Advertising Co., Ltd. ("Shenyang Aoshen")	PRC/Mainland China	RMB1,700,000	85	–	Provision of advertising services

Except for Hong Kong Ao Shen, all the above subsidiaries are indirectly held by the Company.

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

2 The operations of the Group were initially conducted through these companies established in the PRC (the "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 in prior years among Ao Shen Technology, the Operating Entities and the Founders to the effect that the business operations, the decision-making power and financial and operating policies of the Operating Entities are ultimately controlled by Ao Shen Technology.

17. INVESTMENTS IN SUBSIDIARIES *(continued)*

2 *(continued)*

In particular, Ao Shen Technology undertakes to provide the 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 Operating Entities through intercompany charges levied on these services rendered. The Founders are also required to transfer their interests in the 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 Operating Entities have also been pledged by the Founders to the Group in respect of the continuing obligations of the Operating Entities; and the Group is entitled to nominate and remove members of the board of directors of the Operating Entities in order to control their operating and financial decisions.

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

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

4 Shenyang Aoshen is established on 13 June 2012 and registered as a limited liability company under PRC law.

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

During the year ended 31 December 2011, the Group disposed of its entire interests in five subsidiaries, namely 北京旅伴傳媒廣告有限公司, 上海旅伴文化傳播有限公司, 濟南旅伴廣告有限公司, 廣州旅伴廣告有限公司 and 成都旅伴廣告有限公司, which were also the Operating Entities, to the Founders for a consideration of RMB55,611,000 (the "Disposal"). Pursuant to an ordinary resolution of the Company on 14 October 2011, the Disposal was approved by the board of directors and Independent Shareholders (as defined in the circular of the Company dated 22 September 2011). The Disposal was completed on 14 October 2011 and no material gain or loss was resulted. For details of the Disposal, please refer to note 31 to the financial statements and the circular of the Company dated 22 September 2011.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results of the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

18. INVESTMENT IN A JOINTLY-CONTROLLED ENTITY

	2012	2011
	RMB'000	*RMB'000*
Share of net assets	**573**	1,012

Particulars of the jointly-controlled entity are as follows:

Name	**Place of establishment**	**Paid-up capital**	**Percentage of equity attributable to the Group**	**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 were not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

18. INVESTMENT IN A JOINTLY-CONTROLLED ENTITY *(continued)*

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

	2012 **RMB'000**	2011 RMB'000
Share of the jointly-controlled entity's assets and liabilities:		
Current assets	**760**	1,013
Non-current assets	**30**	34
Current liabilities	**(217)**	(35)
Net assets	**573**	1,012
Share of the jointly-controlled entity's results:		
Revenue	**2,097**	734
Cost of sales	**(1,197)**	(313)
	900	421
Other income	**2**	4
	902	425
Total expenses	**(1,341)**	(839)
Income tax expenses	**–**	–
Loss after tax	**(439)**	(414)

19. INVESTMENTS IN ASSOCIATES

	2012 **RMB'000**	2011 RMB'000
Share of net assets/(liabilities)	**6,753**	(115)
Due from an associate	**1,296**	2,230
	8,049	2,115

The amount due from an 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.

19. INVESTMENTS IN ASSOCIATES *(continued)*

Particulars of the associates are as follows:

Name	Place of establishment	Paid-up capital	Percentage of equity attributable to the Group	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
北京紫雲府文化傳播有限公司 Beijing Zi Yun Fu Culture Media Co., Ltd.	PRC	RMB15,000,000	30	Provision of advertising agency services
北京中視新科傳媒廣告有限公司 Beijing Zhong Shi Xin Ke Media Advertising Co., Ltd. ("Zhong Shi Xin Ke") *(note)*	PRC	RMB5,000,000	60	Provision of advertising agency services

Note: The directors considered that Zhong Shi Xin Ke is an associate of the Group as at 31 December 2012 because the Group did not have unilateral or joint control over Zhong Shi Xin Ke and was in a position to exercise significant influence over Zhong Shi Xin Ke.

The statutory financial statements of these associates were 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 associates extracted from the respective management accounts:

	2012 ***RMB'000***	2011 *RMB'000*
Assets	**23,592**	4,470
Liabilities	**(6,339)**	(5,045)
Revenue	**2,330**	3,126
Profit/(loss)	**(2,167)**	1,117

20. AVAILABLE-FOR-SALE INVESTMENT

	2012	2011
	RMB'000	*RMB'000*
Unlisted equity investment, at cost	**1,277**	1,277
Less: Impairment	**(838)**	–
	439	1,277

The unlisted available-for-sale equity investment of the Group with a carrying amount of RMB439,000 (2011: RMB1,277,000) is measured at cost less impairment because the range of reasonable fair value estimates is so significant that the directors are of the opinion that its fair value cannot be measured reliably. The Group does not intend to dispose of the investment in the near future.

21. TRADE RECEIVABLES

Group

	2012	2011
	RMB'000	*RMB'000*
Trade receivables	**81,245**	67,951
Less: Impairment	**(37,836)**	(23,633)
	43,409	44,318

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 2012 represented 33% (2011: 33%) of the total trade receivables, while 10% (2011: 10%) of the total trade receivables were due from the largest debtor. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

21. TRADE RECEIVABLES *(continued)*

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

	2012 *RMB'000*	2011 *RMB'000*
Within 3 months	**33,608**	19,563
3 to 6 months	**6,680**	5,590
6 months to 1 year	**7,204**	18,824
Over 1 year	**33,753**	23,974
	81,245	67,951

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

Group

	2012 *RMB'000*	2011 *RMB'000*
At beginning of the reporting period	**23,633**	945
Impairment losses recognised *(note 7)*	**16,926**	22,688
Amount written off as uncollectible	**(2,723)**	–
At end of the reporting period	**37,836**	23,633

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 RMB38,736,000 (2011: RMB37,003,000) as at 31 December 2012.

The individually impaired trade receivables relate to customers that were in financial difficulties or were in default in principal payments and only a portion of the receivables is expected to be recovered.

21. TRADE RECEIVABLES *(continued)*

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

Group

	2012 **RMB'000**	2011 *RMB'000*
Neither past due nor impaired	**32,934**	19,599
Past due but not impaired:		
Less than 3 months	**3,810**	5,559
More than 3 months	**5,765**	5,790
	42,509	30,948

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.

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Group

	2012	2011
	RMB'000	*RMB'000*
Current:		
Other receivables	**7,407**	2,202
Prepayments	**19,348**	24,743
Rental, utility and other deposits	**6,983**	17,424
Staff advances	**1,618**	16,184
	35,356	60,553
Non-current:		
Deposits *(note)*	**27,733**	10,579
	63,089	71,132

Notes:

As at 31 December 2011, balance represented deposit paid in 2008 for the exclusive rights to sell the advertising spaces on the Towers in Mainland China for a period of 9 years from 20 June 2008 to 19 June 2017 and deposits paid in 2011 for certain designated outdoor advertising spaces in railway stations in Mainland China with the expiry dates on 31 December 2014 and 31 December 2015. The deposit paid by the Group in 2008 amounted to RMB8,000,000 and the deposits paid by the Group in 2011 for the advertising rights with the respective expiry dates on 31 December 2014 and 31 December 2015 amounted to RMB5,000,000 and RMB500,000, respectively. The deposits are fully repayable to the Group upon their respective expiry date of the advertising right. The deposit paid in 2008 is carried at amortised cost at the Group's statement of financial position using an effective interest rate of 5.85%, resulting in an interest income of RMB342,000 (2011: RMB324,000) in the current year. The deposits paid in 2011 are carried at amortised cost at the Group's statement of financial position using an effective interest rate of 5.00%, resulting in an interest income of RMB237,000 (2011: interest expense of RMB771,000) in the current year. The above interest income and expenses are included in "Amortised interest expense on non-current deposits, net" under "Other income/ (expense) and gains, net" on the face of the consolidated income statement.

During the year ended 31 December 2012, deposits of RMB300,000, RMB16,500,000 and RMB3,000,000 were paid for certain designated outdoor advertising spaces in railway stations in Mainland China with the expiry dates on 8 March 2015, 31 March 2018 and 31 March 2018, respectively. In addition, the Group paid RMB5,000,000 in the current year for the distribution and advertising rights on a magazine with the expiry date on 30 June 2022. The above deposits paid by the Group are fully repayable to the Group on their respective expiry date of the right. The deposits are carried at amortised cost at the Group's statement of financial position using an effective interest rate of 4.75%, resulting in an interest expense of RMB6,725,000 in the current year. The above interest expenses are included in "Amortised interest expense on non-current deposits, net" under "Other income/ (expense) and gains, net" on the face of the consolidated income statement.

23. CASH AND CASH EQUIVALENTS

Group

	2012 RMB'000	2011 RMB'000
Cash and bank balances	**50,539**	70,755
Time deposits with banks	**92,048**	140,095
	142,587	210,850
Less: Non-pledged time deposit with original maturity of more than three months	**(10,350)**	(10,350)
Cash and cash equivalents	**132,237**	200,500
Cash and bank balances and time deposit are denominated in:		
RMB	**58,284**	85,382
United States dollars ("US$")	**84,273**	63,499
Hong Kong dollars ("HK$")	**30**	61,969
	142,587	210,850

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.

24. 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

	2012 RMB'000	2011 RMB'000
Within 3 months	**16,536**	13,319
3 to 6 months	**5,543**	1,554
Over 6 months	**8,135**	1,075
	30,214	15,948

As at 31 December 2012, included in the trade payables are trade payables of RMB2,393,000 (2011: RMB4,791,000) due to the non-controlling shareholder of a subsidiary which was repayable within 30 days.

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

25. OTHER PAYABLES AND ACCRUALS

Group

	2012 RMB'000	2011 RMB'000
Receipts in advance from customers	**13,312**	10,538
Accrued salaries and staff welfare	**19,859**	13,725
Other accruals	**8,510**	1,542
Other tax payable	**385**	1,333
	42,066	27,138

Company

	2012 RMB'000	2011 RMB'000
Other accruals	**1,709**	771

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

26. BALANCES WITH DIRECTORS, A SHAREHOLDER AND A RELATED COMPANY

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

Directors:

Name	31 December 2012 RMB'000	Maximum amount outstanding during the year RMB'000	31 December 2011 RMB'000
Mr. Lin	–	15,306	15,306
Mr. Ruan	–	15,305	15,305
Mr. Han	3,260	3,260	–
	3,260	33,871	30,611

Shareholder:

Name	31 December 2012 RMB'000	Maximum amount outstanding during the year RMB'000	31 December 2011 RMB'000
Lizhong	16,815	16,815	–

During the year ended 31 December 2011, the Group disposed of certain of its subsidiaries for a consideration of RMB55,611,000 as detailed in notes 17 and 31 to the financial statements, of which RMB25,000,000 was settled during that year. The remaining balance of RMB30,611,000 included in "Amounts due from directors" as at 31 December 2011 was fully settled in the current year.

The balances with directors, a shareholder and a related company are unsecured, interest-free and repayment on demand.

Subsequent to the end of the reporting period, the amounts due from a shareholder and a director have been fully settled.

27. DEFERRED TAX

Group

Deferred tax assets

	Tax losses *RMB'000*
At 1 January 2011	123
Deferred tax charged to the income statement during the year (note 10)	(123)
At 31 December 2011, 1 January 2012, 31 December 2012	–

Deferred tax liabilities

	Fair value adjustments arising from acquisition of subsidiaries *RMB'000*
At 1 January 2011	4,201
Deferred tax credited to the income statement during the year *(note 10)*	(733)
At 31 December 2011 and 1 January 2012	3,468
Deferred tax credited to the income statement during the year *(note 10)*	(2,904)
At 31 December 2012	564

27. DEFERRED TAX *(continued)*

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 2012 and 2011, 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 RMB6,559,000 (2011: RMB14,469,000) at 31 December 2012.

As at 31 December 2012, the Group has estimated unprovided deferred tax assets of approximately RMB11,136,000 (2011: RMB2,750,000) calculated on tax losses of approximately RMB44,544,000 (2011: RMB11,000,000) 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.

28. SHARE CAPITAL

Shares

	2012	2011
	RMB'000	*RMB'000*
Authorised:		
40,000,000,000 (2011: 40,000,000,000) ordinary shares of US$0.001 each	**263,672**	263,672
Issued and fully paid:		
600,000,000 (2011: 601,900,000) ordinary shares of US$0.001 each	**3,957**	3,969

28. SHARE CAPITAL *(continued)*

Shares *(continued)*

A summary of the movements in the Company's issued share capital during the year is as follows:

	Notes	Number of ordinary shares	Nominal value of ordinary shares RMB'000
Issued:			
At 1 January 2011		450,000,000	2,967
Issuance of new shares on 25 February 2011	(a)	150,000,000	989
Issuance of new shares on 30 March 2011	(b)	3,090,000	20
Repurchase and cancellation of ordinary shares	(c)	(1,190,000)	(7)
Issued capital as at 31 December 2011 and 1 January 2012		601,900,000	3,969
Repurchase and cancellation of ordinary shares	(d)	(1,900,000)	(12)
At 31 December 2012		600,000,000	3,957

Notes:

(a) 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 (equivalent to RMB226,800,000) on 25 February 2011. Dealings in these shares on the Stock Exchange commenced on 28 February 2011.

(b) In connection with the Company's initial public offering, an over-allotment option was exercised by Oriental Patron Securities Limited ("Oriental Patron") and accordingly, 3,090,000 shares of US$0.001 each were issued to Oriental Patron at a price of HK$1.8 per share for a total cash consideration, before expenses, of approximately HK$5,562,000 (equivalent to RMB4,672,000) on 30 March 2011. Oriental Patron might exercise the over-allotment option, which was exercisable from the listing date (i.e., 28 February 2011) up to 30 March 2011.

(c) During the year ended 31 December 2011, the Company repurchased 1,622,000 shares of US$0.001 at prices ranging from HK$0.56 to HK$0.64 per share at an aggregate consideration of RMB783,000. 1,190,000 repurchased ordinary shares were cancelled during the same year. The premium of approximately RMB560,000 paid on the repurchase of such shares was debited to the share premium account and an amount of RMB7,000 was transferred from accumulated losses of the Company to the capital redemption reserve, as set out in note 30 to the financial statements. In respect of the 432,000 ordinary shares not yet cancelled as at 31 December 2011, treasury shares of RMB216,000 are recorded at the amount of consideration paid and deducted from equity attributable to the owners of the Company and those treasury shares are cancelled during the year ended 31 December 2012.

(d) During the year ended 31 December 2012, the Company repurchased 1,468,000 shares of US$0.001 at prices ranging from HK$0.64 to HK$0.69 per share at an aggregate consideration of RMB818,000. 1,900,000 repurchased ordinary shares, including 432,000 ordinary shares repurchased but not yet cancelled as at 31 December 2011 and 1,468,000 ordinary shares repurchased in the current year, were cancelled during the year ended 31 December 2012. The premium of approximately RMB1,022,000, including RMB806,000 paid on the repurchase of shares during the year, was debited to the share premium account and an amount of RMB12,000 was transferred from accumulated losses of the Company to the capital redemption reserve, as set out in note 30 to the financial statements.

29. 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 Lizhong Limited ("Lizhong") 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 Lizhong. Lizhong 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

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

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

(ii) Fair value of equity instruments granted and assumptions *(continued)*

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.

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), resulting in the issue of 1,000,000 ordinary shares of Lizhong on 20 August 2011. As at 31 December 2010, there was 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, of which the Company recognised share option expenses of RMB86,000, RMB115,000, RMB115,000 and RMB872,000 for the years ended 31 December 2011, 2010, 2009 and 2008, respectively.

(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 gave the Key Employees the right to subscribe for ordinary shares of Lizhong, representing in aggregate 5% of the total ordinary shares of Lizhong at the exercise date, and were settled gross in shares. These share options were fully vested on the grant date, and then exercisable for three years commencing from the date of grant. The exercise price was US$0.001 per share at the date of exercise.

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

(b) Equity instruments granted to other key management personnel *(continued)*

(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), resulting in the issue of 2,500,000 ordinary shares of Lizhong on 20 August 2010. During the years ended 31 December 2012 and 2011, no share options have been granted, exercised, cancelled or lapsed under the share option scheme. As at 31 December 2012 and 2011, there was no such outstanding share option held by the Key Employees.

29. 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 class 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 a 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 a 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 further 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.

29. 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 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 offer for the grant, which must be a business day; (ii) the average closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of 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 approximately 10% of the issued share capital of the Company as at the date of the financial statements.

No share options have been granted since the adoption of the Share Option Scheme.

30. 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 Operating Entities

As more fully explained in note 17 to the financial statements, pursuant to the contractual arrangements effectuated on 30 June 2008, the Operating Entities were injected to the Group at nil consideration and the net fair value of the identifiable net assets of the 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 payments

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.

30. RESERVES *(continued)*

(b) Company

	Share premium account *RMB'000*	Treasury shares *RMB'000*	Share redemption reserve *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*
At 1 January 2011	9,469	–	–	(1,521)	7,948
Loss and total comprehensive loss for the year	–	–	–	(20,156)	(20,156)
Issuance of new shares *(notes 28(a), (b))*	230,463	–	–	–	230,463
Share issue expenses	(13,366)	–	–	–	(13,366)
Repurchase and cancellation of ordinary shares *(note 28(c))*	(560)	–	7	(7)	(560)
Net change in treasury shares *(note 28(c))*	–	(216)	–	–	(216)
At 31 December 2011 and 1 January 2012	226,006	(216)	7	(21,684)	204,113
Loss and total comprehensive loss for the year	–	–	–	(7,819)	(7,819)
Repurchase and cancellation of ordinary shares *(note 28(d))*	(1,022)	–	12	(12)	(1,022)
Net change in treasury shares *(note 28(c))*	–	216	–	–	216
At 31 December 2012	224,984	–	19	(29,515)	195,488

31. DISPOSAL OF SUBSIDIARIES

On 2 September 2011, certain subsidiaries of the Company entered into five transfer agreements for the Disposal for a consideration of RMB55,611,000 with Mr. Lin Pintong and Mr. Ruan Deqing, who are also the shareholders and the executive directors of the Company.

	2011 *RMB'000*
Net assets disposed of:	
Property, plant and equipment	2,056
Cash and cash equivalents	50,789
Amounts due from fellow subsidiaries	2,766
	55,611
Satisfied by:	
Cash	25,000
Amounts due from directors	30,611
	55,611

An analysis of the net outflow of cash and cash equivalents in respect of the Disposal is as follows:

	2011 *RMB'000*
Cash and cash equivalents disposed of	(50,789)
Cash consideration	25,000
Net outflow of cash and cash equivalents in respect of the Disposal	(25,789)

32. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Major non-cash transactions:

(i) During the year ended 31 December 2012, the Group acquired certain motor vehicles with a fair value of RMB716,000 (2011: Nil) via a barter sale transaction.

(ii) During the year ended 31 December 2012, the Group settled certain trade payables of RMB934,000 through an amount due from an associate.

33. OPERATING LEASE ARRANGEMENTS

The Group leases its office premises under operating lease arrangements. Leases for these properties are negotiated for terms of one to three years (2011: one to three years).

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

	2012	2011
	RMB'000	*RMB'000*
Within 1 year	**2,513**	3,512
After 1 year but within 5 years	**913**	1,215
	3,426	4,727

At the end of the reporting period, the Company did not have any significant operating lease commitments (2011: Nil).

34. COMMITMENTS

In addition to the operating lease commitments detailed in note 33 above, the Group had the following commitments at the end of the reporting period:

	Group	
	2012	2011
	RMB'000	*RMB'000*
Contracted, but not provided for:		
Agency fees for printed media and outdoor advertising	**82,980**	158,045
Other non-current assets for outdoor advertising	**3,517**	7,389
	86,497	165,434

At the end of the reporting period, the Company did not have any significant commitments (2011: Nil).

35. CONTINGENT LIABILITIES

At the end of the reporting period, the Group and the Company did not have any significant contingent liabilities (2011: Nil).

36. LITIGATIONS

As detailed in the Company's announcement made on 13 December 2012, there were some contractual disputes between Beijing Aoshen and Guangzhou Railway Group Culture Advertising Company (the "Plaintiff") regarding two agreements ("Agreements") entered into between Beijing Aoshen and the Plaintiff dated 15 November 2011 and 16 November 2011. The Agreements were in relation to the grant of an exclusive right of operation by the Plaintiff to Beijing Aoshen of advertising on the "Haikou-Sanya" and "Guangzhou-Shenzhen" routes of the China Railway High Speed trains.

In the course of implementing the Agreements, there were disputes between Beijing Aoshen and the Plaintiff such that Beijing Aoshen gave notice to the Plaintiff on 30 May 2012 to terminate the Agreements. Subsequently, Beijing Aoshen had received two writs in Mainland China issued by the Plaintiff alleging that Beijing Aoshen was in breach of the Agreements. As stated in the writs, the Plaintiff is seeking for the following orders from the court: (1) that the Plaintiff and Beijing Aoshen shall continue to perform the Agreements in accordance with their respective terms; (2) that Beijing Aoshen shall pay to the Plaintiff the total outstanding amount of approximately RMB15.3 million and the damages of approximately RMB4.7 million in accordance with the terms of the Agreements; and (3) that Beijing Aoshen shall be responsible for all the legal costs involved in the legal proceedings.

Subsequent to the end of the reporting period, orders (the "First Order") were made from the court in Mainland China on 8 March 2013. The First Order stated that (i) the Agreements were terminated on 31 May 2012 pursuant to the termination notice served by Beijing Aoshen to the Plaintiff on 30 May 2012; (ii) Beijing Aoshen shall pay to the Plaintiff the total outstanding amount under the Agreements of approximately RMB2.4 million and damages of RMB5.5 million; and (iii) the legal costs of approximately RMB63,000 shall be borne by Beijing Aoshen.

The Group intended to vigorously appeal against the First Order and will take such other necessary actions in PRC as advised by its PRC legal advisors. In addition, Beijing Aoshen has issued a writ against the Plaintiff for the Plaintiff's breach of the Agreements (the "Counterclaim"), and the first hearing of which shall be held on 8 May 2013. Details of the First Order and the Counterclaim were set out in the Company's announcement dated 21 March 2013.

As the result of the Counterclaim is still uncertain at this stage, adequate provision in respect of the First Order has been made by the Group as at 31 December 2012.

37. 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	**2012** **RMB'000**	2011 RMB'000
Advertising agency fee to an associate	*(a)*	**2,800**	2,733
Advertising agency fee to a non-controlling shareholder of a subsidiary	*(b)*	**2,700**	2,075
Advertising fee to the holding company of a non-controlling shareholder of a subsidiary	*(c)*	**–**	5,938
Printing expenses reimbursed to a non-controlling shareholder of a subsidiary	*(d)*	**–**	7,438
Membership fee paid to a non-controlling shareholder of a subsidiary	*(e)*	**208**	125
Purchase of motor vehicles from a related company	*(f)*	**–**	1,900

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 a magazine.

(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.

(e) The membership fee was paid to a non-controlling shareholder of a subsidiary on a mutually agreed basis.

(f) The motor vehicles were purchased from a related company, of which the beneficial owners and directors are also the beneficial shareholders and directors of the Group on a mutually agreed basis.

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.

37. RELATED PARTY TRANSACTIONS *(continued)*

(a) Related party transactions *(continued)*

In addition, 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 the reporting period are set out in notes 24 and 26 to these financial statements.

(c) Key management personnel compensation

Remuneration for key management personnel of the Group, including amounts paid/payable 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:

	2012	2011
	RMB'000	*RMB'000*
Short-term employee benefits	**5,044**	3,871
Post-employment benefits	**155**	92
Equity-settled share option expenses	**–**	86
	5,199	4,049

38. FINANCIAL INSTRUMENTS BY CATEGORY

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

Group

	2012 RMB'000	2011 RMB'000
Financial assets — loans and receivables		
Amount due from associates *(note 19)*	**1,296**	2,230
Trade receivables	**43,409**	44,318
Financial assets included in prepayments, deposits and other receivables	**43,741**	46,389
Amounts due from directors	**3,260**	30,611
Amount due from a shareholder	**16,815**	–
Cash and cash equivalents	**142,587**	210,850
	251,108	334,398
Financial liabilities — financial liabilities at amortised cost		
Trade payables	**30,214**	15,948
Financial liabilities included in other payables and accruals	**42,066**	27,138
Amounts due to directors	**–**	454
Amount due to a shareholder	**–**	1,784
Amount due to a related company	**–**	1,900
	72,280	47,224

Company

	2012 RMB'000	2011 RMB'000
Financial assets — loans and receivables		
Amount due from a subsidiary	**201,067**	205,383
Cash and cash equivalents	**342**	3,580
	201,409	208,963
Financial liabilities — financial liabilities at amortised cost		
Accruals	**1,709**	771
Amount due to a subsidiary	**225**	110
	1,964	881

39. 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/(loss) 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/(loss) before tax.

	Increase/ (decrease) in US$ rate	**Decrease/ (increase) in profit before tax**
	%	*RMB'000*
2012		
If RMB weakens against US$	5	3,149
If RMB strengthens against US$	(5)	(3,149)

	Increase/ (decrease) in US$ rate	**Increase/ (decrease) in profit before tax**
	%	*RMB'000*
2011		
If RMB weakens against US$	5	3,171
If RMB strengthens against US$	(5)	(3,171)

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

Credit risk

Credit risk is the risk that a customer or counterparty in a transaction may default. It arises from the credit terms which extend to customers and other activities undertaken by the Group. To manage credit risk, the Group has considered the long-established business relationship with the counterparty. 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 2012 represented 33% (2011: 33%) of the total trade receivables, while 10% (2011: 10%) of the total trade receivables were due from the largest debtor. The Group does not hold any collateral or other credit enhancements over its trade receivable balances.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, and other receivables, arises from default of the counterparties, 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 21 to the 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.

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 deposits) 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 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.

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

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.

The Group monitors capital using a current ratio, which is total current assets divided by total current liabilities in the current year. The Group's policy is to keep the current ratio above 1.

40. EVENT AFTER THE REPORTING PERIOD

The Group has been the sole advertising agent of three magazines, which are the three out of five publications approved by the Ministry of Railways for distribution on the trains. According to an announcement (the "RDCAA Announcement") issued by Railway Division of China Advertising Association on 29 November 2012, it would invite public tendering from qualified participants of the right of distribution of magazines on all passenger trains in PRC.

In January 2013, China Railway Publisher, the Group's PRC publishing partner of one of the magazines, has successfully obtained the distribution right of the magazine from the public tendering. However, the directors of the Company was given to understand that People Railway Publisher, the Group's PRC publishing partner of the other two magazines, had not submitted tendering proposals for these two magazines, and the distribution of these two magazines was halted on the highspeed railway network in China subsequent to the release of the tendering result.

Details of the above were set out in the Company's announcements dated 7 January 2013 and 23 January 2013.

41. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 25 March 2013.

FIVE YEAR FINANCIAL SUMMARY

The summary of the combined results of the Group for each of the two years ended 31 December 2009 and 2008 and the assets, liabilities and non-controlling interests of the Group as at 31 December 2009 and 2008 has been extracted from the Company's listing prospectus dated 22 February 2011. Such summary was prepared as if the then group structure of the Group after the Reorganisation for the Listing had been in existence throughout the years ended 31 December 2009 and 2008. The audited results of the Group for the years ended 31 December 2012, 2011 and 2010 and the audited assets, liabilities and non-controlling interests of the Group as at 31 December 2012, 2011 and 2010 are those set out in the published financial statements for the years ended 31 December 2012, 2011 and 2010, respectively.

RESULTS

	2012	2011	2010	2009	2008
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	**226,353**	216,841	208,910	104,719	28,707
Profit/(loss) before tax	**(99,959)**	26,408	95,407	14,494	(8,959)
Income tax	**(7,621)**	(11,974)	(24,537)	(5,814)	434
Profit/(loss) for the year	**(107,580)**	14,434	70,870	8,680	(8,525)
Attributable to:					
Owners of the Company	**(107,109)**	14,923	70,669	8,690	(7,954)
Non-controlling interests	**(471)**	(489)	201	(10)	(571)
	(107,580)	14,434	70,870	8,680	(8,525)

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	2012	2011	2010	2009	2008
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Total assets	**310,001**	398,654	228,244	143,027	111,419
Total liabilities	**(75,138)**	(54,779)	(115,155)	(114,495)	(92,006)
Non-controlling interests	**(6,812)**	(6,983)	(2,972)	(2,771)	(2,481)
	228,051	336,892	110,117	25,761	16,932

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