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PRC

(i) The principal laws and regulations governing the advertising business

Pursuant to 中華人民共和國廣告法 (Advertising Law of the PRC*) adopted in the 10th meeting of the Standing Committee of the 8th National People’s Congress of the People’s Republic of China on 27 October 1994 and which took effect on 1 February 1995, advertisements shall not contain any false contents or misrepresent to or mislead the consumers. An advertisement should present distinct and clear specifications on the product’s function, place of origin, uses, quality, price, manufacturer, validity period, promises or the contents, forms, quality, price or promises of the services offered. The contents of advertisements for food, wine and cosmetics should compile with the requirements set by the health department and the use of medical terms or terms that are confusingly similar with medications is restricted. The contents of advertisements for medications should be based on the instructions approved by the State Council or provincial public health administrative department. It is prohibited to make advertisements of tobacco through media broadcast, films, television, newspaper or periodicals and no advertising is allowed for special drugs such as anesthetics, psychotropic drugs, toxic drugs and radioactive drugs.

In addition, pursuant to 中華人民共和國廣告法 (Advertising Law of the PRC*), advertisers, advertisement operators and advertisement publishers shall abide by such advertising laws when engaging in advertising business within the territory of the PRC. In addition, the term “advertisers” refer to any legal person, economic organisations or individuals that, directly or through certain agents, design, produce and publish advertisements for the purpose of promoting products or providing services, and the term “advertisement operators” refer to those legal persons, economic organisations or individuals that are being consigned to provide advertisement content design, production and agency services; and the term “advertisement publishers” refer to those legal persons or other economic organisations that publish advertisements for the advertisers or for those advertisement operators which are consigned by the advertisers. Since the business operations of the PRC Operational Entities involve the provision of periodical contents including advertisement content design and production, the PRC Operational Entities shall be classified as “advertisement operators”. As the publishing entities, the PRC Publishing Partners involve in periodical publication including advertisement publication, they shall be classified as “advertisement publishers”. The PRC Operational Entities and the PRC Publishing Partners shall be responsible for compliance with the regulations as to “advertisement operators” and “advertisement publishers” ascribed thereto in 中華人民共和國廣告法 (Advertising Law of the PRC*), respectively.

We may be subject to legislations and regulations specifically applicable to foreign-invested enterprises engaging in the advertising business. 外商投資廣告企業管理規定 (Regulations on the Administration of Foreign-invested Advertising Enterprises*) promulgated by the SAIC and the Ministry of Commerce on 22 September 2008 and which took effect on 1 October 2008 (Order of the SAIC No. 35; and investment in and establishment of advertising enterprises in the PRC by investors from Hong Kong, Macau and Taiwan regions shall be regulated in accordance with such regulation) have specified the procedures for establishing a foreign-invested advertising enterprise as follows: (1) The investor of the advertising operator shall apply to the SAIC or the Administration for Industry and Commerce at the provincial level authorised by the SAIC, and obtain 外商投資廣告企業項目審定意見書 (opinion on the approval of foreign invested advertising enterprise project*); (2) After granting of the opinion on the approval of foreign invested advertising enterprise project, the investor shall apply to the commerce department at the provincial level at the locality of the intended enterprise and obtain 外商投資企業批准證書 (certificate of approval for establishment of enterprises with foreign

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investment*); and (3) The investor shall also apply for enterprise registration at the SAIC or the local Administration for Industry and Commerce with the opinion on the approval of foreign invested advertising enterprise project and certificate of approval for establishment of enterprises with foreign investment.

Pursuant to 關於授權廣東省工商行政管理局對香港、澳門地區投資者在廣東省投資設立廣告企業進行項目審批的通知 (Notice on Authorising the Guangdong Administration for Industry and Commerce to Approve Projects in relation to the Investment in and Establishment of Advertising Enterprises in Guangdong Province by Investors from Hong Kong and Macau*) (Gong Shang Guang Zi [2008] No.215) issued by the SAIC on and which took effect on 13 October 2008, the SAIC authorises the Guangdong Administration for Industry and Commerce to approve applications by investors from Hong Kong and Macau on projects in relation to the investment in and establishment of foreign-invested advertising enterprises engaging in the advertising business in Guangdong Province. Upon reaching a decision to approve the project initiation or change in respect of a foreign-invested advertising enterprise, the Guangdong Administration for Industry and Commerce shall within 30 days file a registration of such with the Department of Advertising Regulation of the SAIC for record.

In compliance with 廣告管理條例施行細則 (Detailed Rules for the Implementation of the Regulation on the Administration of Advertising*) promulgated by SAIC which took effect on 1 January 2005 (Order of the SAIC No. 18), a foreign-invested enterprise shall apply to engage in advertising business in accordance with 外商投資廣告企業管理規定 (Regulations on the Administration of Foreign-invested Advertising Enterprises*) and by reference to 廣告管理條例 Regulation on the Administration of Advertising*), 廣告管理條例施行細則 (Detailed Rules for the Implementation of the Regulation on the Administration of Advertising*) and other relevant regulations.

(ii) The principal regulations governing the businesses of publication and distribution

In addition to the above laws and regulations, we are subject to the regulatory framework in respect of the publication in the PRC while operating under the Contractual Arrangements with the relevant PRC Publishing Partners. 出版管理條例 (Regulations on Publication Administration*) promulgated by the State Council on 25 December 2001 and which took effect on 1 February 2002 (Order of the State Council [2001] No. 343) stipulates that, among other things, (1) publishing activities shall include publishing, printing or reproduction, import, and distribution of publications and thus cover the PRC Publishing Partners' scope of business; (2) newspapers, periodicals and books shall be published by publishing entities; and (3) to establish a publishing entity, the organising unit shall apply to the Administrative Department for Publication at the provincial level at its locality for its review and further submission of the application to the Administrative Department for Publication under the State Council for approval. The organising unit shall subsequently complete the procedures for obtaining a publishing licence after receiving the approval decision, and shall obtain a business licence from the Administration for Industry and Commerce in accordance with the relevant law. Pursuant to 出版管理條例 (Regulations on Publication Administration*), publications shall not contain the following contents: those contravene the basic principles established by the constitution of the PRC; those endanger the unification, sovereignty and territorial integrity of the PRC; those divulge secrets of the PRC, endanger national security or damages the honor or benefits of the PRC; those incite national hatred or discrimination, undermine solidarity of the nations, or infringe national customs and habits; those propagate evil cults or superstition; those disturb public order or destroy public stability; those propagate obscenity, gambling, violence or instigates crimes; those insult or slander others, or infringe the lawful rights or interests of others; those endanger public ethics or the

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fine national cultural traditions; other contents prohibited by laws, administrative regulations and provisions of the PRC. In addition, pursuant to 出版管理條例 (Regulations on Publication Administration*), a publishing entity has to be comprised of an organising unit and a supervising unit, both of which are recognised by the administrative department for publication under the State Council.

The relationship among the organising unit, the supervising unit and the publishing entity shall be that of a principal and a subordinate. In accordance with 關於出版單位的主辦單位和主管單位職責的暫行規定 (Interim Regulations on Responsibilities of the Organising Unit and the Supervising Unit of the Publishing Entity*) promulgated by the GAPP on 29 June 1993, the roles and responsibilities of the supervising unit, the organising unit and the publishing entity are as follows:

- (i) The supervising unit plays the role of an applicant at the time when the publishing unit is established, and supervises the organising unit. The supervising unit is above the ministry level in the central government; and is above the department (bureau) level in provinces, autonomous regions and municipalities directly under the central authority. It is also above the bureau (office) in the prefectural administrative offices established in autonomous prefectures, cities with counties, provinces and autonomous regions, and shall be a leading department of the county (office) level in the administrative regions of the county level. The major duties and responsibilities of the supervising unit in relation to its attached publishing unit and the organising unit under its supervision include (a) the supervision and implementation of the basic direction, guiding principles and policies of the Chinese Communist Party, and the laws, regulations and policies of the PRC; (b) the inspection, supervision and giving instruction in respect of the leadership and management of the organising unit and the publishing entity; and (c) the provision of support and assistance to the organising unit in providing or raising funds, purchasing equipment for the publishing entity.
- (ii) The organising unit is superior to, and is the leading authority of, the publishing entity. The major duties and responsibilities of the organising unit in relation to the publishing entity include (a) the leading and supervision of the publishing entity to proceed with its publication and various relevant tasks in compliance with the basic direction, guiding principles and policies of the Chinese Communist Party, and the laws, regulations and policies of the PRC, as well as the social directions, vision and specialization of the publishing entity; (b) the provision and raising necessary funds and purchasing equipment, and the creation of necessary conditions for the establishment of the publishing entity in accordance with the relevant laws and regulations of the PRC; and (c) the determination of the scope of responsibility regarding the operation and management of state-owned assets for the publishing entity according to the laws and regulations of the PRC.
- (iii) The publishing entity refers to any newspaper offices, periodical offices, publication houses and audio-visual publishing houses established in accordance with the relevant provisions of the PRC, and are approved by the GAPP. The organising unit shall, pursuant to the relevant administrative regulations in the PRC, determine the scope of responsibility for the publishing entity to operate and manage state-owned assets.

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Pursuant to 出版管理條例 (Regulations on Publication Administration*), 期刊出版管理規定 (Provisions on the Administration of Periodical Publication*) promulgated by the GAPP on 30 September 2005 and which took effect on 1 December 2005 (Order of the GAPP [2005] No.31) and the 報紙出版管理規定 (Regulations on the Administration of Newspaper Publication*) promulgated by the GAPP on 30 September 2005 and which took effect on 1 December 2005 (Order of the GAPP [2005] No.32), provide that (1) a publishing entity shall not sell, or otherwise transfer or lease its name, 書號 (international standard book number*), Publishing Code, 版號 (international standard recording code*) or layout to any entity or individual; (2) a periodical publishing entity shall not sell, lease or transfer its name or the Publishing Code, name or layout belonging to any periodical published by it, and shall not lend, transfer, lease or sell its 期刊出版許可證 (periodical publication licence*); and (3) a newspaper publishing entity shall not sell, lease or transfer its name or the Publishing Code, name or layout belonging to any newspaper published by it, and shall not lend, transfer, lease or sell its 報紙出版許可證 (newspaper publication licence*).

出版物市場管理規定 (Provisions for the Administration of the Publications Market*) as amended by GAPP on 16 June 2004 and which took effect on 1 July 2004, further provides that (1) “Publication distribution” includes general distribution, wholesale, retail, and activities, for example, of leasing and sales exhibitions; (2) “General distribution” means exclusive sale of publications by an entity engaging in general distribution of publications; (3) “Wholesale” means sale of publications to other publication operators; and (4) “Retail” means sale of publications directly to consumers.

Pursuant to 出版管理條例 (Regulations on Publication Administration*) and 出版物市場管理規定 (Provisions for the Administration of the Publications Market*), (1) the PRC adopts a licensing system to the distribution of publications and without due licence, no entity or individual may engage in the activity of distributing publications; (2) distribution entities which engage in the general distribution of newspapers, periodicals and books shall first obtain an approval from the Administrative Department for Publication under the State Council and a business licence from the Administration for Industry and Commerce in accordance with the relevant law; (3) publishing entities which engage in the wholesale of newspapers, periodicals and books shall first obtain an approval from the Administrative Department for Publication at the provincial level and a business licence from the Administration for Industry and Commerce in accordance with the relevant law; and (4) entities and individuals which engage in the retail of newspapers, periodicals and books shall first obtain an approval from the Administrative Department for Publication at the municipal level and a business licence from the Administration for Industry and Commerce in accordance with the relevant law.

In accordance with 關於進一步推進新聞出版體制改革的指導意見 (Guiding Opinions on Further Facilitating the Reform on the Press and Publication System*) (Xin Chu Chan Ye [2009] No. 298) issued by the GAPP on 25 March 2009, the State shall provide guidance on the healthy development of non-state-owned publishing studios. It is also provided under 國務院關於非公有資本進入文化產業的若干決定 (Several Decisions of the State Council on the Entry of Non-state-owned Capital into the Cultural Industry*) (Guo Fa [2005] No. 10) that, the State shall (1) encourage and support non-state-owned companies to enter into sectors permitted by the State policies in various forms by non-state-owned capitals, to regard non-state-owned publishing studios as an important component of the press and publication industry and to include it into the coverage of industrial planning and management, and to guide and regulate the operation of non-state-owned publishing studios; (2) proactively explore the channels for non-state-owned publishing studios to participate in the publishing sector, conduct trial works for joint operations between state-owned and non-state-owned enterprises, and gradually achieve the provision of book planning, compiling contribution, editing and other services for non-state-owned publishing studios on a specific platform of publishing resources

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allocation; and (3) encourage state-owned publishing enterprises to cooperate through various means, such as capital cooperation and project cooperation, with non-state-owned publishing studios so as to establish a platform for the development of non-state-owned publishing studios, provided that they shall ensure direction is correct and the dominating position of state-owned capital.

Pursuant to 出版管理條例 (Regulations on Publication Administration*) and in light of 關於進一步推進新聞出版體制改革的指導意見 (Guiding Opinions on Further Facilitating the Reform on the Press and Publication System*), the State of the PRC encourages and supports non-state owned publishing studios, which are subordinated to and are supervised by a relevant state-owned publishing enterprise that holds the right to publish, to enter into the press and publication industry. However, the aforementioned regulations, opinions and decisions have not set out any specific and detailed rules or guidelines in respect of the establishment of non-state owned publishing entities to date.

(iii) Policies governing the investment in the businesses of publication and distribution by foreign investors

The investment in the businesses of publication and distribution by foreign investors is regulated by numerous legislations. Pursuant to the 外商投資產業指導目錄 (Catalogue of Industries for Guiding Foreign Investment*) jointly promulgated by the National Development and Reform Commission and the Ministry of Commerce on 31 October 2007, the publication and general distribution of books, newspapers and periodicals are classified as industries in which foreign investors are prohibited from investing.

Pursuant to 關於文化領域引進外資的若干意見 (Several Opinions on Canvassing Foreign Investment into the Cultural Sector*) jointly promulgated by the Ministry of Culture, State Administration of Radio, Film and Television, the GAPP (National Copyright Administration), the National Development and Reform Commission (including former State Development Planning Commission and the former State Planning Commission) and the Ministry of Commerce and which took effect on 6 July 2005 (Wen Ban Fa [2005] No.19), foreign investors are prohibited from investing and engaging in the publication, general distribution and importation of books and newspapers.

Pursuant to 關於禁止在我境內與外資合辦報紙、期刊和出版社的通知 (Notice on Prohibiting the Establishment of Newspapers, Periodicals and Publishers Jointly with Foreign Investors in the PRC*) promulgated by the GAPP and which took effect on 30 March 1994, sino-foreign joint venture media institutions engaging in the businesses of, for example, newspapers, periodicals and publishers, are prohibited to be established in principle. Foreign joint venture media institutions engaging in such businesses under trial operation prior to the promulgation of the notice shall operate in strict compliance with laws, administrative regulations and various management regulations of the PRC, and shall operate in accordance with the mission and constitution of the trial operation. They shall also file records with the GAPP and 國務院新聞辦公室 (the State Council Information Office of the PRC*). The spirit of the notice applies to media institutions engaging in the businesses of, for example, newspapers, periodicals and publishers which are jointly established with investors from Taiwan, Hong Kong and Macau.

Pursuant to 外商投資圖書、報紙、期刊分銷企業管理辦法 (Measures for the Administration of Foreign-invested Books, Newspapers and Magazines Distribution Enterprises*) promulgated by the GAPP and the former Ministry of Foreign Trade and Economic Cooperation on 17 March 2003 and which took effect on 1 May 2003 (with the provisions regarding the establishment of foreign-invested wholesale enterprises of books, newspapers and periodicals therein took effect on 1 December 2004) (Order of the GAPP and the Ministry of Foreign Trade and Economic Cooperation [2003] No.18, with

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the measures being applicable to the establishment of books, newspapers, periodicals distribution enterprises by investors from Hong Kong, Macau and Taiwan in other provinces, autonomous regions and municipalities directly under the Central People’s Government of the PRC), (1) “Distribution” refers to wholesale and retail of books, newspapers and periodicals; (2) To establish a foreign-invested distribution enterprise for books, newspapers and periodicals, the foreign investor shall first file an application with the Administrative Department of Press and Publication at the provincial level where the enterprise to be established is intended to be located. The Administrative Department of Press and Publication shall issue its preliminary opinions and forward the application to the Administrative Department of Press and Publication under the State Council for approval; (3) The applicant shall, after obtaining the approval from the Administrative Department of Press and Publication under the State Council, submit an application to the Administrative Department in charge of Foreign Trade and Economic Cooperation at the provincial level where the enterprise is located in accordance with the relevant law, and upon the Administrative Department in charge of Foreign Trade and Economic Cooperation issuing its preliminary opinions, the application shall be forwarded to the Administrative Department in charge of Foreign Trade and Economic Cooperation under the State Council for approval.

As at the Latest Practicable Date, we have obtained all necessary permits and approvals in connection with our business operations in the PRC, which specifically include the following licenses:

- (i) Guangzhou Modern Information currently holds the 中華人民共和國出版物經營許可證 (新出發穗天零字第28005號) (Publication Operation License of the PRC (Xin Chu Fa Sui Tian Ling Zi No. 28005)*) approved and issued by 廣州市天河區文化廣電新聞出版局 (Culture, Broadcast, Television, Press and Publication Bureau of Tianhe District, Guangzhou*) on 18 February 2009, which approved its business scope to be the retail of books, newspapers and periodicals edited in the PRC with a term effective until 31 March 2013;
- (ii) Guangzhou Modern Books currently holds the 中華人民共和國出版物經營許可證 (新出發粵穗批字第4401123號) (Publication Operation License of the PRC (Xin Chu Fa Yue Sui Pi Zi No. 4401123)*) approved and issued by 廣東省新聞出版局 (Administration of Press and Publication of Guangdong Province*) on 1 April 2008, which approved its business scope to be the wholesale and retail of books, newspapers and periodicals edited in the PRC with a term effective until 31 March 2013; and
- (iii) the corporate business licenses of the PRC Operational Entities have passed the latest annual review by the SAIC for 2008.

In relation to the two aforementioned publication operation licenses, 廣州市天河區文化廣電新聞出版局 (Culture, Broadcast, Television, Press and Publication Bureau of Tianhe District, Guangzhou*) and 廣東省新聞出版局 (Administration of Press and Publication of Guangdong Province*), being the branches of GAPP, are competent authorities in the PRC to issue such publication operation licenses. In addition, no other permits, approvals or certificates are required for our business operations. For further details of our Group’s compliance matters, please refer to the paragraph headed “Legal and compliance matters” under the “Business” section in this document.

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According to the No. 75 Notice, prior to the establishment or the gaining of control of an offshore special purpose vehicle, a domestic resident shall carry out the procedures for registration of an offshore investment-related foreign exchange with the competent office of the State Administration of Foreign Exchange. In addition, under such notice, a “domestic natural person resident” means a natural person who holds legal identity documents such as PRC resident identity cards or passports or who, despite not having legal status in the PRC, habitually resides in the PRC for reasons related to economic interests.

Hong Kong

In Hong Kong, we operate in a relatively favourable business environment with the freedom of press, publication and expression as specifically safeguarded by the Basic Law of Hong Kong (Chapter 2101 of the Laws of Hong Kong) and the Hong Kong Bill of Rights Ordinance (Chapter 383 of the Laws of Hong Kong). However, a number of statutory provisions and the common law still operate to regulate the publication and distribution of the magazines in Hong Kong.

We are generally subject to the Registration of Local Newspapers Ordinance (Chapter 268 of the Laws of Hong Kong) and its subsidiary legislation in publishing and distributing magazines, which term falls within the definition of “local newspapers” and thus the scope of such ordinance. Registration of magazines with the Registrar of Newspapers is required, the registration of which shall be renewed annually, and distribution of magazines for sale is only permitted by a licensed newspaper distributor. However, no licensing requirement is in place for the retail sale of magazines to any member of the public. City Howwhy, our principal subsidiary in Hong Kong and as a publisher, is also required to deliver to the Registrar of Newspapers a copy of “號外” (City Magazine) on the day of or on the day next following (other than a public holiday) its publication. Furthermore, we may be subject to the Book Registration Ordinance (Chapter 142 of the Laws of Hong Kong), which imposes an obligation on the publisher of a magazine that issues less than four editions a week, to deliver copies of each edition to the Secretary for Home Affairs of Hong Kong within one month after the magazine is published, printed, produced or otherwise made in Hong Kong.

In the event that any offence arises out of the publication of any article or other material such as advertisement in the magazines, for example, libel, the accused person (who may be the proprietor, printer, publisher or editor of such magazines) is imposed with a rebuttable presumption of responsibility and could be vicariously responsible.

We are also subject to the Control of Obscene and Indecent Articles Ordinance (Chapter 390 of the Laws of Hong Kong) under which the Obscene Articles Tribunal has jurisdiction to classify or determine whether the articles published in the magazines in Hong Kong are obscene or indecent.

Apart from the above, we, in the publication and distribution of the magazines, may also be subject to various ordinances in Hong Kong. These include the Undesirable Medical Advertisements Ordinance (Chapter 231 of the Laws of Hong Kong), the Smoking (Public Health) Ordinance (Chapter 371 of the Laws of Hong Kong), the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong), the Copyright Ordinance (Chapter 528 of the Laws of Hong Kong), the Elections (Corrupt and Illegal Conduct) Ordinance (Chapter 554 of the Laws of Hong Kong) and the Judicial Proceedings (Regulation of Reports) Ordinance (Chapter 287 of the Laws of Hong Kong). We may also be subject to laws in the areas of, inter alia, libel and defamation, intellectual property rights, discrimination, public security, solicitation, gambling, pornography, confidentiality, advertisement, contempt of court, infringement of third parties’ rights and treason.

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[The principal activities carried on in Hong Kong by our members are conducted by City Howwhy and Modern Media (HK) (both incorporated in Hong Kong). Each of such Group members has obtained its business registration certificates for carrying on business in Hong Kong. Their principal activities in Hong Kong are publication of “號外” (City Magazine) in Hong Kong and as the vehicle to engage in advertising agency services. [We have been delivering regularly “號外” (City Magazine) to [the Newspapers Registration Section of the Television and Entertainment Licensing Authority] and Books Registration Office], while the registration of “號外” (City Magazine) with the Registrar of Newspapers [was valid as at the Latest Practicable Date]. In connection with such business and operations, our legal advisers as to Hong Kong laws have advised us that our Group has complied with the applicable regulatory requirements and obtained the necessary licences for the said business and operations in Hong Kong. The distribution of “號外” (City Magazine) is made by a licensed newspaper distributor, an Independent Third Party, who has been licensed under the Newspaper Registration and Distribution Regulations (Chapter 268B of the Laws of Hong Kong).]

On-going compliance with the applicable laws and regulations

To ensure on-going compliance with the above applicable rules, laws and regulations in the PRC and in Hong Kong, our Group currently has and/or will have the following systems in place:

- Certain of the PRC Operational Entities in Shanghai, Beijing and Guangzhou have engaged [and will continue to engage after [●] on a regular basis] annual retainer services from PRC lawyers. Such services include, among others, advising, reviewing and/or drafting material contracts, and holding seminars to keep our Group abreast of the latest development of the relevant laws and regulations in the PRC.
- All of our Directors have received basic training on the rules and laws applicable to a listed company in Hong Kong. Furthermore, our subsidiaries incorporated in Hong Kong engaged qualified Hong Kong law firm to render legal advice in respect of our operation in Hong Kong during the Track Record Period. It is expected that such service will continue to be engaged by the Company after [●] when our Directors see fit.