現代傳播
Modern Media

MODERN MEDIA HOLDINGS LIMITED
現代傳播控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 72

Placing and Public Offer

Global Coordinator, Bookrunner, Sponsor and Lead Manager

工銀國際
ICBC INTERNATIONAL

IMPORTANT

If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.

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LISTING ON THE MAIN BOARD OF THE STOCK EXCHANGE OF HONG KONG LIMITED BY WAY OF PLACING AND PUBLIC OFFER

Number of Offer Shares	:	**100,000,000 Shares (subject to the Over-allotment Option)**
Number of Placing Shares	:	**90,000,000 New Shares (subject to re-allocation and the Over-allotment Option)**
Number of Public Offer Shares	:	**10,000,000 New Shares (subject to re-allocation)**
Offer Price	:	**Not more than HK$1.41 per Offer Share (plus brokerage of 1%, SFC transaction levy of 0.004% and Stock Exchange trading fee of 0.005%, payable in full upon application in Hong Kong dollars and subject to refund)**
Nominal value	:	**HK$0.01 per Share**
Stock code	:	**72**

Global Coordinator, Bookrunner, Sponsor and Lead Manager

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ICBC INTERNATIONAL

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, together with the documents specified in Appendix VI to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any of the other documents referred to above.

The Offer Price is expected to be determined by agreement between our Company and the Global Coordinator (on behalf of the Underwriters) on the Price Determination Date. The Price Determination Date is expected to be on or around Thursday, 3 September 2009 and, in any event, not later than Monday, 7 September 2009. The Offer Price will not be more than HK$1.41 per Offer Share and is currently expected to be not less than HK$1.15 per Offer Share unless otherwise announced. Applicants for the Public Offer Shares are required to pay, upon application and subject to refund, the indicative maximum Offer Price of HK$1.41 per Offer Share, together with brokerage of 1%, the transaction levy of 0.004% imposed by the SFC and the Stock Exchange trading fee of 0.005%. The Global Coordinator (on behalf of the Underwriters) with the consent of our Company may reduce the indicative Offer Price range stated in this prospectus and/or reduce the number of Offer Shares being offered pursuant to the Share Offer at any time prior to the morning of the day for the Application Lists open and close. In such a case, notices of reduction of the indicative Offer Price range and/or the number of Offer Shares will be published on the Stock Exchange's website at www.hkex.com.hk and our dedicated results of allocations website at www.tricor.com.hk/ipo/result not later than the morning of the day for the Application Lists open and close. If applications for the Public Offer Shares have been submitted prior to such day, then even if the indicative Offer Price range and/or the number of Offer Shares is so reduced, such applications cannot be withdrawn. If, for whatever reason, our Company and the Global Coordinator (on behalf of the Underwriters) are not able to agree on the final Offer Price on or before the Price Determination Date, the Share Offer (including the Public Offer) will not proceed and will lapse.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including the risk factors set out in the section headed "Risk factors" in this prospectus.

Prospective investors of the Public Offer Shares should note that the Public Offer Underwriters are entitled to terminate their obligations under the Public Offer Underwriting Agreement by notice in writing to be given by the Global Coordinator (on behalf of the Public Offer Underwriters) upon the occurrence of any of the events set forth under the paragraph headed "Grounds for termination" in the section headed "Underwriting" in this prospectus at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Further details of the terms of the termination provisions are set out under the paragraph headed "Grounds for termination" in the section headed "Underwriting" in this prospectus. Prospective investors should carefully refer to that section for further details.

28 August 2009

We will issue an announcement in Hong Kong to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) if there is any change in the following expected timetable of the Public Offer.

	2009 (Note 1)
Latest time to lodge **PINK** Application Forms	4:00 p.m. on Tuesday, 1 September
Application Lists open (Note 2)	11:45 a.m. on Wednesday, 2 September
Latest time to lodge **WHITE** and **YELLOW** Application Forms (Note 2)	12:00 noon on Wednesday, 2 September
Latest time to give **Electronic Application Instructions** to HKSCC (Notes 2 and 3)	12:00 noon on Wednesday, 2 September
Application Lists close	12:00 noon on Wednesday, 2 September
Expected Price Determination Date (Note 4)	Thursday, 3 September
Announcement of the final Offer Price, the indication of the level of interest in the Placing, the level of applications in the Public Offer and the basis of allotment of the Public Offer Shares to be published (a) on our website (http://www.modernmedia.com.cn); (b) the Public Offer results of allocations website (www.tricor.com.hk/ipo/result); and (c) on the Stock Exchange's website (http://www.hkex.com.hk), on or before	Tuesday, 8 September
Result of application and Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Public Offer to be available through a variety of channels as described in the section headed "How to apply for the Public Offer Shares — Publication of results" from	Tuesday, 8 September
Despatch of share certificates of the Offer Shares or deposit of share certificates of the Offer Shares into CCASS in respect of wholly or partially successful applications under the Public Offer on or before (Note 6)	Tuesday, 8 September
Despatch of refund cheques in respect of wholly successful (if applicable) and wholly or partially unsuccessful applications under the Public Offer on or before (Notes 5 and 6)	Tuesday, 8 September
Dealings in the Shares on the Main Board to commence at 9:30 a.m. on	Wednesday, 9 September

Notes:

1. Unless otherwise stated, all times refer to Hong Kong local times.

2. If there is a "black" rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 2 September 2009, the Application Lists will not open and close on that day. Further information is set out under the paragraph headed "Effect of bad weather on the opening of the Application Lists" in the section headed "How to apply for the Public Offer Shares" in this prospectus.

3. Applicants who apply for the Public Offer Shares by giving Electronic Application Instructions should refer to the paragraph headed "Applications by giving Electronic Application Instructions" in the section headed "How to apply for the Public Offer Shares" in this prospectus.

4. The Price Determination Date is expected to be on or about Thursday, 3 September 2009 and in any event, not later than Monday, 7 September 2009 (Hong Kong time). If, for any reason, our Company and the Global Coordinator (on behalf of all the Underwriters) are unable to reach an agreement on the final Offer Price, the Share Offer will not proceed and will lapse.

5. Part of the Hong Kong identity card number/passport number of an applicant or, if there are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant, provided by the respective applicant may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purpose. The banker of the respective applicant may require verification of his/her Hong Kong identity card number/passport number before encashment of the refund cheque. Inaccurate completion of Hong Kong identity card number/passport number may lead to delay in encashment of or may invalidate the refund cheque.

6. If an applicant is using a **WHITE** Application Form to apply for 1,000,000 Public Offer Shares or more and has indicated on the **WHITE** Application Form to collect our share certificate and/or refund cheque (if any) in person, such share certificate and/or refund cheque may be collected in person from our Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, between 9:00 a.m. and 1:00 p.m. on Tuesday, 8 September 2009 or on the date notified by our Company as the date of despatch of our share certificates and refund cheques.

   Individual applicants who opt for collection in person must not authorise any other person to make their collection on their behalf. Corporate applicants who opt for collection in person must attend by their authorised representatives bearing letters of authorisation from the corporations stamped with the corporations' chops. Both individuals and authorised representatives, as the case may be, must produce at the time of collection evidence of identity acceptable to our Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong. If an applicant has opted for collection in person but does not collect our share certificate and/or refund cheque (if any) by 1:00 p.m. on Tuesday, 8 September 2009, share certificate and/or refund cheque (if any) will be sent to the address as appeared on the relevant Application Form in the afternoon on the date of despatch by ordinary post at the applicant's own risk.

   If an applicant has applied for less than 1,000,000 Public Offer Shares or has applied for 1,000,000 Public Offer Shares or more and has not indicated on the relevant Application Form that our share certificate and/or refund cheque (if any) will be collected in person, then our share certificate and/or refund cheque (if any) will be sent to the address as appeared on the relevant Application Form on the date of despatch by ordinary post at the applicant's own risk.

   If an applicant is using a **YELLOW** Application Form or giving Electronic Application Instructions, the relevant arrangements are set forth under the paragraph headed "Despatch/collection of share certificates and refund of application money" in the section headed "How to apply for the Public Offer Shares" in this prospectus.

7. The share certificates and/or refund cheques for applicants who apply on **PINK** Application Forms will be sent to the addresses indicated in their **PINK** Application Forms on the date of despatch (which is expected to be on or about Tuesday, 8 September 2009) by ordinary post and at their own risk.

Share certificates for the Offer Shares will only become valid certificates of title at 8:00 a.m. (Hong Kong time) on the Listing Date provided that (i) the Share Offer has become unconditional; and (ii) the right of termination as described under the paragraph headed "Grounds for termination" in the section headed "Underwriting" in this prospectus has not been exercised and has lapsed.

CONTENTS

The Offer Shares are offered for subscription solely on the basis of the information contained and the representations made in this prospectus. You should rely only on the information contained in this prospectus and the related Application Forms to make your investment decision.

Our Company has not authorised anyone to provide you with information that is different from what is contained in this prospectus and the related Application Forms. Any information or representation not contained in this prospectus or the related Application Forms must not be relied on by you as having been authorised by our Company, the Sponsor, the Lead Manager, any of the Underwriters, any of their respective directors, officers, employees, agents, representatives or affiliates, or any other person or party involved in the Share Offer.

CONTENTS

This summary aims to give you an overview of the information contained in this prospectus and should be read in conjunction with the full text of this prospectus. As the following is only a summary, it does not contain all the information that may be important to you and you should read the prospectus in its entirety before you decide to invest in the Offer Shares.

There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed "Risk factors" in this prospectus. You should read that section carefully before making any decision to invest in the Offer Shares.

Various expressions used in this summary are defined in the section headed "Definitions" in this prospectus.

OVERVIEW

Our business

Our Group is a media company, aspiring to be a cultural and lifestyle media platform for the elites in the greater China region, and is principally engaged in the operation of the Magazines in Hong Kong and the PRC, including the publication of, and the sale of advertising spaces in, "號外" (City Magazine) in Hong Kong and the provision of content production, consultation, management, advertising and other supporting services to, marketing and distribution of, and the sale of advertising spaces in, the PRC Magazines in the PRC, to provide integrated marketing solutions to our advertising customers.

Currently, our Group publishes "號外" (City Magazine), a magazine with a publication history of over 30 years, in Hong Kong and through the PRC Operational Entities, operates seven magazines in the PRC, namely "週末畫報" (Modern Weekly), "優家畫報" (U+ Weekly), "新視綫" (The Outlook Magazine), "汽車生活" (Auto Life), "健康時尚" (LOHAS), "生活月刊" (Life Magazine) and "大都市" (Metropolis). Pursuant to the cooperation agreements entered into between Guangzhou Modern Information and the PRC Publishing Partners, we have obtained the exclusive rights for the sale of advertising spaces in and the distribution of the PRC Magazines, and in return we are responsible for providing content production, consultation, management, advertising and other supporting services. Among the Magazines, "週末畫報" (Modern Weekly) is the most successful publication in terms of the contribution to our advertising revenue and is one of a few leading nation-wide weekly magazines in the PRC. Our Group and the Magazines have obtained a number of awards and recognitions from recognised organisations. In 2009, Guangzhou Modern Information was awarded as one of the 2008－2009 年度中國十大最具投資合作價值傳媒產業公司 (Top 10 China Media Company Most Worth Investing In and Cooperating With 2008 - 2009*) granted by 傳媒雜誌社 (Chuanmei Magazine Society*) at 2009 中國傳媒產業經營管理論壇 (China Media Product Operation and Management Forum 2009*).

We consider that the Magazines have a wide spectrum of readers with the majority of them belonging to the growing middle class in the PRC and ranging from affluent entrepreneurs and corporate decision makers to educated elites with high purchasing power and disposable income. According to 中國國家統計局 (The National Bureau of Statistics of China*), domestic household income in the PRC has increased markedly in recent years. Per capita annual income of the middle income households of China has increased by 11.8% and 17.4% in 2006 and 2007 respectively while the per capita annual income of the highest income households has also increased by 11.5% and 14.9% in 2006 and 2007 respectively. Furthermore, population of college and higher education level in China has increased from approximately 55.5 million in 2002 to approximately 73.2 million in 2007, i.e., from approximately 4.7% of the total population in 2002 to approximately 6.6% of the total population in 2007. With such a niche readership who aspire to high quality living standards and our platform of multi-segmented magazines portfolio, we have successfully attracted a group of eminent advertising clientele comprising internationally renowned brands of leisure and luxurious products to place advertisements in the Magazines.

We pride ourselves in the provision of quality contents to an array of diversified lifestyle magazines with international vision that provides our advertising customers, which comprise mainly international advertising agencies and brand advertisers, a comprehensive advertising platform and marketing solutions with well-defined demographic segmentation through our close monitoring in content production, artwork and photographical design, quality of printing as well as designing various value-added advertising services. Our Directors consider that the success of our Group is attributable to, among other things, our distinctive business philosophy and corporate culture, experienced management team in innovative publication practices, dedicated and experienced execution teams contributing creative ideas for the production of the Magazines and the provision of value-added advertising services, well-established relationship with our advertising customers, wide distribution network and the effective marketing channels in promoting our integrated marketing solutions.

Our source of revenue

Our major source of revenue was derived from the sale of advertising spaces in the Magazines, which accounted for approximately 94.7%, 94.4%, 94.1% and 90.5% of our Gross Revenue during the Track Record Period. We also generated revenue from the circulation of the Magazines, which accounted for approximately 4.4%, 3.2%, 3.6% and 6.0% of our Gross Revenue during the Track Record Period. In recent years, our Group has been enjoying a revenue boost by implementing our clientele segmentation strategies and by introducing more comprehensive advertising services to our advertising customers. Such services include advertorial, brochures, special creative banners, brand posters and supplementary issues. During the three years ended 31 December 2008, our total revenue grew from approximately RMB231.3 million in 2006 to approximately RMB347.8 million in 2008, representing a CAGR of approximately 22.6%. However, our revenue decreased by 7.8% from approximately RMB65.1 million for the three months ended 31 March 2008 to approximately RMB60.0 million for the three months ended 31 March 2009 due to the outburst of global financial turmoil in the end of 2008 which temporarily affected the promotional activities and advertising spending of our advertising customers in the first quarter of 2009. Set out below is a breakdown of our revenue during the Track Record Period:

	Years ended 31 December			**Three months ended 31 March**	
	2006	**2007**	**2008**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Advertising income	235,387	289,040	359,461	65,069	59,210
Circulation income	10,881	9,722	13,614	2,789	3,895
Sponsorship, event and service income	2,401	7,296	8,794	2,765	2,311
Gross Revenue	248,669	306,058	381,869	70,623	65,416
Less: Sales tax and other surcharges	(17,367)	(24,973)	(34,044)	(5,518)	(5,394)
Total revenue	231,302	281,085	347,825	65,105	60,022

Leveraging on our established media platform in Hong Kong and the PRC, we believe that with our successful business operation model, dedication to high quality lifestyle magazines and differentiated advertising services, we are well-positioned to compete with other competitors and capture the market potential of the growing media market in the PRC. Our Group aims to strengthen our leading market position in the lifestyle magazine sector in the PRC by continuing the production of literary and culturally influential magazines in the PRC with creative and quality contents and international vision, and expand the portfolio of magazines we produce in the PRC by cooperation with additional PRC Publishing Partners in the future to expand our readership base and provide value-added advertising services and integrated marketing solutions to our advertising customers.

Recent development of the advertising industry

According to the ZenithOptimedia Report, global advertising expenditures have been contracting since the third quarter of 2008 as a result of the outburst of the global financial turmoil and is expected to shrink by 6.9% in 2009 followed by a 1.5% growth in 2010 and a 4.5% growth in 2011. Regardless of the anticipated decrease in global advertising expenditure, China's advertising market is expected to outperform most of the developed countries in the world and maintains a steady growth in the coming years. According to ZenithOptimedia, the advertising expenditure growth in China will slow down to just approximately 5.4% in 2009 compared to a decrease of 6.9% in global advertising expenditures. Moreover, the Shanghai World Expo and the 2010 FIFA World Cup South Africa are expected to stimulate demand for advertising in the coming years and it is expected that the total advertising expenditures in China will grow by 5.2% in 2010 and 8.9% in 2011.

Following the outburst of the global financial turmoil, our Directors observed that our advertising customers, including advertising agencies and brand advertisers, had temporarily scaled down their promotional activities and advertising spending substantially for the first quarter of 2009 compared with that of the first quarter of 2008 in view of the obscure economic conditions. Further aggregated by the advertisement patterns in the PRC as more particularly described under the paragraph headed "Seasonal trend of advertising expenditures of lifestyle magazines in the PRC" in the section headed "Financial information" in this prospectus, our Group recorded a declined turnover of approximately RMB60.0 million and a net loss of approximately RMB9.7 million for the three months ended 31 March 2009. Our Directors believe that the decrease in the advertising activities and promotional spending of our advertising customers was transient and will likely revert to the normal level in the second half of 2009 in view of the resurgent performance in the general economy, in particular the consumer market of the PRC and the economic stimulus plans implemented or to be carried out by the PRC government. According to an analysis dated 17 July 2009 concluded by The National Bureau of Statistics of China on 社會消費品零售總額 (The Total Retail Sales of Social Consumer Goods*), the total sales volume of the social consumer goods in the PRC recorded an amount of approximately RMB5,871.1 billion for the first half of the year 2009, which represented a growth of approximately 15.0% when compared with that for the same period of year 2008.

In order to capture the anticipated recovery of consumer markets in the PRC, our Group further extended incentive packages to our selected advertising customers in the second quarter of the year 2009 with a view to enlarging our market share. Although there was a downward adjustment in our average selling price of advertising spaces from approximately RMB54,000 per page for the three months ended 31 March 2009 to approximately RMB49,000 per page for the three months ended 30 June 2009, we recorded an increase in the number of our advertising spaces sold from approximately

1,100 pages for the three months ended 31 March 2009 to approximately 1,600 pages for the three months ended 30 June 2009 and our unaudited advertising revenue for the three months ended 30 June 2009 increased to approximately RMB78.2 million when compared to that of the three months ended 31 March 2009 in the amount of approximately RMB59.2 million. In this connection, our Group recorded an improvement in operating results from net loss of approximately RMB9.7 million for the three months ended 31 March 2009 to unaudited net loss of approximately RMB0.3 million for the three months ended 30 June 2009 which included a loss on disposal of an associate of approximately RMB1.5 million that was non-recurring in nature.

Apart from a decrease in the demand for leisure and luxury consumer goods, the global financial crisis also resulted in global credit tightening and the deteriorating situation exacerbates the liquidity and credit crunch. Our Directors believe that such liquidity and credit crunch has affected the availability of banking facilities and bank borrowings for the commercial sectors in the PRC. Our Directors confirm that our Group has not received any notification from our banker regarding early repayment of outstanding bank borrowings or request for placement of pledges for secured bank borrowings as a result of the economic downturn since the last quarter of the year 2008. Also, as of the Latest Practicable Date, our Group had neither encountered major difficulties in securing and/or borrowing bank loan nor was charged an exceptionally high interest rate on the bank loan. However, in the event that there is a request for early repayment of our outstanding bank loans by our banker and our Group cannot arrange any alternative credit facility with other financial institutions on a timely basis, it may adversely affect our Group’s cash-flow, business operation and profitability position.

Our Directors believe that, although the timing of general recovery of the global economy is still uncertain, with the continuing improvement in the overall economy of the PRC and Hong Kong and the gradual liberalisation of the PRC’s publication industry as a result of the PRC’s membership in the World Trade Organisation, it is expected that there will be an enormous growth potential for Chinese lifestyle magazine advertising market in the PRC and Hong Kong.

The Contractual Arrangements

Under the prevailing laws and regulations in the PRC, companies with foreign ownership are restricted from engaging in the publishing business in the PRC. As such, we rely on the PRC Operational Entities to conduct certain parts of our businesses in the PRC. Though none of the members in our Group have any direct equity holding in any of the PRC Operational Entities, we manage to maintain an effective control over the financial and operational policies of these PRC Operational Entities through the Contractual Arrangements (entered into among Zhuhai Technology, Mr Shao, Modern Media (HK) (where applicable) and the PRC Operational Entities on 24 August 2009) which effectively transfer the economic benefits and pass the risks associated therewith of the PRC Operational Entities to our Company, and as a result, the PRC Operational Entities have been consolidated as subsidiaries of our Company from their respective dates of acquisition or establishment by Mr. Shao and/or entities controlled by him.

During the Track Record Period, the revenue generated from the PRC Operational Entities amounted to approximately RMB183.1 million, RMB230.4 million and RMB303.2 million for each of the three years ended 31 December 2008 and RMB56.9 million for the three months ended 31 March 2009 respectively, representing approximately 79.2%, 82.0%, 87.2% and 94.8% of our total revenue for the relevant periods, respectively. Furthermore, the net profit derived from the PRC Operational Entities amounted to approximately RMB34.9 million, RMB42.2 million and RMB46.1 million, for each of the three years ended 31 December 2008, representing approximately 97.2%, 101.0% and 102.3% of our total net profit for the relevant period respectively. As some of our Group's equity-held subsidiaries recorded slight losses in 2007 and 2008, the net profit derived from the PRC Operational Entities was slightly more than the combined net profit of our Group for each of the two years ended 31 December 2008, which was approximately RMB41.8 million and RMB45.0 million respectively. For the three months ended 31 March 2009, the net loss derived from the PRC Operational Entities amounted to approximately RMB3.6 million, representing approximately 37.0% of our net loss for the three months ended 31 March 2009.

As advised by our PRC legal adviser, the Contractual Arrangements are in compliance with and, to the extent governed by the PRC laws currently in force, are enforceable under the current PRC laws and that in the event of any breach or default by any one of Mr. Shao or the PRC Operational Entities, Zhuhai Technology can take legal actions against any one of them. However, we understand that the Contractual Arrangements do not give us as much control and security as direct legal and beneficial ownership over the PRC Operational Entities do and there is no assurance that Zhuhai Technology is able to reclaim all of the related interests in the event of any breach or default of the contractual terms by Mr. Shao or the PRC Operational Entities.

Furthermore, there can be no assurance that the interpretation of the Contractual Arrangements by our PRC legal adviser is in line with the interpretation of the PRC governmental authorities (including GAPP) and that the Contractual Arrangements (or any part thereof) will not be considered by such PRC governmental authorities and courts to be in violation of the PRC laws. In addition, there can be no assurance that GAPP or other PRC governmental authorities will not in the future interpret or issue laws, regulations or policies that result in the Contractual Arrangements being deemed to be in violation of the then prevailing PRC laws. Please refer to the paragraph headed "Contractual Arrangements" in the section headed "Business" in this prospectus for the details of the Contractual Arrangements and the paragraph headed "We rely on the Contractual Arrangements." in the section headed "Risk factors" in this prospectus for a discussion of the relevant risks in relation to the Contractual Arrangements.

Cooperation with the PRC Publishing Partners and the distributors

In addition to our reliance on the Contractual Arrangements, we also, to a significant extent, depend on the PRC Publishing Partners and our distributors.

Due to the limitations on the publication of magazines in the PRC under the prevailing laws and regulations in the PRC, we, through the PRC Operational Entities, rely on the PRC Publishing Partners, who are the legal publisher and owner of the relevant PRC Magazines (each of which is controlled by recognised governmental authorities or institutions of the PRC and holds the relevant Publishing Codes and holds or has the relevant licenses and rights in relation to the publication of the relevant PRC Magazines). Guangzhou Modern Information and the PRC Publishing Partners have entered into certain cooperation agreements to carry out our businesses in the PRC. The cooperation agreements are essential to our businesses in the PRC as we, through the relevant PRC Operational Entity, have acquired the exclusive rights from the PRC Publishing Partners by the payment of certain prescribed fees pursuant to these cooperation agreements to sell advertising spaces in the PRC Magazines and distribute the PRC Magazines to generate our advertising and distribution revenues. In return, we are responsible for providing content production, consultation, management, advertising and other supporting services to the PRC Publishing Partners for the publication of the relevant PRC Magazines and for all the costs associated with the production of the PRC Magazines, which include production staff costs, printing costs and content production costs. Our Group, through the PRC Operational Entities, is engaged in the content production of the PRC Magazines, which include the compilation of various articles and/or data sourced from other Independent Third Parties. As such, our Group is the copyright owner of the contents as compiled, and also as the original selection and arrangement works from our Group, of the PRC Magazines. Furthermore, under the relevant PRC laws, if there are any infringement of any intellectual property rights arising out of, or any defamation actions over, the advertising and non-advertising contents of the PRC Magazines, the relevant PRC Publishing Partners are liable for such actions; and Guangzhou Modern Information may bear the legal liabilities for those content materials that it has provided to the PRC Publishing Partners and which cause the infringement of intellectual property rights or any defamation actions. In addition, our Group may be subject to administrative penalties for violation of the relevant PRC laws due to the nature and content of the advertisements contained in the PRC Magazines. Please refer to the paragraph headed "Cooperation agreements with the PRC Publishing Partners" in the section headed "Business" in this prospectus for the details of the cooperation agreements we entered into with the PRC Publishing Partners and the paragraph headed "We rely on the PRC Publishing Partners." in the section headed "Risk factors" in this prospectus for the relevant risks.

Currently, we rely on over 200 distributors in the PRC to distribute the PRC Magazines and one independent distributor in Hong Kong to distribute "號外" (City Magazine) in Hong Kong (and less significantly, other places outside the PRC). All of our distributors are Independent Third Parties and are responsible for distributing the Magazines to their respective owned and/or managed retail outlets including, among other things, points of sales at airports and subways, book shops, supermarkets, hotels, convenience stores, newsstands and gas stations, covering Hong Kong and more than 20 major cities in the PRC (including Shanghai, Guangzhou, Beijing, Shenzhen, Hangzhou, Chengdu, Chongqing, Nanjing, Tianjin, Shenyang, Wuhan, Qingdao and Xi'an) for sale to our end readers.

COMPETITIVE STRENGTHS

Our Directors believe that our Group is well positioned in the fast-growing and yet competitive Chinese-language lifestyle magazines market in the PRC, attributing to the following key competitive strengths which distinguish us from our competitors:

- Distinctive business philosophy and corporate culture

- An experienced management team with international exposure and local knowledge that leads our Group to innovative directions

- Dedicated and experienced execution teams contributing creative ideas for the production of the Magazines and the provision of value-added advertising services and integrated marketing solutions

- Leading market position in the nation-wide lifestyle magazines sector

- Strong brand recognition of "Modern Media" that is synonymous with the leading media group in lifestyle magazines in the PRC

- A wide distribution network covering major cities in the PRC that supports our broad customer base and attracts advertising customers

- A unique media platform

- Provision of value-added advertising services and integrated marketing solutions for our advertising customers

For further details of our competitive strengths, please see the paragraph headed "Competitive strengths" in the section headed "Business" in this prospectus.

BUSINESS STRATEGIES

Our Group strives to become the leading media group in the PRC by the provision of an array of high quality Chinese-language lifestyle magazines with international vision that provides our advertising customers with a comprehensive advertising platform and marketing solutions with well-defined demographic segmentation. We will continue to seek opportunities to realise sustainable growth of our business by capturing the anticipated market potential in the Chinese-language lifestyle magazines market and advertising business in the greater China region. In order to achieve these business objectives, we intend to implement the following strategies:

- To expand our existing weekly and monthly magazines portfolio platform

- To broaden our revenue streams by increasing our effort in the promotion of magazines and media platform which excel in the provision of value-added advertising services and integrated marketing solutions

- To expand our geographical coverage to penetrate further into regional distribution networks

- To increase efficiency of cost and quality control

For further details of our business strategies, please see the paragraph headed "Business strategies" in the section headed "Business" in this prospectus.

TRADING RECORD DURING THE TRACK RECORD PERIOD

The following table summarises our combined results for the Track Record Period which have been extracted from the accountants' report on our Company, prepared in accordance with IFRSs issued by the International Accounting Standards Board throughout the Track Record Period, the text of which is set out in Appendix I to this prospectus, and also illustrates certain items in our combined income statement expressed as a percentage of turnover for the Track Record Period. For further information regarding the basis of presentation of our Group's financial information, please refer to the accountants' report in Appendix I to this prospectus.

	Years ended 31 December						Three months ended 31 March			
	2006		2007		2008		2008		2009	
	RMB'000	*% of turnover*	*RMB'000*	*% of turnover*	*RMB'000*	*% of turnover*	*RMB'000 (unaudited)*	*% of turnover*	*RMB'000*	*% of turnover*
Turnover	231,302	100.0	281,085	100.0	347,825	100.0	65,105	100.0	60,022	100.0
Cost of sales	(107,114)	(46.3)	(117,443)	(41.8)	(142,839)	(41.1)	(30,596)	(47.0)	(36,325)	(60.5)
Gross profit	124,188	53.7	163,642	58.2	204,986	58.9	34,509	53.0	23,697	39.5
Other revenue	75	0.0	355	0.1	1,743	0.5	48	0.1	2,470	4.1
Other net income/(loss)	79	0.0	(135)	(0.0)	(514)	(0.1)	(125)	(0.2)	16	0.0
Selling and distribution expenses	(35,918)	(15.5)	(51,502)	(18.3)	(72,390)	(20.8)	(18,517)	(28.4)	(18,117)	(30.2)
Administrative and other operating expenses	(46,937)	(20.3)	(62,916)	(22.4)	(77,393)	(22.3)	(18,703)	(28.7)	(18,771)	(31.3)
Profit/(loss) from operations	41,487	17.9	49,444	17.6	56,432	16.2	(2,788)	(4.2)	(10,705)	(17.9)
Finance costs	(51)	(0.0)	—	0.0	—	—	—	0.0	(171)	(0.3)
Share of profit/(loss) of an associate	—	0.0	498	0.2	861	0.2	(654)	(1.0)	(57)	(0.1)
Share of loss of a jointly controlled entity	—	0.0	(382)	(0.1)	(290)	(0.1)	(196)	(0.3)	(26)	(0.0)
Profit/(loss) before taxation	41,436	17.9	49,560	17.7	57,003	16.3	(3,638)	(5.5)	(10,959)	(18.3)
Income tax	(5,486)	(2.4)	(7,760)	(2.8)	(11,985)	(3.4)	(294)	(0.5)	1,242	2.1
Profit/(loss) for the year/period	35,950	15.5	41,800	14.9	45,018	12.9	(3,932)	(6.0)	(9,717)	(16.2)
Profit/(loss) attributable to equity shareholders	35,950	15.5	41,800	14.9	45,018	12.9	(3,932)	(6.0)	(9,717)	(16.2)

STATISTICS OF THE SHARE OFFER

	Based on the minimum indicative Offer Price of HK$1.15	Based on the maximum indicative Offer Price of HK$1.41
Market capitalisation(1)	HK$460.0 million	HK$564.0 million
Pro forma adjusted net tangible assets per Share(2)	HK$0.68	HK$0.74
Pro forma price/earnings multiple(3)	9.0 times	11.0 times

Notes:

1. The market capitalisation does not take into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme.

2. The unaudited pro forma adjusted net tangible assets per Share is arrived at after making the adjustments set forth in the section headed "Financial information" in this prospectus and on the basis of a total of 400,000,000 Shares in issue and expected to be issued upon completion of the Share Offer but does not take into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by our Company pursuant to the general mandates for the allotment and issue or repurchase of our Shares referred to under "Resolutions in writing of the sole Shareholder passed on 24 August 2009" in Appendix V to this prospectus. No account has been taken of the interests which may have been received on the estimated net proceeds from the Share Offer that had been received on 1 January 2009.

   Appendix II to this prospectus sets forth the calculation of the unaudited pro forma adjusted net tangible assets per Share.

3. The calculation of the pro forma price/earnings multiple is based on each indicative offer price and the earnings per Share on a pro forma basis for the year ended 31 December 2008 and the assumed number of Shares outstanding as set forth in note 2 above.

If the Over-allotment Option is exercised in full, the number of Shares in issue will increase to 415,000,000 Shares (without taking into account any Shares that may be allotted and issued pursuant to the exercise of any options that may be granted under the Share Option Scheme).

DIVIDEND POLICY

Our Group did not declare or pay any dividend in respect of the three financial years ended 31 December 2008 and the three months ended 31 March 2009.

On 31 July 2009, our PRC Operational Entities declared special interim dividends of RMB82.0 million to the Controlling Shareholder and he will use part of the dividend to fully settle the amount due to our Group from him and Shanghai Senyin. The special interim dividends are expected to be paid before the Listing Date. Prospective investors in the Share Offer should note that they will not be entitled to any such special interim dividends.

The amount of any dividends to be declared in the future will depend on, among others, our Group's results of operations, available cashflows and financial condition, operating and capital requirements, the amount of distributable profits based on the IFRSs, the Articles of Association, the Companies Law, applicable laws and regulations and any other factors that our Directors deem relevant. The payment of dividends may also be limited by legal restrictions and agreements that our Group may enter into in the future.

Subject to the factors described above, we currently intend to recommend at the next annual general meeting of our Company an annual dividend of approximately 30% of our net profit available for distribution to our Shareholders for the period beginning from the Listing Date and ending on 31 December 2009. The aforementioned special interim dividends should not be viewed as an indication of the amount of dividends that our Company may declare or pay in the future.

USE OF PROCEEDS

Our Directors intend to apply the net proceeds from the Share Offer to finance our capital expenditure and business expansion, strengthen our capital base and improve our overall financial position.

We estimate that on the assumption that the Over-allotment Option is not exercised, we will receive net proceeds from the Share Offer of approximately HK$106.1 million (assuming an Offer Price of HK$1.28 per Offer Share, being the mid-point of the indicative range of the Offer Price between HK$1.15 and HK$1.41), after deducting the underwriting commissions and estimated expenses payable by us in relation to the Share Offer.

Assuming we receive the estimated net proceeds as described above, we currently intend to use the net proceeds from the Share Offer as follows:

- as to approximately HK$68.9 million (or approximately 65% of such net proceeds) for expanding the portfolio of magazines we operate in the PRC by allocating (a) approximately HK$37.1 million (or approximately 35% of such net proceeds) for operating new nationally-distributed magazines (by way of cooperation with new PRC Publishing Partners for the publication of periodicals or magazines or such ways as permitted under the prevailing laws and regulations in the PRC); (b) approximately HK$21.2 million (or approximately 20% of such net proceeds) for collaborating with reputed international publishers to launch the Chinese editions of their high-end lifestyle and fashion-focused monthly magazines in the PRC and/or Hong Kong; and (c) approximately HK$10.6 million (or approximately 10% of such net proceeds) for conducting selective investment in magazines of the second tier cities in the PRC in order to increase our market share in such second tier cities and to further penetrate into the advertising market of the PRC. We currently plan to roll out and complete the above-mentioned plans by the end of 2010;

- as to approximately HK$21.2 million (or approximately 20% of such net proceeds) for enhancing our sales and marketing effort with a view to expanding brand recognition of our Group as the leader in the high quality Chinese-language lifestyle magazines market in the PRC and developing new business opportunities in different channels, such as the design and production of tailor-made periodical magazines, supplement productions for our advertising customers as well as organising marketing and public relationship events jointly with or on behalf of our advertising customers. We currently plan to increase our monthly sales and marketing budget after the Listing for the above-mentioned plan and expect to substantially complete such plan by the end of 2011;

- as to approximately HK$10.6 million (or approximately 10% of such net proceeds) for expanding our geographical coverage by establishing new offices and developing larger distribution network through our distributors or staff designated in the second tier cities in the PRC. We currently plan to strengthen the distribution networks in Hangzhou, Nanjing, Chongqing, Chengdu and Tianjin by the end of 2010, and in Wuhan, Shenyang, Dalian, Qingdao, Harbin and Xi'an by the end of 2011; and

- the remaining net proceeds for funding our general working capital and other general corporate purposes.

In the event that the Over-allotment Option is exercised in full and the Offer Price is finally determined at the highest end of the indicative range of the Offer Price between HK$1.15 and HK$1.41 per Offer Share, the net proceeds of the Share Offer will increase by approximately HK$33.0 million. Our Directors intend to apply such additional net proceeds for the above usages in the proportion as referred to above.

In the event that the Over-allotment Option is exercised in full and the Offer Price is finally determined at the lowest end of the indicative range of the Offer Price between HK$1.15 and HK$1.41 per Offer Share, the net proceeds of Share Offer will increase by approximately HK$4.0 million. Our Directors intend to apply such additional net proceeds for the above usages in the proportion as referred to above.

In the event that the Over-allotment Option is not exercised and the Offer Price is finally determined at the highest end of the indicative range of the Offer Price between HK$1.15 and HK$1.41 per Offer Share, the net proceeds of the Share Offer will increase by approximately HK$12.6 million. Our Directors intend to apply such additional net proceeds for the above usages in the proportion as referred to above.

In the event that the Over-allotment Option is not exercised and the Offer Price is finally determined at the lowest end of the indicative range of the Offer Price between HK$1.15 and HK$1.41 per Offer Share, the net proceeds of the Share Offer will reduce by approximately HK$12.6 million. In such event, our Directors intend to reduce the intended use of proceeds for the above stated purposes on a pro-rata basis and we will finance such shortfall by internal cash resources and/or additional bank borrowings, as and when appropriate.

To the extent that the net proceeds from the Share Offer are not immediately required for the above purposes or if we are unable to effect any part of our future development plans as intended, we may hold such funds in short-term deposits with licensed banks and/or authorised financial institutions in Hong Kong and/or the PRC for so long as it is in our best interest.

RISK FACTORS

We consider that there are certain risks involved in our business and operations and in connection with the Share Offer. Such risks can be categorised into (i) risks relating to our business; (ii) risks associated with our industry; (iii) risks associated with the PRC; and (iv) risks relating to the Share Offer. These risks are set out in the section headed "Risk factors" in this prospectus, the headings of which are as follows:

Risks relating to our business:

- We rely on the Contractual Arrangements.
- We rely on the PRC Publishing Partners.
- We rely on certain key management personnel and magazine production and marketing teams.
- We rely on a small number of independent printers.
- We rely on independent distributors.
- We rely on various licences granted by other institutions or entities for reproducing copyright protected materials.
- Our results of operations may be affected by advertising trends, economic conditions and increasing competition in the media advertising industry in the PRC and Hong Kong.
- We rely on intellectual property rights protection.
- We may not be able to sustain our business growth that we experienced during the three years ended 31 December 2008.
- We recorded a decline in our operating margin during the three years ended 31 December 2008 and a decline in our revenue and recorded a net loss during the three months ended 31 March 2009.
- We may have potential litigation.
- We may not be able to implement our strategies and future plans successfully.
- Our operations are subject to seasonality.
- Our operations are subject to stringent regulatory framework.
- We generally do not enter into long-term sales contracts with our advertising customers.
- Our leased properties in the PRC may be subject to legal irregularities.

Risks associated with our industry:

- We are subject to PRC media industry regulations and policies.
- We face competition and are subject to price war.
- Potential increase in printing costs may affect our profitability.

Risks associated with the PRC:

- Uncertainty in the PRC legal system may make it difficult for us to predict the outcome of any disputes that we may be involved in.
- Our results and financial position are highly susceptible to changes in the PRC's political, economic and social conditions as our revenue is currently mainly derived from our operations in the PRC.
- There is no assurance that we will continue to receive the preferential tax treatment currently enjoyed by some members of our Group.
- The outbreak of any severe communicable diseases in the PRC (including Hong Kong), if uncontrolled, could affect the financial performance and prospects of our Group.
- Restrictions imposed by the PRC government on currency conversion and exchange rate fluctuation may limit our ability to remit dividends and affect our business.
- Payment of, and tax exemptions on, dividends are subject to restriction under the PRC laws.
- Enforcement of judgments obtained from non-PRC courts may be difficult.
- PRC regulations may limit our ability to make additional capital contributions to our subsidiaries in the PRC or the PRC Operational Entities.
- The new PRC Labour Contract Law may have an impact on our Group's operations and our labor costs may increase as we may be liable to fines and penalties for any material breach of the new law.

Risks relating to the Share Offer:

- There has been no prior public market for the Shares.
- The market price of the Shares may be volatile.
- Concentrated ownership and the Controlling Shareholder may exert substantial influence over us and may not act in the best interests of our minority Shareholders.

- There may be dilution of shareholding as a result of additional equity fund raising.

- We cannot guarantee the accuracy of the statistics relating to the Chinese economy or the industry in which we operate.

- There are risks associated with forward-looking statements contained in this prospectus.

- Prospective investors should not place any reliance on any information contained in the press coverage regarding our Group and the Share Offer.

In this prospectus, unless the context otherwise requires, the following terms and expressions shall have the following meanings:

"affiliates"	with respect to any person, any other person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified person
"Application Form(s)"	**WHITE**, **YELLOW** and **PINK** application form(s) or, where the context so requires, either of them that is used in connection with the Public Offer
"Application Lists"	the application lists for the Public Offer
"Articles of Association" or "Articles"	the articles of association of our Company as amended from time to time
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Beijing Yage"	北京現代雅格廣告有限公司 (Beijing Modern Yage Advertising Co., Ltd.*), a limited liability company established under the laws of the PRC on 15 January 2002 and which is owned as to 80% by Guangzhou Modern Information and as to 20% by Guangzhou Modern Books
"Beijing Yage Zhimei"	北京雅格致美廣告傳播有限公司 (Beijing Yage Zhimei Advertising Media Co., Ltd.*), a limited liability company established under the laws of the PRC on 29 March 2006 and a wholly-owned subsidiary of Zhuhai Modern Zhimei
"Board"	the board of Directors
"Business Day"	a day on which banks in Hong Kong are generally open for business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
"BVI"	the British Virgin Islands
"Capitalisation Issue"	the issue of new Shares to be made upon the capitalisation of certain sum standing to the credit of the share premium account of our Company referred to under the paragraph headed "Resolutions in writing of the sole Shareholder passed on 24 August 2009" in Appendix V to this prospectus
"CAGR"	an acronym for compound annual growth rate
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant

"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant or a CCASS Custodian Participant or a CCASS Investor Participant
"City Howwhy"	City Howwhy Limited (號外有限公司), a company incorporated in Hong Kong with limited liability on 15 May 2000 and an indirect wholly-owned subsidiary of our Company
"Companies Law"	the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
"Companies Ordinance"	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), as amended and supplemented from time to time
"Company" or "our Company"	Modern Media Holdings Limited (現代傳播控股有限公司), a company incorporated in the Cayman Islands with limited liability on 8 March 2007
"Connected Person(s)"	has the meaning ascribed to it under the Listing Rules
"Contractual Arrangements"	a series of contracts entered into by, among others, Zhuhai Technology, Mr. Shao and the PRC Operational Entities as more particularly described under the paragraph headed "Contractual Arrangements" in the section headed "Business" in this prospectus
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules and, in the context of this prospectus, means Mr. Shao
"Director(s)"	the director(s) of our Company
"EIT"	中國人民共和國企業所得税 (the enterprise income tax of the PRC*)
"EIT Law"	中國人民共和國企業所得税法 (The Enterprise Income Tax Law of the PRC*)
"Electronic Application Instruction(s)"	instructions given by a CCASS Participant electronically via CCASS to HKSCC, being one of the methods to apply for the Public Offer Shares

"E-starship"	E-starship Limited, a company incorporated in BVI with limited liability on 18 May 2000 and a wholly-owned subsidiary of our Company
"Excluded Group"	collectively 68.com Holdings Limited, Top Finance Holdings Limited, Hero Enterprises Limited, China Yachting Communications Limited (in process of dissolution), Modern Company Limited (in process of dissolution), Modern Mobile Digital Media Co. Ltd., Shanghai Senyin and 廣州現代移動數碼傳播有限責任公司 (Guangzhou Xiandai Yidong Shuma Chuanbo Company Limited*)
"GAPP"	中國國家新聞出版總署 (General Administration of Press and Publication of the PRC*)
"GDP"	an acronym for gross domestic product
"Gross Revenue"	turnover of our Group during the Track Record Period before the deduction of sales taxes and other surcharges of the respective periods
"Group", "we" or "us"	our Company and its subsidiaries or, where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, such subsidiaries as if they were the subsidiaries of our Company at the time and also include the PRC Operational Entities (the financial results of which have been combined and accounted for as the subsidiaries of our Company by virtue of the Contractual Arrangements)
"Guangzhou Modern Books"	廣州現代圖書有限公司 (Guangzhou Modern Books Co., Ltd.*), a limited liability company established under the laws of the PRC on 24 November 2004 and which is owned as to 90% by Mr. Shao and as to 10% by Guangzhou Modern Information
"Guangzhou Modern Information"	廣州現代資訊傳播有限公司 (Guangzhou Modern Information Media Co., Ltd.*), a limited liability company established under the laws of the PRC on 3 September 1999 and which is wholly owned by Mr. Shao
"Guangzhou Xiandai"	廣州現代移動數碼傳播有限公司 (Guangzhou Xiandai Yidong Shuma Chuanbo Company Limited*), a company established in the PRC on 23 May 1996 by Mr. Shao and formerly known as 廣州現代電子商業網有限公司 (Guangzhou Xiandai Dianzi Shangyewang Company Limited*), is owned as to 80% by Mr. Shao and as to the remaining 20% by Guangzhou Modern Information (which 20% interest has been agreed and is being arranged to be disposed of to Shanghai Senyin)

"Guangzhou Yage"	廣州雅格廣告有限公司 (Guangzhou Yage Advertising Co., Ltd.*), a limited liability company established under the laws of the PRC on 25 February 2004 and a wholly-owned subsidiary of Zhuhai Modern Zhimei
"HK$" or "HK dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"HKSCC"	Hong Kong Securities Clearing Company Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"ICBC International" and/or "Bookrunner" and/or "Global Coordinator" and/or "Sponsor"	ICBC International Capital Limited, a licensed corporation under the SFO permitted to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) of the regulated activities (as defined in the SFO), acting as the global coordinator and bookrunner of the Share Offer, and the Sponsor to the Listing
"IFRSs"	International Financial Reporting Standards
"Independent Third Party(ies)"	a person(s) or company(ies) which is/are independent of and not connected with any member of our Group, our Directors, chief executive and the substantial shareholder of our Company and its subsidiaries and their respective associates
"Latest Practicable Date"	24 August 2009, being the latest practicable date prior to the publication of this prospectus for ascertaining certain information contained in this prospectus
"Lead Manager"	ICBC International Securities Limited, a licensed corporation under the SFO permitted to conduct Type 1 (dealing in securities) of the regulated activities (as defined in the SFO), and appointed as the lead manager of the Share Offer
"Listing"	listing of our Shares on the Main Board
"Listing Date"	the date on which dealings in the Shares first commence on the Stock Exchange and which is expected to be on or around Wednesday, 9 September 2009
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
"Macau"	the Macau Special Administrative Region of the PRC

"Mag-Form"	the acronym of "Magazine Platform" which represents the unique and multi-segmented business platform created by the Magazines through which our Group provides integrated marketing solutions
"Magazines"	the PRC Magazines and "號外" (City Magazine), the publication that we publish in Hong Kong
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
"Modern Media (HK)"	Modern Media Company Limited (現代傳播有限公司), a company incorporated in Hong Kong with limited liability on 6 May 1998 and an indirect wholly-owned subsidiary of our Company
"Mr. Shao"	Mr. Shao Zhong, our founder, chairman and an executive Director
"New Shares"	the 100,000,000 new Shares initially being offered at the final Offer Price by our Company under the Share Offer and, where relevant, any additional Shares which may be issued pursuant to the exercise of the Over-allotment Option
"No. 75 Notice"	《國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》(The Notice of SAFE on Issues relating to Foreign Exchange Control on Fund Raising by Domestic Residents through Offshore Special Purpose Vehicles and Round-trip Investments*) promulgated on 21 October 2005
"Offer Price"	the offer price for each Offer Share (excluding the Stock Exchange trading fee of 0.005%, the transaction levy of 0.004% imposed by the SFC and 1% of the related brokerage), which is expected to be not more than HK$1.41 and not less than HK$1.15
"Offer Shares"	the Placing Shares and Public Offer Shares together, where relevant, with any additional Shares issued pursuant to the exercise of the Over-allotment Option

"Over-allotment Option"	the option to be granted by our Company to the Placing Underwriters, exercisable by the Lead Manager (for itself and on behalf of the Placing Underwriters), at any time from the Listing Date up to (and including) the 30th day after the last day for lodging of the Application Forms, to require our Company to allot and issue the Over-allotment Shares at the final Offer Price to cover over-allocations in the Placing and/or the obligations of the Lead Manager to return securities borrowed under the Stock Borrowing Agreement
"Placing"	the conditional placing of the Placing Shares through the Placing Underwriters, acting on behalf of our Company, at the final Offer Price, with professional, institutional and individual investors in certain jurisdictions as described in the section headed "Structure and conditions of the Share Offer" in this prospectus
"Placing Shares"	the 90,000,000 New Shares being offered by our Company for subscription under the Placing (subject to the reallocation as described in the section headed "Structure and conditions of the Share Offer" in this prospectus) together, where relevant, with any additional Shares which may fall to be issued pursuant to the exercise of the Over-allotment Option
"Placing Underwriters"	the underwriters of the Placing Shares who are expected to enter into the Placing Underwriting Agreement
"Placing Underwriting Agreement"	the conditional underwriting agreement expected to be entered into on or about the Price Determination Date between, amongst others, our Company and the Placing Underwriters relating to the Placing, details of which are set forth in the section headed "Underwriting" in this prospectus
"PRC" or "China"	the People's Republic of China, which, for the purposes of this prospectus, excludes Hong Kong, Macau and Taiwan
"PRC Magazines"	the publications that we operate in the PRC, collectively "週末畫報" (Modern Weekly), "新視綫" (The Outlook Magazine), "生活月刊" (Life Magazine), "汽車生活" (Auto Life), "健康時尚" (LOHAS), "優家畫報" (U+ Weekly) and "大都市" (Metropolis)
"PRC Operational Entities"	collectively Beijing Yage, Beijing Yage Zhimei, Guangzhou Modern Information, Guangzhou Modern Books, Guangzhou Yage, Shanghai Gezhi, Shanghai Yage, Shenzhen Yage Zhimei, Zhuhai Modern Zhimei and Zhuhai Yinhu, the financial results of which have been combined and accounted for as the subsidiaries of our Company by virtue of the Contractual Arrangements

"PRC Publishing Partners"	existing or, as the context requires, future independent business partners of our Group who own or hold the relevant Publishing Code with respect to each of the PRC Magazines or any other Chinese-language magazines to be operated by us in certain specific business areas or functions pursuant to cooperation agreements entered into between Guangzhou Modern Information and with respect to which the PRC Operational Entities will be granted the exclusive rights to sell advertising spaces in, and to distribute, the PRC Magazines
"Price Determination Date"	the date on which the final Offer Price is to be determined by our Company and the Global Coordinator (acting on behalf of all the Underwriters) and which is expected to be on Thursday, 3 September 2009 and in any event no later than Monday, 7 September 2009
"Public Offer"	the offer of the Public Offer Shares for the subscription by the public in Hong Kong at the Offer Price on and subject to the terms and conditions stated in this prospectus and in the Application Forms as further described in the section headed "Structure and conditions of the Share Offer" in this prospectus
"Public Offer Shares"	the 10,000,000 New Shares initially offered for subscription under the Public Offer (subject to adjustment as described in the section headed "Structure and conditions of the Share Offer" in this prospectus)
"Public Offer Underwriters"	the underwriters of the Public Offer whose names are set forth in the section headed "Underwriting" in this prospectus
"Public Offer Underwriting Agreement"	the conditional underwriting agreement dated 27 August 2009 relating to the Public Offer and entered into between our Company, Mr. Shao, ICBC International and the Public Offer Underwriters relating to the Public Offer, details of which are set forth in the section headed "Underwriting" in this prospectus
"Publishing Code"	刊號 (kanhao*), a publishing code of publications used in the PRC
"Reorganisation"	the reorganisation of our Group in preparation for the Listing, particulars of which are set forth under the paragraph headed "Reorganisation" in Appendix V to this prospectus
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"SAFE"	中國國家外匯管理局 (State Administration of Foreign Exchange of the PRC*)

"SAIC"	中國國家工商行政管理總局 (State Administration for Industry and Commerce of the PRC*)
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Shanghai Gezhi"	上海格致廣告有限公司 (Shanghai Gezhi Advertising Co., Ltd.*), a limited liability company established under the laws of the PRC on 16 January 2006 and a wholly-owned subsidiary of Zhuhai Modern Zhimei
"Shanghai Senyin"	上海森音信息技術有限公司 (Shanghai Senyin Information Technology Co., Ltd.*), a limited liability company established under the laws of the PRC on 19 October 2005 and which is owned as to 95% by Mr. Shao and as to 5% by an Independent Third Party
"Shanghai Yage"	上海雅格廣告有限公司 (Shanghai Yage Advertising Co., Ltd.*), a limited liability company established under the laws of the PRC on 17 June 2002 and which is owned as to 90% by Guangzhou Modern Information and as to 10% by Guangzhou Modern Books
"Share(s)"	ordinary share(s) with a nominal value of HK$0.01 each in the capital of our Company
"Share Offer"	the Placing and the Public Offer
"Share Option Scheme"	the share option scheme conditionally adopted by our Company on 24 August 2009, the principal terms of which are set forth under the paragraph headed "Share Option Scheme" in Appendix V to this prospectus
"Shareholder(s)"	holder(s) of our Shares
"Shenzhen Yage Zhimei"	深圳市雅格致美資訊傳播有限公司 (Shenzhen Yage Zhimei Information Media Co., Ltd.*), a limited liability company established under the laws of the PRC on 8 June 2005 and a wholly-owned subsidiary of Zhuhai Modern Zhimei
"Shenzhen Yazhimei"	雅致美信息諮詢(深圳)有限公司 (Yazhimei Information Consultation (Shenzhen) Co., Ltd.*), a wholly foreign-owned enterprise established under the laws of the PRC on 16 August 2007 and an indirect wholly-owned subsidiary of our Company

"Sichuan Shangdu"	四川尚都傳媒有限責任公司 (Sichuan Shangdu Media Co., Ltd.*), a limited liability company established under the laws of the PRC on 20 April 2007 and which is owned by two Independent Third Parties
"Stock Borrowing Agreement"	the stock borrowing agreement to be entered into between the Lead Manager and Mr. Shao on or around the Price Determination Date pursuant to which the Lead Manager (on behalf of the Placing Underwriters) may borrow up to 15,000,000 Shares from Mr. Shao to cover over-allocations under the Placing
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Substantial Shareholder(s)"	has the meaning ascribed thereto under the Listing Rules
"Track Record Period"	the three financial years ended 31 December 2008 and the three months ended 31 March 2009
"Tianjin Holiday"	天津假日傳媒發展有限公司 (Tianjin Holiday Media Development Co., Ltd.*), a limited liability company established under the laws of the PRC on 28 June 2002 and which is owned by three Independent Third Parties
"Underwriters"	the Placing Underwriters and the Public Offer Underwriters
"Underwriting Agreements"	the Placing Underwriting Agreement and the Public Offer Underwriting Agreement
"United States" or "US"	the United States of America
"US$" or "US dollars"	United States dollars, the lawful currency of the United States of America
"ZenithOptimedia"	ZenithOptimedia, one of the world's leading global media services agencies and an Independent Third Party
"ZenithOptimedia Report"	the report entitled "Advertising Expenditure Forecasts" issued by ZenithOptimedia in March 2009
"Zhuhai Modern Zhimei"	珠海現代致美文化傳播有限公司 (Zhuhai Modern Zhimei Culture Media Co., Ltd.*), a limited liability company established under the laws of the PRC on 23 October 2006 and a wholly-owned subsidiary of Zhuhai Yinhu
"Zhuhai Technology"	現代傳播(珠海)科技有限公司 (Modern Media (Zhuhai) Technology Co., Ltd.*), a wholly foreign-owned enterprise established under the laws of the PRC on 13 April 2006 and an indirect wholly-owned subsidiary of our Company

"Zhuhai Yinhu"	珠海市銀弧廣告有限公司 (Zhuhai Yinhu Advertising Co., Ltd.*), a limited liability company established under the laws of the PRC on 30 March 2001 and which is owned as to 90% by Mr. Shao and as to 10% by Guangzhou Modern Information
"%"	per cent.

The English names of the PRC entities, PRC laws or regulations or the PRC government authorities mentioned in this prospectus and marked with "*" are translation from their Chinese names and are for identification purposes only. If there is any inconsistency, the Chinese names shall prevail.

Unless the context requires otherwise, translation of US$ into HK$ and HK$ into RMB is made in this prospectus, for illustration purpose only, at the rates of US$1.00 = HK$7.8 and HK$1.00 = RMB0.88.

No representation is made that any amount in US$, HK$ or RMB could have been or could be converted at the above rate or at any other rate or at all.

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

Prospective investors should consider carefully all the information set forth in this prospectus and, in particular, should consider the following risks and special considerations in connection with an investment in our Company before making any investment decision in relation to the Offer Shares. The occurrence of any of the following risks may have a material adverse effect on the business, results of operations, financial conditions and future prospects of our Group.

This prospectus contains certain forward-looking statements regarding our plans, objectives, expectations, and intentions which involve risks and uncertainties. Our Group's actual results could differ materially from those discussed in this prospectus. Factors that could cause or contribute to such differences include those discussed below. The trading price of the Offer Shares could decline due to any of these risks and you may lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS

We rely on the Contractual Arrangements.

Under the prevailing laws and regulations in the PRC, companies with foreign ownership are restricted from engaging in the publishing business in the PRC. As such, we rely on the PRC Operational Entities to conduct certain parts of our businesses in the PRC. Though none of the members in our Group have any direct equity holding in any of the PRC Operational Entities, we manage to maintain an effective control over the financial and operational policies of these PRC Operational Entities through the Contractual Arrangements (entered into among Zhuhai Technology, Mr. Shao, Modern Media (HK) (where applicable) and the PRC Operational Entities on 24 August 2009) which effectively transfer the economic benefits and pass the risks associated therewith of the PRC Operational Entities to our Company, and as a result, the PRC Operational Entities have been consolidated as subsidiaries of our Company from their respective dates of acquisition or establishment by Mr. Shao and/or entities controlled by him. Details of, and the rationale for, the Contractual Arrangements are set forth under the paragraph headed ''Contractual Arrangements'' in the section headed "Business" in this prospectus.

During the Track Record Period, the revenue generated from the PRC Operational Entities amounted to approximately RMB183.1 million, RMB230.4 million and RMB303.2 million for each of the three years ended 31 December 2008 and RMB56.9 million for the three months ended 31 March 2009 respectively, representing approximately 79.2%, 82.0%, 87.2% and 94.8% of our total revenue for the relevant period, respectively. Furthermore, the net profit derived from the PRC Operational Entities amounted to approximately RMB34.9 million, RMB42.2 million and RMB46.1 million for each of the three years ended 31 December 2008, representing approximately 97.2%, 101.0% and 102.3% of our total net profit for the relevant period respectively. As some of our Group's equity-held subsidiaries recorded slight losses in 2007 and 2008, the net profit derived from the PRC Operational Entities was slightly more than the combined net profit of our Group for each of the two years ended 31 December 2008, which was approximately RMB41.8 million and RMB45.0 million respectively. For the three months ended 31 March 2009, the net loss derived from the PRC Operational Entities amounted to approximately RMB3.6 million, representing approximately 37.0% of our net loss for the three months ended 31 March 2009.

As advised by our PRC legal adviser, the Contractual Arrangements are in compliance with and, to the extent governed by the PRC laws currently in force, are enforceable under, the current PRC laws and that in the event of any breach or default by any one of Mr. Shao or the PRC Operational Entities, Zhuhai Technology can take legal actions against any one of them. However, we understand that the Contractual Arrangements do not give us as much control and security as direct legal and beneficial ownership over the PRC Operational Entities do and there is no assurance that Zhuhai Technology is able to reclaim all of the related interests in the event of any breach or default of the contractual terms by Mr. Shao or the PRC Operational Entities. We may have to rely on the PRC legal system to enforce these arrangements, which remedies may be less effective than those in other developed jurisdictions. In any event, any legal proceedings could result in the disruption of our business in the PRC and result in substantial legal costs to us, irrespective of whether the results are satisfactory to us or not.

There can be no assurance that the interpretation of the Contractual Arrangements by our PRC legal adviser is in line with the interpretation of the PRC governmental authorities (including GAPP) and that the Contractual Arrangements (or any part thereof) will not be considered by such PRC governmental authorities and courts to be in violation of the PRC laws. In addition, there can be no assurance that GAPP or other PRC governmental authorities will not in the future interpret or issue laws, regulations or policies that result in the Contractual Arrangements being deemed to be in violation of the then prevailing PRC laws. In particular, any future acquisition of rights, benefits or assets of or equity interests in the PRC Operational Entities pursuant to the Contractual Arrangements will be subject to the laws and regulations then applicable. In these cases, each of the agreements constituting the Contractual Arrangements will have to be revoked and the transactions contemplated under these agreements shall not continue. Moreover, to the best knowledge of our Directors after consultation with our PRC legal adviser, if the agreements constituting the Contractual Arrangements are considered to be in breach of any new laws, regulations or rules in the future, the relevant PRC regulatory authorities would have broad discretion in dealing with such breach, including: (i) discontinuing or restricting the operations of our Group; (ii) requiring our Group to restructure the relevant ownership structure or operations; or (iii) taking regulatory or enforcement actions, in particular in the form of imposing economic penalties, that could adversely affect the financial condition and business of our Group. All of these possible actions by the relevant PRC regulatory authorities would inevitably terminate the flow of economic benefits from the PRC Operational Entities to our Group as stipulated under the Contractual Arrangements (details of which are more particularly described under the paragraph headed "Contractual Arrangements" in the section headed "Business" in this prospectus). During the Track Record Period, the revenue and the net profit derived from the PRC Operational Entities accounted for a substantial portion of our total revenue and the net profit for the relevant period, respectively. Accordingly, we may have to rationalise the operations of the PRC Operational Entities and our subsidiaries in the PRC under the Contractual Arrangements or our organisational and/or operational structure in the PRC if there is any such determination that the existing Contractual Arrangements are not in compliance with any new interpretations or laws, regulations, rules or policies. Such rationalisation may result in the diversion of management attention and the incurrence of substantial operating and production costs which could adversely affect the business, financial condition or results of operations of our Group.

We rely on the PRC Publishing Partners.

Due to the limitations on the publication of magazines in the PRC under the prevailing laws and regulations in the PRC as discussed in the section headed "Regulatory overview" in this prospectus, we, through the PRC Operational Entities, rely on the PRC Publishing Partners (each of which is controlled by recognised governmental authorities or institutions of the PRC and holds the relevant Publishing Codes and holds or has the relevant licences and rights in relation to the publication of the relevant PRC Magazines). Guangzhou Modern Information and the PRC Publishing Partners have entered into certain cooperation agreements to carry out our businesses in the PRC. Details of these cooperation agreements are set forth under the paragraph headed "Cooperation agreements with the PRC Publishing Partners" in the section headed ''Business'' in this prospectus.

The cooperation agreements are essential to our businesses in the PRC as we, through Guangzhou Modern Information, have acquired the exclusive rights from the PRC Publishing Partners by the payment of certain prescribed fees pursuant to various cooperation agreements to sell advertising spaces in the PRC Magazines and distribute the PRC Magazines to generate our advertising and distribution revenues. In addition, these agreements are of varying terms of around six to 20 years (with the earliest expiring in May 2015 and the latest in December 2028), and they are subject to renewal by mutual agreement. However, if any of the PRC Publishing Partners fails to comply with, prematurely terminates, breaches, or refuses to renew, the relevant cooperation agreements, we may not be able to find a substitute entity which has the requisite approvals, licences and rights to publish the relevant PRC Magazines or enter into an agreement with such replacement partner on substantially similar terms and commercially acceptable terms and in a timely manner upon the termination or expiration of such cooperation agreements and thus our businesses, financial condition and results of operations in the PRC could be materially and adversely affected.

We rely on certain key management personnel and magazine production and marketing teams.

Our Group's success is, to a significant extent, attributable to the management skill and solid experience in media sector of our management personnel. Mr. Shao, the founder and chairman of our Group and an executive Director, together with our other executive Directors, have been part of the existing senior management team since our inception and play a significant role in our Group's day-to-day operations. Each of our executive Directors has entered into a service contract with our Company for an initial fixed term of three years which will commence on 1 September 2009. Should any of these members of our Group's senior management leave our Group and we fail to find suitable replacement, our Group's business may be adversely affected.

In addition, we value the contribution of our teams of content production staff and journalists whose market knowledge and experience, and innovative and insightful reporting and presentation skills, which enhance the attractiveness of the contents of the Magazines that ultimately attract readers with a desirable readership profile on which the demand for advertising spaces in the Magazines depends. On the back of such desirable demand for advertising spaces in the Magazines, our skilled marketing staff with in-depth market knowledge and experience in the advertising industry offer integrated marketing solutions to our advertising customers.

As always, we face keen competition for skilled content production and marketing personnel with significant in-depth market knowledge and experience in the media and advertising sector. We may need to offer better remuneration package and other benefits in order to attract and retain key personnel in the future and we cannot assure you that we will be able to retain such employees. If the existing skilled content production and marketing personnel leave our Group and we encounter difficulties in recruiting or retaining competent personnel to manage our business operations, our operations and businesses may be adversely affected.

We rely on a small number of independent printers.

A major component of our cost of sales during the Track Record Period is the printing costs of the Magazines. For each of the three years ended 31 December 2008 and the three months ended 31 March 2009, our total printing costs amounted to approximately RMB58.3 million, RMB57.4 million, RMB72.0 million and RMB18.5 million, respectively, representing approximately 54.4%, 48.9%, 50.4% and 51.0% of our total cost of sales during the respective years/period. During the Track Record Period, the printing of the Magazines was mainly handled by a few printers, which are Independent Third Parties, in the PRC and Hong Kong. For each of the three years ended 31 December 2008 and the three months ended 31 March 2009, the printing costs incurred by us to the three largest printers of our Group accounted for approximately 79.4%, 96.0%, 99.8% and 99.5%, respectively of our printing costs while the printing costs as incurred by us to the largest printer of our Group accounted for approximately 46.5%, 73.7%, 76.4% and 80.8%, respectively of our printing costs during the relevant period.

As at the Latest Practicable Date, the printing of "號外" (City Magazine) was handled by a printing company, which is an Independent Third Party, in Hong Kong, while the printing of the PRC Magazines, as arranged by Guangzhou Modern Information pursuant to the cooperation agreements between Guangzhou Modern Information and the PRC Publishing Partners, was handled by two printers, which are also Independent Third Parties, in the PRC. The printing agreements with the abovementioned printers are of varying terms ranging from one year to not more than three years.

There is no assurance that our existing printers will not change the current printing fees scale offered to us for the printing of the Magazines in the future. Should there be any disruption in the production process of any of these printers or any increase in the printing fees and costs charged to our Group by any of these printers or any termination of the provision of the printing services by any of these printers and replacement printers cannot be found in a timely manner, our business and operations may be adversely affected. In addition, if the substitute printers are not willing to offer the same or more favourable terms as we currently accept, our printing costs may be higher, thereby adversely affect our financial results.

We rely on independent distributors.

Currently, we rely on over 200 distributors in the PRC to distribute the PRC Magazines and one independent distributor in Hong Kong to distribute "號外" (City Magazine) in Hong Kong (and less significantly, other places outside the PRC). All of our distributors are Independent Third Parties and are responsible for distributing the Magazines to their respective owned and/or managed retail outlets including, among other things, points of sales at airports and subways, book shops, supermarkets, hotels, convenience stores, newsstands and gas stations, covering Hong Kong and more than 20 major cities in the PRC including Shanghai, Guangzhou, Beijing, Shenzhen, Hangzhou, Chengdu, Chongqing, Nanjing, Tianjin, Shenyang, Wuhan, Qingdao and Xi'an for sale to our end readers. The terms of the distribution agreements are negotiated on an arm's length basis between us and the distributors. Should the terms of the distribution agreements with any significant distributor or a significant number of distributors be terminated, breached or adversely varied, we may be unable to find appropriate replacement distributors in a timely manner and our businesses and operations may be adversely affected.

We rely on various licences granted by other institutions or entities for reproducing copyright protected materials.

We rely, although not heavily, on licences granted by other institutions or entities for reproducing certain contents, text, photographs, pictures and the like, in the Magazines in the ordinary course of our business. During the Track Record Period, the amounts of licensing fee paid for such licensing materials amounted to approximately RMB1.2 million, RMB1.4 million, RMB1.6 million and RMB0.3 million respectively. The prices of such licensed materials were pre-determined by the relevant providers. If we violate the terms of these licensing agreements in any manner, we could be held liable by the licensors for such violations and could be required to, among other things, compensate and indemnify the licensors for any losses suffered by them and cease publication of the relevant Magazine. Our Directors consider that as the terms of each of these licensing agreements are different and the circumstances leading to the violations may vary from case to case, the potential liability to the respective licensors under the respective licensing agreements will depend on the extent of losses proved to be suffered by the licensors. In the event that any licensing agreements are terminated or our Group is held liable by its licensors for violations of the terms of these licensing agreements, our business, financial condition and results of operations could be adversely affected.

Our results of operations may be affected by advertising trends, economic conditions and increasing competition in the media advertising industry in the PRC and Hong Kong.

Our major source of revenue is derived from the sale of advertising spaces in the Magazines in the PRC and Hong Kong. For each of the three years ended 31 December 2008 and the three months ended 31 March 2009, our advertising revenue accounted for approximately 94.7%, 94.4%, 94.1% and 90.5% of our Gross Revenue of the respective periods. Advertising revenues are cyclical and dependent upon general economic conditions, details of which have been set out under the paragraph headed "Change of overall global economic conditions, particularly for the PRC and Hong Kong, which affect the advertising and marketing expenditure and budgets of our brand advertisers" in the section headed "Financial information" in this prospectus. From the observation of our Directors, there is a positive correlation between the decrease in advertising revenue and the general economic downturns as well as regional and local economic recessions. Our ability to generate advertising revenue is dependent, in part, on the level of budgets by our advertising customers, which is affected by a number of factors beyond our control, including general economic conditions, shifts in consumer purchase patterns and changes in the retail environment.

Apart from that, competition in the market from other print media, as well as from new and other types of media, could be fierce. There are a large variety of magazines and other media that are already competing with us for advertising sales. Furthermore, an increase in the variety and availability of other forms of advertising media such as television, radio, internet websites and outdoor media may increase competition of the media advertising industry. While our Directors believe our strengths and market position have enabled us to compete with other print media and other forms of advertising media so far, we cannot give any assurance that we will be able to continue to do so as effectively in the future.

In the event of any adverse changes in the global economic developments, especially in the PRC and Hong Kong that consequently result in the tightening of advertising budget of our advertising customers and ultimately, the decrease in demand for the Magazines; or any reallocation of our customers' advertising expenditures or budgets to other print media competitors, other forms of existing or new forms of advertising, our future growth, financial results and profitability may be materially and adversely affected.

We rely on intellectual property rights protection.

In the course of conducting our business, we and the PRC Publishing Partners, as the publishers, rely on the protection of our intellectual property rights and the non-infringement of those belonging to others. We and the PRC Publishing Partners may not be able to protect our own rights or could even be found liable for having infringed third parties' rights, which might include, among others, intellectual property rights.

We regard intellectual property rights such as copyright and trademarks that we use as important to the success of our businesses, and any unauthorised use of such intellectual property rights by third parties may adversely affect our businesses and reputation. In this connection, we rely on the protection of the intellectual property laws and various contractual agreements with our employees, customers, the PRC Publishing Partners, business partners and others to protect such intellectual property rights. Despite precautions taken by us, it may be possible for third parties to infringe on our intellectual property rights by copying or otherwise obtaining and using our intellectual property, including text, typography, photograph and design layout. Infringement also extends to the use of the publishing titles of the Magazines without authorisation despite there being trademark registrations for some of the Magazines. During the Track Record Period, we circulated the PRC Magazines in the PRC using their title names since their respective establishment and/or commencement of the cooperation agreements between the PRC Publishing Partners and us. As at the Latest Practicable Date, the trademarks CITY MAGAZINE and 號外 were duly registered in Hong Kong, and the trademarks 周末画报, 新视线, 优家 You Family, 优家画报U+, AutoLife 汽车生活, LIFEMAGAZINE, Lifestyle Of Health And Sustainability, O and Métropole were still pending registration in the PRC. In addition, we had not obtained trademark registration in the PRC for LOHAS, 生活 and AutoLife 汽车生活 as similar trademarks in respect of LOHAS are either currently under application for registration by a third party, or had been registered by another party under the category of periodicals, a trademark similar to 生活 is currently under application for registration by a third party, and a trademark similar to AutoLife 汽车生活 had been registered by another party although under different product categories. As such, we do not have the exclusive rights to use such marks as registered trademarks in the PRC. The use of the same trademarks in the same or similar commodities without the consent from the holders of registered trademarks may be regarded as an infringement of a registered trademark, and the holders of the registered trademark are entitled to petition to the court and request to terminate the infringement actions. As the title names are important to our continuous development of the PRC market, any significant infringement of our Group's brand or trademarks could have a material adverse effect on our Group's business. Please refer to the paragraph headed "Intellectual property rights" in the section headed "Business" in this prospectus for further details.

In addition, as the PRC Publishing Partners have the final editorial right over the contents of the PRC Magazines, there can be no assurance that any steps taken by the PRC Operational Entities will successfully prevent misappropriation or infringement of the relevant intellectual property rights. Should we fail to protect or be unable to assert any rights to these intellectual property rights, there might be an adverse impact on our marketing plans and business.

Should our Group be found liable for having infringed third parties' rights including, among others, intellectual property rights, we could be exposed to liabilities including substantial monetary damages and other sanctions. Such sanctions may include the loss of the right of our Group to source all or some of the contents that we license, or a loss of our right to engage in all or part of our business on a temporary or permanent basis. As at the Latest Practicable Date, our Directors were not aware of any infringement of any third party's rights by our Group (including the PRC Operational Entities) or by the PRC Publishing Partners. In addition, so far as our Directors are aware, our Group or the PRC Publishing Partners were not involved in any proceedings in respect of, and had not received any notice of any claims of infringement of, any intellectual property rights of any third parties or our Group that may be threatened or pending, in which we or the PRC Publishing Partners may be involved whether as claimant or respondent as at the Latest Practicable Date.

We may not be able to sustain our business growth that we experienced during the three years ended 31 December 2008.

Our businesses expanded continuously during the three years ended 31 December 2008 and we aim at continuing such expansion in the future. Our turnover increased from approximately RMB231.3 million for the year ended 31 December 2006 to approximately RMB347.8 million for the year ended

31 December 2008, representing a CAGR of approximately 22.6%. Our gross profit increased from approximately RMB124.2 million for the year ended 31 December 2006 to approximately RMB205.0 million for the year ended 31 December 2008, representing a CAGR of approximately 28.5%. Moreover, our profit for the year also significantly increased from approximately RMB36.0 million for the year ended 31 December 2006 to approximately RMB45.0 million for the year ended 31 December 2008, representing a CAGR of approximately 11.8%. In order to sustain such growth, we would need to implement our business plans effectively, maintain experienced content production and marketing teams, manage our costs effectively and exercise adequate control and reporting systems in a timely manner. However, there is no assurance that we will continue to maintain such business growth in the future.

We recorded a decline in our operating margin during the three years ended 31 December 2008 and a decline in our revenue and recorded a net loss during the three months ended 31 March 2009.

During the three years ended 31 December 2008, we recorded an operating profit of approximately RMB41.5 million, RMB49.4 million and RMB56.4 million respectively, representing an operating margin of approximately 17.9%, 17.6%, 16.2% respectively. The decline in our operating margin during such period was mainly due to the increase in our selling and distribution expenses and administrative and other operating expenses as a result of launching new magazines during the three years ended 31 December 2008 as detailed under the paragraphs headed "Year-to-year analysis of our trading record" in the section headed "Financial information" in this prospectus. There is no assurance that we will be able to control the increase of such expenses in order to improve or prevent a further decline in our operating margin in the future.

The global financial turmoil at the end of 2008 has adversely affected the economy of the US, European countries and the PRC. It has also highlighted a limitation of the ability of any enterprise in generating operating profit where circumstances have changed radically. Following the outburst of the global financial turmoil, our Directors observed that our advertising customers, including designated advertising agencies and brand advertisers, had temporarily scaled down their promotional activities and advertising spending substantially for the first quarter of 2009 compared with that of the first quarter of 2008 in view of the obscure economic conditions. Further aggregated by the advertisement patterns in the PRC as more particularly described under the paragraph headed "Our operations are subject to seasonality" in this section below, our Group recorded a declined turnover of approximately RMB60.0 million and a net loss of approximately RMB9.7 million for the three months ended 31 March 2009. Our Directors believe that the decrease in our customers' advertising and promotional spending was transient and will likely revert to the normal level in the second half of 2009 in view of the expected resurgent performance in the general economy, in particular the consumer market of the PRC and the economic stimulus plans implemented or to be carried out by the PRC government. However, there is no assurance that the general economy of the PRC will not further deteriorate such that the operations and the financial performance of our Group will not be materially affected.

We may have potential litigation.

The nature of our businesses exposes us to the risk of litigation claims from, among others, parties whose activities are described in the Magazines and who may perceive that references to them in the Magazines are damaging to their reputation. Moreover, civil claims may be filed against us for fraud, defamation, negligence, copyright or trademark infringement or other violations due to the nature and content of the information or articles contained in the Magazines. No assurance can be given, however, that any claims and actions will not be initiated to arise out of our business in the future. Expenses of litigation, possible losses from lawsuits and delays in proceedings in respect of outstanding and possible future claims may have a material adverse effect on the operations and the financial performance of our Group in the future. We currently do not maintain any insurance coverage on contingent liabilities arising out of such claims. As at the Latest Practicable Date, our Directors were not aware of any material claim against our Group.

We may not be able to implement our strategies and future plans successfully.

We set out our business strategies under the paragraph headed "Business strategies" in the section headed ''Business'' in this prospectus and also our future plans in the section headed "Future plans and use of proceeds" in this prospectus. The successful implementation of these strategies and plans depends on a number of factors including, among other things, changes in the PRC media and advertising markets, the availability of funds, competition, government policies and our ability to retain and recruit competent employees. Some of these factors are beyond our control and by nature, are subject to uncertainty.

There is no assurance that our strategies and future plans can be implemented successfully. Any failure or delay in the implementation of any or all of these strategies and plans may have a material adverse effect on our profitability and prospects.

Our operations are subject to seasonality.

To the best knowledge of our Directors, advertising expenditures in the PRC traditionally demonstrated only a mild seasonal fluctuation, with generally higher demand for advertisements and hence more advertising expenditures in the second half of each year. This is mainly due to the fact that advertising customers tend to expand their advertising campaigns and increase advertising expenditures in the second half of each year to boost sales performance in order to meet their annual sales targets. Our Directors also consider that our circulation revenue and advertising revenue are sensitive to local customer spending pattern as our advertising customers are likely to place advertisements according to such seasonal shopping or spending patterns. Also, the Chinese New Year holidays in the first half of each year are the traditional slack season for magazines industry as advertising customers tend to withhold and avoid launching large-scale printed advertisements in magazines as readers traditionally leave the cities in which they work and go back to their home towns for festival celebration. As a result, our Group generally records higher revenue in the second half as compared to the first half of each year. In general, our revenue generated in the first half of the year accounted for approximately 40% while the revenue generated in the second half of the year accounted for approximately 60% of our total revenue, respectively. Accordingly, any adverse change in the trends in seasonal shopping or spending pattern and other factors which unexpectedly shift the timing of holidays, such as infectious disease outbreaks, unpredictable weather conditions or events in the PRC or Hong Kong, may affect the operational results of our Group.

Our operations are subject to stringent regulatory framework.

As disclosed in the section headed "Regulatory overview" in this prospectus, the publication and distribution of magazines in Hong Kong are governed by various statutory provisions and common law in Hong Kong. In addition, our operations in the PRC will also be subject to the legal regime of the PRC as more particularly set out in the section headed "Regulatory overview" in this prospectus.

Although we have used our best endeavours to be in strict compliance with all applicable legislations and regulations, there is no guarantee that we will continue to be able to do so in the future. Contravention of such laws and regulations may expose our Group and/or our Directors to criminal and civil liabilities including penalties, fines, damages and other sanctions in Hong Kong or the PRC in which our Group operates, sources or markets for the sourcing, provision, delivery or transmission of regulated or prohibited information. In May 2007, due to the arrangement for the publication of an advertisement that is not allowed under the relevant laws and regulations in the PRC, Shanghai Gezhi, being one of the PRC Operational Entities, was imposed of administrative penalties by Shanghai Huangpu branch of the SAIC. Such penalties included the termination of the illegal advertisement, the confiscation of illegal gains of RMB5,000 and the imposition of a fine of RMB5,000. Further, any amendment to the existing legislations may have an adverse impact on our operations.

We generally do not enter into long-term sales contracts with our advertising customers.

Our five largest advertising customers accounted for collectively 32.2%, 29.8%, 32.5% and 36.7%, respectively, of our Gross Revenue for each of the three years ended 31 December 2008 and the three months ended 31 March 2009. Consistent with common practice in the markets in which we operate, and due to factors such as fluctuations in price and customer spending patterns in the media industry as well as our advertising customers' need for flexibility in the allocation of advertising expenditures or budgets and marketing strategies, we generally do not enter into long-term sales contracts with our advertising customers. As we do not enter into long-term contracts with our advertising customers, there can be no assurance that we will maintain or increase our advertising spaces sales to these advertising customers or other large advertising customers at current levels or at all. Any loss to other print media competitors of a significant portion of our current advertising spaces sales to these major advertising customers could have a material adverse effect on our business, financial condition and results of operations.

Our leased properties in the PRC may be subject to legal irregularities.

As at the Latest Practicable Date, we as tenant leased seven properties which were used as car parking space, office, staff dormitory and retail shop, details of which are set out in nos. 10, 11, 13, 14, 17, 18 and 19 in the section headed "Group II — Property interests rented by the Group in the PRC" in Appendix III to this prospectus. The lessors of these leased properties have not provided us with the relevant title certificates or documents evidencing that these lessors have the requisite titles or rights to lease the properties to us. The validity of our leases in respect of these properties may be subject to legal challenge. We cannot assure that no third party will seek to assert their ownership rights against these lessors or challenge these leases in the future.

In addition, certain tenancy agreements in respect of the properties we leased in the PRC and used as office, warehouse, staff dormitory, car parking space and shop had not been registered with the relevant PRC authority during the Track Record Period. As advised by our PRC legal adviser, the non-registration during the term of the tenancy would not affect the validity of the tenancy agreements. As soon as we had been advised of the issue of non-registration of the tenancy agreements in respect of these leased properties, we used our best efforts in negotiating with the relevant landlords to rectify these defaults. Through our efforts, the tenancy agreements in respect of the property we leased in Zhuhai, the PRC was duly registered in July 2009. While we will use our best endeavours to continuously procure the landlords of other properties (details of which are set out in nos. 3, 5 — 19 in the section headed "Group II — Property interests rented by the Group in the PRC" in Appendix III to this prospectus) to attend the required registration of the relevant tenancy agreements, there is no guarantee that these landlords would act accordingly.

Furthermore, in respect of the property we leased in Zhuhai, the PRC (details of which are set out in no. 2 in the section headed "Group II — Property interests rented by the Group in the PRC" in Appendix III to this prospectus) in which we used as office pursuant to the tenancy agreement entered into with the relevant landlord, such use is not in strict compliance with the use designated by the title documents of the property (i.e., industrial purpose).

As such, our Group may be evicted from the above properties for any of the above reasons and hence our Group's business operations carried out in the above properties may be disrupted if we are to relocate to replacement premises. Our Directors consider that these properties are not crucial to our Group's operations as in the PRC are mainly used as offices for administrative work and work places of our regional distribution staff, storage, staff dormitory and car parking spaces, we foresee no major difficulties in finding suitable alternative premises in substitution for such leased premises in the event that we are being requested to evict from such premises. The Controlling Shareholder has undertaken to indemnify our Group against any damages, losses or liabilities which are or become payable by any members of our Group as a result of any title defects of the property of our Group after the Listing, particulars of which are set out under the paragraph headed "Estate duty, tax and other indemnities" in Appendix V to this prospectus.

RISKS ASSOCIATED WITH OUR INDUSTRY

We are subject to PRC media industry regulations and policies.

As we operate a substantial portion of our business in the PRC through the PRC Operational Entities, we are subject to a number of regulations and restrictions, for example, foreign ownership restrictions on holders of the Publishing Code for publication of magazines or periodicals which govern the media industry in the PRC. In compliance with such, we could not practically acquire any equity interest in the PRC Publishing Partners nor apply for the relevant Publishing Code for the publication of magazines or periodicals on our own. We have no assurance that the legal and regulatory restrictions in the PRC will be lifted soon or at all or that there will not be further restrictions and requirements imposed or that we will be able to obtain special approvals or exemptions from such restrictions or requirements. These not only restrict our Group's present operations, but will also restrict our Group's proposed future developments in the PRC. Accordingly, our prospects and profitability could be adversely affected by these limitations.

We understand that the PRC government is reportedly reconsidering various regulations relating to the media and content businesses. As a result of this process, there may be a change of policy towards media and content businesses. There is no assurance that the business of our Group in the PRC and its arrangements with the PRC Operational Entities and the cooperation agreements entered into between Guangzhou Modern Information and the PRC Publishing Partners will not be materially and adversely affected by such change of policy.

We face competition and are subject to price war.

The publication and advertising industries in both Hong Kong and the PRC are highly competitive. We face existing and potential competition from various local and foreign magazine publishers and other print media, as well as from new and other types of media, in particular the Internet, especially in our business in Hong Kong where there is no significant entry barrier to the publishing business. In the PRC, notwithstanding the prohibition in the PRC on investment by foreign investors in the publication industry, domestic investors may establish a periodical publication unit as long as they meet the relevant requirements and satisfy such conditions as required by the PRC laws. Moreover, our Directors consider that competition of the advertising industry is further intensified due to the growing popularisation of the Internet. Over the last decade, the Internet has become one of the most popular vehicles facilitating a variety of communication and information-sharing tasks worldwide. Its growing popularity as a new medium of communication has resulted in changes in use of traditional media. As a new medium the Internet survives, grows, competes, and prospers by providing utility or gratification to consumers and it may have effects on existing media by providing new solutions to old needs or to more contemporary needs. According to the ZenithOptimedia Report, online advertising is by far the fastest-growing medium driven by the rapidly growing internet penetration. Share of online advertising expenditures in the PRC significantly increased from approximately 2.0% in 2003 to approximately 13.6% in 2008 while that for printed media decreased from approximately 41.3% in 2003 to approximately 26.1% in 2008. ZenithOptimedia also anticipates that the Internet will surpass advertising activities in outdoor and newspapers and become the second-largest advertising mediums in the PRC by 2011 after television and account for approximately 18.3% of total advertising expenditures in 2011 while the share of printed media will further decrease to approximately 19.1% in 2011.

Among all factors relating to competition, pricing is one of the key factors, significantly affecting the performance of any magazines and the sales of advertising spaces in these magazines in any given market. We believe that it is possible for the management of any magazine group to reduce the price of a magazine with the intention of increasing circulation within a short period of time and gaining a larger market share, or depressing circulation of competing magazines and thereby attracting demand for the advertising spaces in the magazines. Any such price war would result in reduced margins or loss of market share of the Magazines and would adversely affect the profitability of our Group, in terms of the circulation revenue and advertising profits stream.

Should we fail to compete with other magazine publishers and advertising companies by maintaining our competitive advantages or responding rapidly to a fast changing business environment and readers' preferences, our operations could be adversely affected. Any increase in competition can adversely affect our market share, which may lead to price reductions and an increase in our spending on marketing activities. Any of these events could have a material adverse effect on our financial condition, operations and prospects.

Potential increase in printing costs may affect our profitability.

Paper is the essential material for the production of the Magazines; however, we did not maintain our own stock of paper during the Track Record Period. Pursuant to the printing agreements we entered into with our printers in Hong Kong and the PRC for the printing of the Magazines, printing costs include the cost of paper, which is determined according to the prevailing market price at the time of entering into the relevant printing agreement. However, in the event that the cost of paper increases by more than 5% from the predetermined cost, we are liable to reimburse the printers for the additional costs in excess of such 5% increment. During the Track Record Period, our printing costs amounted to approximately RMB58.3 million, RMB57.4 million, RMB72.0 million and RMB18.5 million respectively. While we did not receive any request from our existing printers for increasing the printing price offered in the agreements despite the fluctuation of paper prices during the Track Record Period, our Directors estimate that, in the event that our existing printers request us to reimburse them the additional paper costs in excess of 5% increase in paper price which consequently leads to the increase in our printing costs, assuming all other factors remain constant, for every 1% upward increment in our printing costs during the Track Record Period, our profits before tax would have been decreased by approximately RMB5.8 million, RMB5.7 million and RMB7.2 million respectively for each of the three years ended 31 December 2008 and our loss before tax for the three months ended 31 March 2009 would has been increased by approximately RMB185,000. In the event of any substantial increase in the price of paper in the future which consequently leads to the increase in the printing price offered by our printers, the profitability of our Group may be adversely affected since there is no guarantee that our Group can pass on all or part of the increased costs to our advertising customers and/or readers.

RISKS ASSOCIATED WITH THE PRC

Uncertainty in the PRC legal system may make it difficult for us to predict the outcome of any disputes that we may be involved in.

The PRC legal system is based on the PRC constitution and is made up of written laws, regulations, circulars and directives. The PRC government is still in the process of developing its legal system, so as to meet the needs of investors and to encourage foreign investment. As the PRC economy is undergoing development generally at a faster pace than its legal system, some degree of uncertainty exists in connection with whether and how existing laws and regulations will apply to certain events or circumstances.

Some of the laws and regulations, and the interpretation, implementation and enforcement thereof, are still subject to policy changes. There is no assurance that the introduction of new laws, changes to existing laws and the interpretation or application thereof or the delays in obtaining approvals from the relevant authorities will not have an adverse impact on our business or prospects.

Further, precedents on the interpretation, implementation and enforcement of the PRC laws and regulations are limited, and unlike other common law jurisdiction, such as Hong Kong decisions on precedent cases are not binding on lower courts. As such, the outcome of dispute resolutions may not be consistent or predictable as in the other more developed jurisdictions and it may be difficult to obtain swift or equitable enforcement of the laws in the PRC, or obtain enforcement of judgment by a court of another jurisdiction.

Our results and financial position are highly susceptible to changes in the PRC's political, economic and social conditions as our revenue is currently mainly derived from our operations in the PRC.

Since 1978, the PRC government has undertaken various reforms of its economic systems. Such reforms have resulted in economic growth for the PRC in the last three decades. However, many of the reforms are unprecedented or experimental, and are expected to be refined and modified from time to time. Other political, economic and social factors may also lead to further readjustment of the reform measures. This refinement and adjustment process may consequently have a material impact on our operations in the PRC or a material adverse impact on our financial performance. Our results and financial position may be adversely affected by changes in the PRC's political, economic and social conditions and by changes in policies of the PRC's government or changes in laws, regulations or the interpretation or implementation thereof.

There is no assurance that we will continue to receive the preferential tax treatment currently enjoyed by some members of our Group.

Prior to the Fifth Plenary Session of the Tenth National People's Congress passing the new EIT Law which became effective on 1 January 2008, EIT on enterprise established in the special economic zones of the PRC shall be levied at the rate of 15%. Our Group's operations established in Zhuhai and Shenzhen in the Guangdong Province were subject to EIT of 15% before 1 January 2008. Further, as approved by 珠海市高新技術開發區國家稅務局 (National Tax Bureau of High-Tech Development Zone of Zhuhai City*), Zhuhai Technology is also entitled to full exemption from EIT for the first two years and a 50% reduction in EIT for the next three years, commencing from its first profitable year (after deducting losses carried forward) in 2008.

However, after the implementation of the new EIT Law with effect from 1 January 2008, the standard rate of EIT on most domestic enterprises and foreign invested enterprises has been prescribed at 25% and enterprises which were established before 16 March 2007 and which had enjoyed a lower EIT rate according to the provisions of the tax laws and administrative regulations previously in force may continue to enjoy such preferential tax treatment for a period of five years following the effective date of the new EIT Law (i.e. 1 January 2008), but the rate of EIT will progressively increase to 18%, 20%, 22%, 24% and 25% in 2008, 2009, 2010, 2011 and 2012 respectively.

In addition, certain members of the PRC Operational Entities enjoyed certain tax benefits during the Track Record Period pursuant to (94)財稅字第001號《關於企業所得稅若干優惠政策的通知》(Cai Shui Zi [1994] No. 001 regarding certain preferential EIT policies*): (i) Shanghai Gezhi was entitled to full exemption from EIT for two years from 1 January 2007 to 31 December 2008, (ii) Beijing Yage Zhimei was entitled to full exemption from EIT for one year from 1 January 2007 to 31 December 2007 and (iii) Shenzhen Yage Zhimei was entitled to full exemption from EIT for two years from 1 January 2005 to 31 December 2006. Please refer to Appendix I to this prospectus for the details of the tax benefits enjoyed by our subsidiaries in the PRC and the PRC Operational Entities and the EIT rates applicable to these entities during the Track Record Period.

If the PRC authorities further amend or promulgate new laws or regulations which prescribe a higher standard EIT rate or introduce any change to the tax preferential treatment which our subsidiaries in the PRC and the PRC Operational Entities currently enjoy, our profit after taxation and financial position may be materially and adversely affected.

The outbreak of any severe communicable diseases in the PRC (including Hong Kong), if uncontrolled, could affect the financial performance and prospects of our Group.

The outbreak of any severe communicable disease in the PRC (including Hong Kong), if uncontrolled, could have an adverse effect on the overall business sentiments and environment in the PRC (including Hong Kong), which in turn may have an adverse impact on domestic consumption and, possibly the overall GDP growth of the PRC (including Hong Kong).

As our revenue is currently mainly derived from our operations in the PRC (including Hong Kong), any contraction or slow down in the growth of domestic consumption and possible slow down in the GDP growth of the PRC (including Hong Kong) will adversely affect our prospects, future growth and overall financial position. In addition, if any of our employees are affected by any severe communicable disease outbreaks, we may be required to temporarily shut down the affected offices and quarantine all staff working in those offices to prevent the spread of the disease. This could adversely affect and/or disrupt our business operation and the relevant plants and impact our financial performance.

The recent outbreak of Influenza A (H1N1), commonly known as the "swine influenza" has caused an alarming number of deaths worldwide. The increasing number of Influenza A (H1N1) infected cases in certain Asian countries and territories, such as the PRC and Hong Kong, could indicate that it is gradually developing into a pandemic disease, which would threaten human lives and hinder the local and cross-border business activities and affect the prospects of economic recovery in those areas. It is unclear whether the epidemic will become more aggressive or will wane in the near future. Any prolonged outbreak of Influenza A (H1N1) or other severe communicable disease in the PRC (including Hong Kong) or elsewhere could have a material adverse effect on the business, prospects, financial condition or operational results of our Group.

Restrictions imposed by the PRC government on currency conversion and exchange rate fluctuation may limit our ability to remit dividends and affect our business.

Currently, Renminbi is not a freely convertible currency. We receive a substantial portion of our revenue in Renminbi and will need to convert Renminbi to foreign currency for payment of dividends, if any, to holders of our Shares. Existing restrictions on the conversion of Renminbi into foreign currencies may affect our ability to convert Renminbi into foreign currencies (and thus restrict the subsequent repatriation of those funds). Such restriction includes, among other things, the approval from SAFE or its local branches for the conversion of Renminbi into foreign currency and remittance out of China thereafter. In addition, any tightening of such restrictions, including but not limited to the future imposition of restrictions on foreign exchange transactions for current-account items such as the payment of dividends, may limit our ability to use resources generated in Renminbi to fund our business activities outside China.

Besides, while the proceeds to be raised from the Share Offer will be denominated in HK dollars, our functional currency is Renminbi. There is no assurance that HK dollars can be converted into Renminbi at all times, and any restrictions on such conversion may restrict our utilisation of, or even render us unable to utilise, the proceeds from the Share Offer for implementation of our future plans and thus our business maybe adversely affected.

As most of our revenue and operating costs are denominated in Renminbi, our business and operating results may be materially and adversely affected in the event of a severe increase or decrease in the value of Renminbi against other currencies. The value of Renminbi is subject to changes in the PRC's governmental policies and to international economic and political developments. Any significant appreciation of Renminbi would result in an adverse impact on the conversion of the proceeds from the Share Offer and future financing into Renminbi for our operations, and any material devaluation of Renminbi against the HK dollars could adversely affect the amount of any cash dividends on our Shares in HK dollars term.

We may elect to hedge our currency exchange risk when we judge that such action may be required, including the entering into of forward contracts or option contracts to buy or sell foreign currencies against Renminbi. As a result, we may suffer losses resulting from the fluctuation between the buy forward exchange rate and the sell forward exchange rate, or from the price of the option premium. As at the Latest Practicable Date, we held no option or future contracts and during the Track Record Period, we did not purchase or sell any commodity or currency options. We may from time to time review our hedging strategy and there can be no assurance that we will not suffer losses in the future as a result of hedging activities.

Payment of, and tax exemptions on, dividends are subject to restriction under the PRC laws.

The PRC laws require that dividends be paid only out of the net profit calculated according to the generally accepted accounting principles in the PRC, which differ from generally accepted accounting principles in other jurisdictions. The PRC laws also require foreign-invested enterprise, such as Zhuhai Technology or Shenzhen Yazhimei, to set aside part of their net profit as statutory reserves. These statutory reserves are not available for distribution as cash dividends. As a result, our ability to pay dividends will be restricted by the prevailing PRC laws.

In addition, our Company is incorporated in the Cayman Islands and holds interests in each of Zhuhai Technology and Shenzhen Yazhimei each through a Hong Kong incorporated company. As foreign legal entities, dividends derived from our Group's business operations in the PRC for earnings generated prior to 1 January 2008 are currently not subject to income tax under PRC law. However, we cannot assure you that such dividends will continue to be exempted from the EIT Law. Under the existing EIT Law, if a foreign entity is deemed to be a non-PRC tax resident enterprise without an office or premises in the PRC, a withholding tax at the rate of 10% will be applicable to any dividends for earnings accumulated since 1 January 2008 payable to the foreign entity, unless it is entitled to reduction or elimination of such tax, including by tax treaties or agreements. According to the double taxation avoidance arrangement between the PRC and Hong Kong, dividends paid by a foreign-invested enterprise, such as Zhuhai Technology or Shenzhen Yazhimei, in the PRC to its shareholder(s), such as City Howwhy or Modern Media (HK) in Hong Kong will be subject to withholding tax at a rate of 5% if the Hong Kong company directly holds 25% or more interest in the PRC enterprise.

In addition, the Regulations on the Implementation of EIT Law currently in force provides that if an enterprise incorporated outside the PRC has its "de facto management organisation" located within the PRC, such enterprise may be recognised as a PRC tax resident enterprise and thus may be subject to EIT at the rate of 25% on its worldwide income. Currently, certain members of our Group's management are located in the PRC. If the PRC tax authorities consider that any of our Group's non-PRC entities is a deemed PRC tax resident enterprise after the effective date of the EIT Law and its implementation rules, such deemed PRC tax resident enterprise would therefore be subject to an EIT of 25% on its worldwide income (including dividend income receivable from its subsidiaries), which excludes the dividends receivable directly from another PRC tax resident. However, there have been no official implementation rules regarding the determination of the "de facto management organisation" for foreign enterprises which are not controlled by enterprises in the PRC (including companies like ourselves). We cannot assure you that we will not be considered as a "resident enterprise" under the EIT Law and not be subject to EIT at the rate of 25% on our income generated both inside and outside the PRC. In the event that any of our Company, E-starship, City Howwhy and

Modern Media (HK) is considered as a PRC tax resident for EIT purposes, the tax expense exposure of our Group for the year ended 31 December 2008 would amount to approximately RMB208,000. As a result of these changes described above, our Group's historical operating results will not be indicative of our operating results in the future.

Enforcement of judgments obtained from non-PRC courts may be difficult.

Our Company is incorporated in the Cayman Islands. A substantial part of our assets and operations are located however within the PRC. The PRC currently does not have effective treaties or arrangements which provide reciprocal recognition and enforcement of judgments of the courts of the United States, the United Kingdom or other countries, and therefore, it may not be possible for investors to effect service of process upon us or to enforce against us any judgments obtained in such jurisdictions.

The PRC is a signatory of the United Nations Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the "**New York Convention**") which permits enforcement in the PRC of awards of arbitral bodies located in other New York Convention signatory countries, subject to certain exceptions. Even in cases where enforcement is, in principle, provided for by the New York Convention, practical difficulties are sometimes encountered.

Hong Kong and China entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters, pursuant to which a party with a final court judgment rendered by a Hong Kong court in respect of a judgment sum payable under a civil and commercial action may apply for enforcement of such judgment in the PRC, and vice versa. However, it is impossible to enforce a judgment rendered by the Hong Kong court in the PRC if there is no prior agreement as to the choice of court.

PRC regulations may limit our ability to make additional capital contributions to our subsidiaries in the PRC or the PRC Operational Entities.

We are an offshore holding company engaging our businesses substantially in the PRC through our subsidiaries and the PRC Operational Entities in the PRC. For the future expansion of our operations, we may utilise the proceeds we expect to receive from the Share Offer to make additional capital contributions or loans to our subsidiaries in the PRC or the PRC Operational Entities. Under the current PRC regulations, any capital contributions or loans to foreign-invested enterprises in the PRC, depending on the amount of total contribution or advance, require approval by or registration with relevant governmental authorities in the PRC.

Should we fail to complete all the necessary government registrations or obtain all the necessary government approvals on a timely basis with respect to future capital contributions made or loans advanced by us to our subsidiaries in the PRC or the PRC Operational Entities, our ability to use the proceeds from the Share Offer to capitalise or otherwise fund our operations in the PRC could be materially and adversely affected. Any such limitation on funding would result in a reduced liquidity and would adversely affect our ability to fund and expand our businesses in the PRC.

The new PRC Labor Contract Law may have an impact on our Group's operations and our labor costs may increase as we may be liable to fines and penalties for any material breach of the new law.

The Standing Committee of the National People's Congress adopted 中華人民共和國勞動合同法 (PRC Labour Contract Law*) on 29 June 2007 which became effective on 1 January 2008. 中華人民共和國勞動合同法 (PRC Labour Contract Law*) imposes requirements relating to, among others, minimum wage, severance payment and non-fixed term employment contracts, and establishes time limits for probation periods as well as the duration and the number of times that an employee can be placed on a fixed term employment contract. It also provides that social insurance is required to be paid on behalf of the employees and the employees are entitled to unilaterally terminate the labor contract if this requirement is not being satisfied.

Pursuant to this new law, the PRC Operational Entities are required to enter into non-fixed term employment contracts with employees who have worked for them for more than 10 years or, unless otherwise provided under the new law, for whom a fixed term employment contract has been concluded for two consecutive terms since 1 January 2008. Our Group and the PRC Operational Entities may not be able to efficiently terminate non-fixed term employment contracts under the new law without cause. In addition, our Group and the PRC Operational Entities are also required to make severance payments to employees under the fixed term contracts upon the expiration of their employment contracts, unless the employee voluntarily terminates the contract or voluntarily rejects an offer to renew the contract in circumstances where the conditions offered by the employer are the same as or better than those stipulated in the current contract. The amount of severance payment is calculated to be the monthly wage of the employee multiplied by the number of full years that the employee was employed by the employer, unless the employee's monthly wage is three times greater than the average monthly wage in the relevant district or locality, in which case the calculation of the severance payment will be based on a monthly wage equal to three times the average monthly wage multiplied by a maximum of twelve years.

Compliance with the relevant laws and regulations may substantially increase our Group's operating costs and may have a material adverse effect on the results of operations of our Group. In particular, an increase in the labor costs in the PRC will increase our production costs and we may not be able to pass these increases on to our advertising customers or readers due to competitive pricing pressures. We cannot assure you that any employment disputes or strikes will not arise in the future. Increases in our labor costs and future disputes with our employees could adversely affect the business, financial condition or results of operations of our Group.

RISKS RELATING TO THE SHARE OFFER

There has been no prior public market for the Shares.

Prior to the Share Offer, there was no public market for the Shares. The initial Offer Price range to the public for the Offer Shares was the result of negotiations among our Company and the Global Coordinator on behalf of the Underwriters. You should not view the Offer Price as any indication of the price that will prevail in the trading market. The market price for the Shares may decline below the Offer Price. We have applied to list and deal in the Shares on the Stock Exchange. However, a listing on the Stock Exchange does not guarantee that an active and liquid trading market for the Shares will develop or be sustained following the Share Offer or in the future.

The market price of the Shares may be volatile.

The trading price of the Shares could be subject to significant volatility in response to, among other factors:

- investor perceptions of our Group and our future plans;
- variations in our Group's operating results;
- changes in pricing made by us or our competitors;
- technological innovations;
- changes to senior management;
- the depth and liquidity of the market for the Shares; and
- general economic and other factors.

Any material changes in the above factors could cause the market price of the Shares to change substantially.

Concentrated ownership and the Controlling Shareholder may exert substantial influence over us and may not act in the best interests of our independent Shareholders.

Immediately upon completion of the Share Offer, Mr. Shao will own approximately 75% of our issued share capital, without taking into account of the Shares which may be issued upon the exercise of the Over-allotment Option. Mr. Shao will be in a position to exert significant influence over our affairs, and will be able to influence the outcome of any Shareholders' resolution, irrespective of how other Shareholders may vote. The interests of our Controlling Shareholder may not necessarily be aligned with that of independent Shareholders, and this concentration on ownership may also have the effect of delaying, deferring or preventing a change in control of our Company.

There may be dilution of shareholding as a result of additional equity fund raising.

We may need to raise additional funds in the future to finance the expansion of our new developments relating to our existing operations or new acquisition. If additional funds are raised through the issuance of new equity or equity-linked securities of our Company other than on a pro-rata basis to existing Shareholders, the percentage of ownership of our then Shareholders in our Company may be diluted, Shareholders may experience subsequent dilution and/or such securities may have rights, preferences and privileges senior to the Shares.

We cannot guarantee the accuracy of the statistics and industry information that are derived from various official sources.

Certain facts, statistics and data presented under the section headed "Industry overview" and elsewhere in this prospectus relating to the PRC, the publication industry, the advertising industry and other relating information have been derived, in part, from various official government publications. Although reasonable steps have been taken by our Directors to ensure that such information and statistics were extracted accurately from reliable official government publications, neither our Group, our Directors, the Sponsor nor any of the parties involved in the Share Offer have independently verified, or make any representation as to, the accuracy of such information and statistics. There is no assurance that statistics derived from multiple official government publications will be prepared on a comparable basis or that such information and statistics will be stated or prepared in the same standard or level of accuracy as, or consistent with, those in other publications within or outside the PRC. Accordingly, such information and statistics may not be accurate and should not be unduly relied upon.

There are risks associated with forward-looking statements contained in this prospectus.

Included in this prospectus are various forward-looking statements which can be identified by the use of forward-looking terminology such as "may", "will", "expect", "anticipate", "estimate", "continue", "believe" and other similar words.

Since forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of our Group, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding our Group's present and future business strategies and the environment in which our Group will operate in the future. Important factors that could cause our Group's actual results, performance or achievements to differ materially from those in the forward-looking statements include, among others, the loss of key personnel of our Group, changes relating to our industry and changes in general economic and business conditions. Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed above in this section.

Prospective investors should not place any reliance on any information contained in the press coverage regarding our Group and the Share Offer

Prior to the publication of this prospectus, there have been press coverages in Apple Daily, Headline Daily, Hong Kong Economic Journal, Hong Kong Economic Times, Oriental Daily News, Sing Tao Daily, South China Morning Post and The Sun on 17 August 2009 regarding our Group and the Share Offer containing certain financial information and other information referring to our Group or relating to our business that is not set out in this prospectus. We wish to emphasise to prospective investors that neither our Company, our Directors, the Sponsor, any of the parties involved in the Share Offer (collectively, the "**Relevant Parties**") nor any of the Underwriters has authorised the disclosure of any such information in the press, and neither such press coverage, nor any repetition, elaboration or derivative work was prepared by, sourced from, or authorised by our Group, any of the professional parties or any of the Underwriters. Neither our Company, any of the Relevant Parties nor any of the Underwriters accept any responsibility for any such press coverage or the accuracy or completeness of any such information. Our Group makes no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is not contained in this prospectus or is inconsistent or conflicts with the information contained in this prospectus, we disclaim any responsibility and liability whatsoever in connection therewith or resulting therefrom. Accordingly, prospective investors should not rely on any such information in making decision as to whether to subscribe for the Offer Shares. Prospective investors should rely only on the information contained in this prospectus.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus includes particulars given in compliance with the Companies Ordinance, the Securities and Futures (Stock Market Listing) Rules (subsidiary legislation V of Chapter 571 of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information to the public with regard to our Company. Our Directors collectively and individually accept full responsibility for the accuracy of the information in this prospectus and confirm, having made all reasonable enquiries, that, to the best of their knowledge and belief there are no other facts the omission of which would make any statement in this prospectus misleading.

The Offer Shares are offered solely on the basis of the information contained and the representations made in this prospectus and the Application Forms. So far as the Share Offer is concerned, no person is authorised to give any information or to make any representation not contained in this prospectus and the Application Forms, and any information or representation not contained herein must not be relied upon as having been authorised by us, the Sponsor, the Underwriters, any of their respective directors (where applicable) or any other parties involved in the Share Offer.

DETERMINATION OF THE FINAL OFFER PRICE

The Offer Price is expected to be determined by agreement between our Company and the Global Coordinator (acting on behalf of all the Underwriters) on the Price Determination Date which is expected to be on or around Thursday, 3 September 2009 and in any event not later than Monday, 7 September 2009. If, for whatever reason, our Company and the Global Coordinator (acting on behalf of all the Underwriters) are unable to agree on the final Offer Price, the Share Offer (including the Public Offer) will not proceed and will lapse.

UNDERWRITING

This prospectus is published solely in connection with the Share Offer. The Share Offer comprises the Placing and the Public Offer subject, in each case, to re-allocation described in the section headed "Structure and conditions of the Share Offer" in this prospectus. The number of the Offer Shares is subject to the Over-allotment Option.

The Listing is sponsored by the Sponsor and the Share Offer is lead managed by the Lead Manager. Subject to the terms of the Underwriting Agreements (including the determination of the final Offer Price by agreement between our Company and the Global Coordinator (on behalf of the Underwriters) on or around Thursday, 3 September 2009, being the expected Price Determination Date or such later time as may be agreed by our Company and the Global Coordinator (acting on behalf of all the Underwriters) but in any event no later than Monday, 7 September 2009), the Public Offer Shares are fully underwritten by the Public Offer Underwriters and the Placing Shares are expected to be fully underwritten by the Placing Underwriters. For particulars of the Underwriters and the underwriting arrangements, please see the section headed "Underwriting" in this prospectus.

RESTRICTIONS ON OFFER OF THE OFFER SHARES

No action has been taken to permit a public offering of the Offer Shares or the general distribution of this prospectus and/or the Application Forms in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purposes of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such offer or invitation is not authorised or to any person to whom it is unlawful to make such offer or invitation.

No offer of the Offer Shares may be made to any person who is considered as a resident of the Cayman Islands for exchange control purpose.

Prospective applicants for the Offer Shares should consult their financial advisers and seek legal advice, as appropriate, to inform themselves of, and to observe, all applicable laws, rules and regulations of any relevant jurisdiction. Prospective applicants for the Offer Shares should also inform themselves as to the relevant legal requirements and any applicable exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile.

Each person acquiring Offer Shares in the Share Offer will be required to confirm, or be deemed by its acquisition of Offer Shares to have confirmed, that it is aware of the restrictions on offers and sales of the Offer Shares described in this prospectus.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Application has been made to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Capitalisation Issue and the Share Offer as mentioned in this prospectus (including any Shares to be issued pursuant to the exercise of the Over-allotment Option and any options that may be granted under the Share Option Scheme).

No part of the Shares or our Company's loan capital is listed or dealt in on any other stock exchanges. At present, our Company is not seeking or proposing to seek listing of, or permission to deal in, its securities on any other stock exchange.

HONG KONG SHARE REGISTER AND STAMP DUTY

All of the Shares will be registered on our Company's branch register of members to be maintained in Hong Kong by its branch share registrar and transfer office, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

Our Company's principal register of members will be maintained by its principal share registrar and transfer office, Butterfield Fulcrum Group (Cayman) Limited at Butterfield House, 68 Fort Street, P.O. Box 609, Grand Cayman KY1-1107, Cayman Islands.

Dealings in the Shares registered on our Company's branch register of members in Hong Kong will be subject to Hong Kong stamp duty.

Unless determined otherwise by our Company, dividends payable in HK dollars in respect of Shares will be paid to the Shareholders listed on our Company's branch register of members to be maintained in Hong Kong, by ordinary post, at the Shareholders' risk, to the registered address of each Shareholder, or if joint Shareholders, to the first-named therein in accordance with the Articles.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Further details of the structure and conditions of the Share Offer, including details of the Over-allotment Option, are set forth in the section headed "Structure and conditions of the Share Offer" in this prospectus.

PROCEDURE FOR APPLICATION FOR THE PUBLIC OFFER SHARES

The procedure for applying for the Public Offer Shares is set forth in the section headed "How to apply for the Public Offer Shares" in this prospectus and in the Application Forms.

STAMP DUTY

Dealings in our Shares registered in our Hong Kong branch register of members will be subject to Hong Kong stamp duty. Our Company's principal register of members will be maintained by our principal share registrar in Cayman Islands.

Our Shares registered on our Hong Kong branch register of members constitute Hong Kong property.

PROFESSIONAL TAX ADVICE RECOMMENDED

If you are unsure about the taxation implications of subscribing for or purchasing the Offer Shares or holding, disposing of or dealing in the Offer Shares, you should consult an expert. Our Company, the Sponsor, the Underwriters, any of their respective directors or other parties involved in the Share Offer do not accept responsibility for any tax effects on, or liability of, any person resulting from subscribing for or purchasing or holding or disposing of or dealing in the Offer Shares.

DIRECTORS

Executive Directors

Name	Address	Nationality
Mr. SHAO Zhong (邵忠)	Suite 4007, 40/F Convention Plaza Apartments South West Tower, Convention Plaza 1 Harbour Road, Wan Chai Hong Kong	Chinese
Mr. WONG Shing Fat (黄承發)	Flat D, 19/F, Block 6 Chi Fu Fa Yuen Pokfulam Hong Kong	Chinese
Mr. LI Jian (厲劍)	Room 1301, No.2, Street 1399 Dingxiang Road Shanghai PRC	Chinese
Mr. MOK Chun Ho, Neil (莫峻皓)	House 51, Cypress Drive Monterey, Palm Springs Yuen Long, New Territories Hong Kong	Chinese
Mr. CUI Jianfeng (崔劍鋒)	G/F, C106 Tsung Pak Long Village Sheung Shui, New Territories Hong Kong	Chinese

Independent non-executive Directors

Name	Address	Nationality
Mr. WANG Shi (王石)	Room 101, Block 3 Haitang Drive Regent Garden Yinhu Road Luohu District Shenzhen PRC	Chinese
Mr. JIANG Nanchun (江南春)	Room 2302 No. 16, Lane 1299 Ding Xiang Road Pu Dong, Shanghai PRC	Singaporean
Mr. AU-YEUNG Kwong Wah (歐陽廣華)	Flat A, 25/F, Block 14 Sceneway Garden Lam Tin Kowloon Hong Kong	Chinese

Global Coordinator, Bookrunner and Sponsor	ICBC International Capital Limited Level 18, Three Pacific Place 1 Queen's Road East Hong Kong
Lead Manager	ICBC International Securities Limited Level 18, Three Pacific Place 1 Queen's Road East Hong Kong
Public Offer Underwriters	ICBC International Securities Limited Level 18, Three Pacific Place 1 Queen's Road East Hong Kong
	Mega Capital (Asia) Company Limited Units 2213-2214, 22/F, Cosco Tower 183 Queen's Road Central Hong Kong
	Taifook Securities Company Limited 25/F, New World Tower 16-18 Queen's Road Central Hong Kong
	First Shanghai Securities Limited 19/F., Wing On House 71 Des Voeux Road Central Hong Kong
Legal advisers to our Company	*As to Hong Kong law* Chiu & Partners 41st Floor Jardine House 1 Connaught Place Hong Kong
	As to PRC law Jingtian & Gongcheng 15/F., The Union Plaza 20 Chaoyangmenwai Dajie Beijing PRC

	As to Cayman Islands law Conyers Dill & Pearman Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman, KY1-1111 Cayman Islands
Legal advisers to the Sponsor and Underwriters	*As to Hong Kong law* K&L Gates 35th Floor Two International Finance Centre 8 Finance Street Central Hong Kong
	As to PRC law Commerce & Finance Law Offices 6F NCI Tower A12 Jianguomenwai Avenue Chaoyang District Beijing 100022 PRC
	Guangdong Guangda Law Firm 27th Floor, Dongshan Plaza 69 Xian Lie Road Central Guangzhou 510095 PRC
Auditors and reporting accountants	KPMG Certified Public Accountants 8th Floor Prince's Building 10 Chater Road Central Hong Kong
Property valuer	CB Richard Ellis Limited 34/F., Central Plaza 18 Harbour Road Wanchai Hong Kong
Receiving banker of the Public Offer	Industrial and Commercial Bank of China (Asia) Limited 33/F, ICBC Tower 3 Garden Road Central Hong Kong

CORPORATE INFORMATION

Registered office	Scotia Centre 4th Floor, P.O. Box 2804 George Town Grand Cayman KY1-1112 Cayman Islands
Principal place of business of our Group in the PRC	Units A, B & C, 10/F Exhibition Centre No. 1 Software Park Road Zhuhai City Guangdong Province PRC
Headquarters and principal place of business of our Group in Hong Kong	9th Floor Zung Fu Industrial Building No. 1067 King's Road Quarry Bay Hong Kong
Company's website address	www.modernmedia.com.cn *(information on the website does not form part of this prospectus)*
Company Secretary	Mr. MOK Chun Ho, Neil *(CPA (Practising), ATIHK)*
Audit committee	Mr. AU-YEUNG Kwong Wah *(Chairman)* Mr. WANG Shi Mr. JIANG Nanchun
Remuneration committee	Mr. WONG Shing Fat *(Chairman)* Mr. JIANG Nanchun Mr. AU-YEUNG Kwong Wah
Authorised representatives (for the purpose of the Listing Rules)	Mr. MOK Chun Ho, Neil House 51, Cypress Drive Monterey, Palm Springs Yuen Long New Territories Hong Kong Mr. CUI Jianfeng G/F, C106 Tsung Pak Long Village Sheung Shui, New Territories Hong Kong
Compliance adviser	ICBC International Capital Limited

Principal bankers	Hang Seng Bank Limited 83 Des Voeux Road Central Central, Hong Kong
	Nanyang Commercial Bank Limited 151 Des Voeux Road Central Central, Hong Kong
	China Merchants Bank (Shanghai Branch, Xujiahui Sub-branch) No. 18 Cao Xi Bei Road Shanghai PRC
	The Bank of East Asia (China) Limited (Guangzhou Branch) G/F, Metro Plaza 183 Tian He Bei Road Guangzhou PRC
Principal share registrar and transfer office in the Cayman Islands	Butterfield Fulcrum Group (Cayman) Limited Butterfield House 68 Fort Street P.O. Box 609 Grand Cayman KY1-1107 Cayman Islands
Branch share registrar and transfer office in Hong Kong	Tricor Investor Services Limited 26th Floor, Tesbury Centre 28 Queen's Road East Wanchai Hong Kong

The information and statistics contained in this section are derived from various published sources and/or official government publications. The information in such official government publications may not be consistent with the information compiled elsewhere. None of our Company, the Sponsor, the Underwriters and their respective directors, advisers and affiliates have independently verified any information derived from the stated official government publications. We make no representation as to the correctness or accuracy of such official information and accordingly such official information should not be unduly relied on. We have taken such care as we consider reasonable in the reproduction and extradition of such official information. Investors should also note that ZenithOptimedia, CTR Market Research Co., Ltd and The Nielsen Company, who prepared certain researches that have been included in this prospectus, are not commissioned by us or our Connected Persons and/or the Sponsor.

CHINA ECONOMIC OVERVIEW

Overview of the Chinese economy

China has experienced rapid economy growth over the past few years. According to the National Bureau of Statistics of China ("NBSC"), China's nominal GDP increased by 16.9% from 2007 to approximately RMB30,067 billion in 2008, while real GDP increased by 9.0% in the same period, regardless of the recent global economic downturn.

	2006	**2007**	**2008**
Real GDP year-on-year growth (%)	11.6	13.0	9.0
Nominal GDP year-on-year growth (%)	15.7	21.4	16.9
Per capita nominal GDP (RMB)	16,122.3	19,473.8	22,640.5

Source: NBSC

According to the International Monetary Fund, the Chinese economy in terms of GDP has been growing at a faster rate than some of the key economies in the world and China's GDP ranked third in the world by total size as of 2008.

Country	**2006 GDP(Note)** *(US$ billion)*	**2007 GDP(Note)** *(US$ billion)*	**2008 GDP(Note)** *(US$ billion)*	**2008 vs 2007 growth**
United States	13,178.4	13,807.6	14,264.6	3.3%
Japan	4,363.6	4,384.4	4,923.8	12.3%
China	**2,657.8**	**3,382.4**	**4,401.6**	**30.1%**
Germany	2,915.0	3,320.9	3,667.5	10.4%
France	2,271.3	2,593.8	2,865.7	10.5%
United Kingdom	2,435.7	2,803.4	2,674.1	(4.6)%
Italy	1,865.1	2,117.5	2,313.9	9.3%
Spain	1,233.4	1,440.0	1,611.8	11.9%
Australia	755.2	909.7	1,010.7	11.1%
South Korea	952.0	1,049.3	947.0	(9.7)%

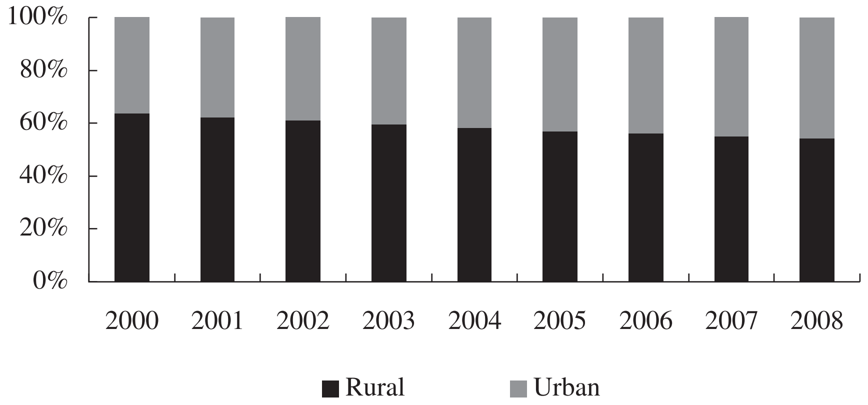
Source: International Monetary Fund, World Economic Outlook Database, April 2009

Note: GDP at current prices.

Urbanisation

According to NBSC, China is the world's largest consumer market with a population of approximately 1.33 billion as of December 2008. Since 2000, there has been a significant increase in the urban population of the PRC, from 36.2% of the total population in 2000 to 45.7% of the total population as of December 2008.

China Population

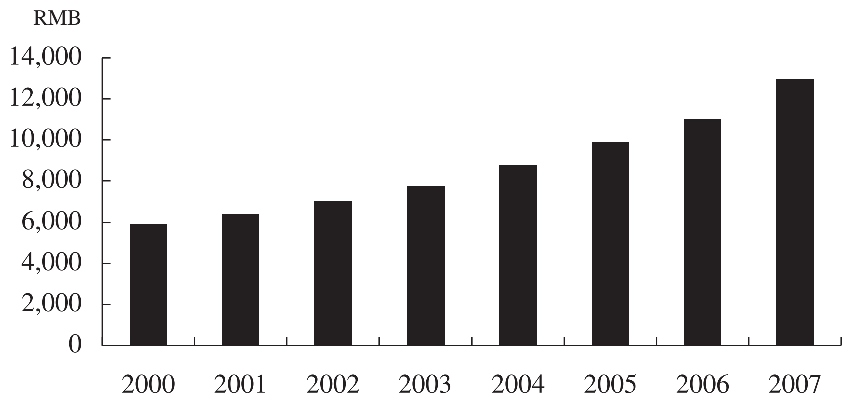


Source: NBSC

Improvement in household income and overall education level for urban household population

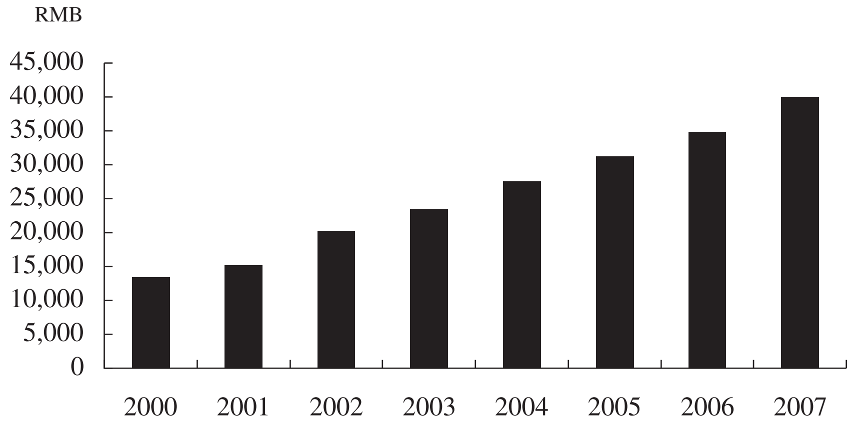
Domestic household income has increased markedly in recent years. The improvement in household income also drives the growth in demand for advertising services in order to attract consumers. According to the National Bureau of Statistics of China, the per capita annual income of the middle income households of China has increased by 11.8% and 17.4% in 2006 and 2007 respectively while the per capita annual income of the highest income households has also increased by 11.5% and 14.9% in 2006 and 2007 respectively.

Per Capita Annual Income of the Middle Income Households in China



Source: NBSC

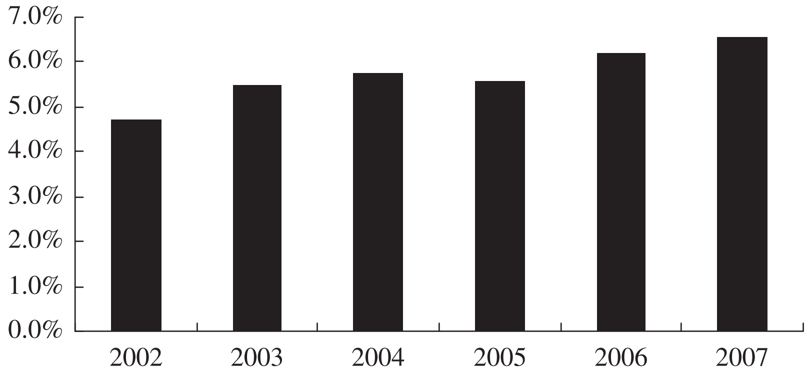
Per Capita Annual Income of the Highest Income Households in China



Source: NBSC

According to the NBSC, the population with college and higher education level in China has increased from approximately 55.5 million in 2002 to approximately 73.2 million in 2007, representing an increase of 31.7%. In other words, the percentage of population with higher education level has increased from approximately 4.7% in 2002 to 6.6% in 2007. This illustrates the potential growth of magazines for readers with higher education level in the print media sector.

% Population with College and Higher Education Level in China



Source: NBSC

THE ADVERTISING INDUSTRY IN CHINA

Overview

According to the ZenithOptimedia Report, China was the world's fifth largest advertising market in 2007. The estimated advertising expenditures in China reached approximately US$15,438 million in 2007, being the second largest advertising market in Asia after Japan. ZenithOptimedia further forecasted that the total advertising expenditures in China will reach approximately US$22,148 million by 2011, representing a CAGR of 9.4% from 2007 to 2011 compared to a forecasted decrease in advertising expenditures in many other developed countries during the same period, and makes China one of the world's fastest growing countries in terms of advertising expenditures.

Top ten advertising markets in 2007

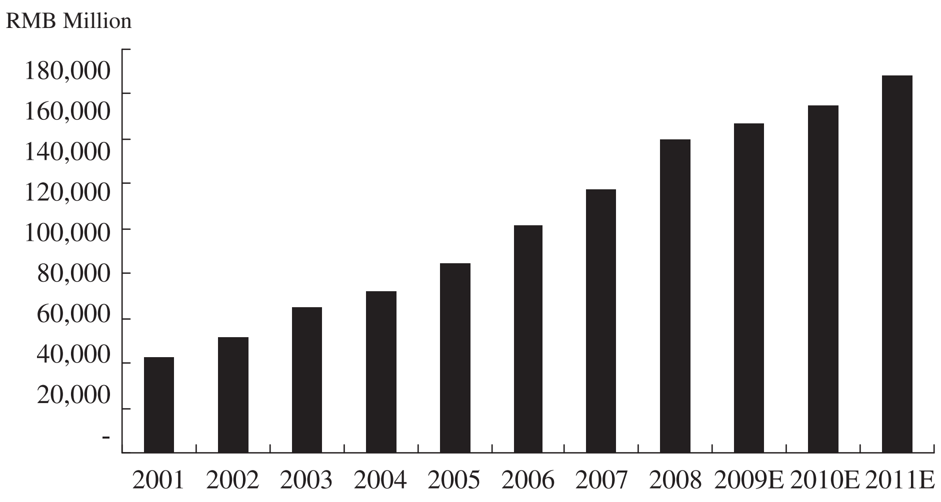
Country	Advertising expenditures 2007 (US$ million)	% to total	2011E (US$ million)	% to total
United States	179,251	37.2%	155,961	32.4%
Japan	41,048	8.5%	37,320	7.7%
Germany	25,758	5.4%	25,096	5.2%
United Kingdom	25,452	5.3%	24,379	5.1%
China	**15,438**	**3.2%**	**22,148**	**4.6%**
France	13,956	2.9%	13,792	2.9%
Italy	12,191	2.5%	11,370	2.4%
Spain	10,739	2.2%	9,422	2.0%
South Korea	9,967	2.1%	10,583	2.2%
Australia	9,831	2.0%	9,483	2.0%
Others	138,416	28.7%	161,114	33.5%
Total	482,047	100.0%	480,668	100.0%

Source: ZenithOptimedia Report (March 2009)

Note: "E" denotes estimated figures.

The ZenithOptimedia Report illustrates that in line with the rising household income, advertising expenditures in China have increased by approximately 18.8% from 2007 to 2008 and recorded a CAGR of 18.3% from 2001 to 2008 while advertising expenditures for magazines have increased by approximately 10.0% in 2008 and record a CAGR of 13.7% from 2001 to 2008. This illustrates that China's magazine advertising sector is growing at a fast pace during recent years.

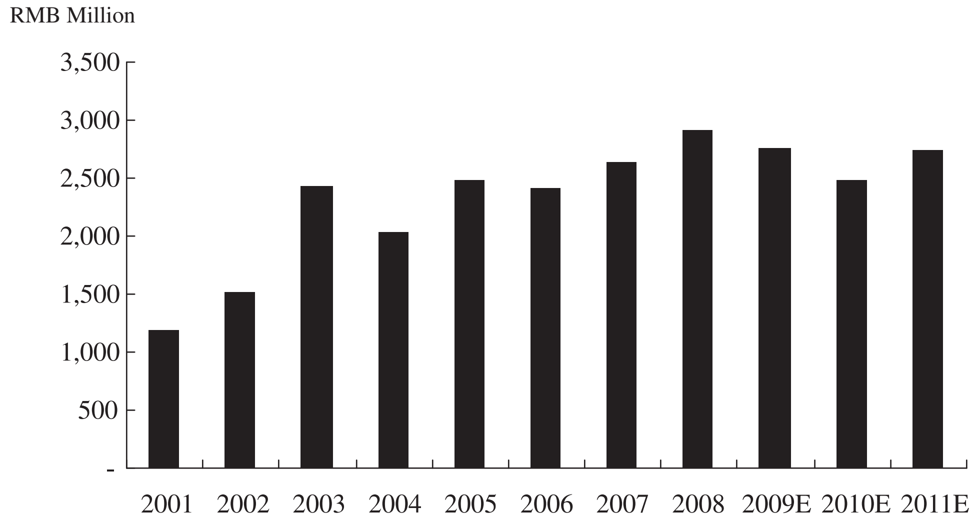
China's Total Advertising Expenditures



Source: ZenithOptimedia Report (March 2009)

Note: "E" denotes estimated figures.

China's Total Advertising Expenditures on Magazines



Source: ZenithOptimedia Report (March 2009)

Note: "E" denotes estimated figures.

Per capita advertising expenditures

Notwithstanding the rapid growth of China's advertising market in the past few years, China's estimated advertising expenditures per capita in 2007 and as a percentage of GDP in 2007 is much lower than many other developed countries such as the United States, Japan, Germany, UK, South Korea and Australia. Supported by a strong economic and consumer spending growth as well as 2010 Shanghai World Expo, it is believed that there will be significant room for continual expansion of the China advertising market.

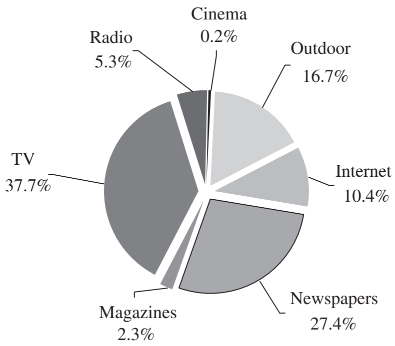
Country	**Advertising expenditures in 2007**	
	Per capita	**As % of GDP**
	(US$)	*(%)*
United States	586.1	1.30
Japan	320.8	0.94
Germany	311.8	0.77
United Kingdom	418.8	0.92
France	226.4	0.55
Italy	207.1	0.58
Spain	242.5	0.75
South Korea	206.7	1.03
Australia	474.0	1.08
China	**11.6**	**0.48**

Source: ZenithOptimedia Report (March 2009)

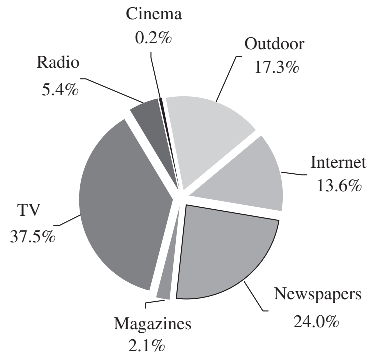
Advertising expenditures by types of media

According to the ZenithOptimedia Report, the breakdown of advertising expenditures by types of media in the PRC in 2007 and 2008 is as follows:

Advertising Expenditures by types of Media in 2007



Advertising Expenditures by types of Media in 2008



Source: ZenithOptimedia Report (March 2009)

Advertising revenues of different types of magazines

According to CTR Market Research Co., Ltd., a market research company which focuses on the media industry in China and an Independent Third Party, the advertising revenues for leisure and lifestyle magazines have captured the largest share amongst other magazines during the period from 2004 to 2008. The following table is a breakdown of advertising revenues by types of magazines during the period from 2004 to 2008:

Types of magazines	2004	2005	2006	2007	2008
Leisure and lifestyle	65.2%	66.2%	68.7%	66.5%	68.1%
Financial	8.6%	10.0%	11.3%	10.0%	8.9%
Automobile	5.4%	4.9%	4.2%	7.0%	6.7%
Aircraft	3.4%	3.9%	3.2%	5.7%	6.5%
Political & news	4.9%	4.1%	3.7%	4.5%	4.1%
IT/electronic	9.1%	8.3%	6.5%	3.8%	2.9%
Construction / property	0.2%	0.1%	0.1%	0.2%	0.3%
Others	3.2%	2.5%	2.3%	2.3%	2.5%
	100.0%	100.0%	100.0%	100.0%	100.0%

Source: CTR Market Research Co., Ltd.

HONG KONG ECONOMIC OVERVIEW

The Hong Kong economy rebounded significantly after a severe setback in 2003 upon the outbreak of severe acute respiratory syndrome. However, Hong Kong economic growth shrank significantly in 2008 due to the fallout of global financial crisis in 2007.

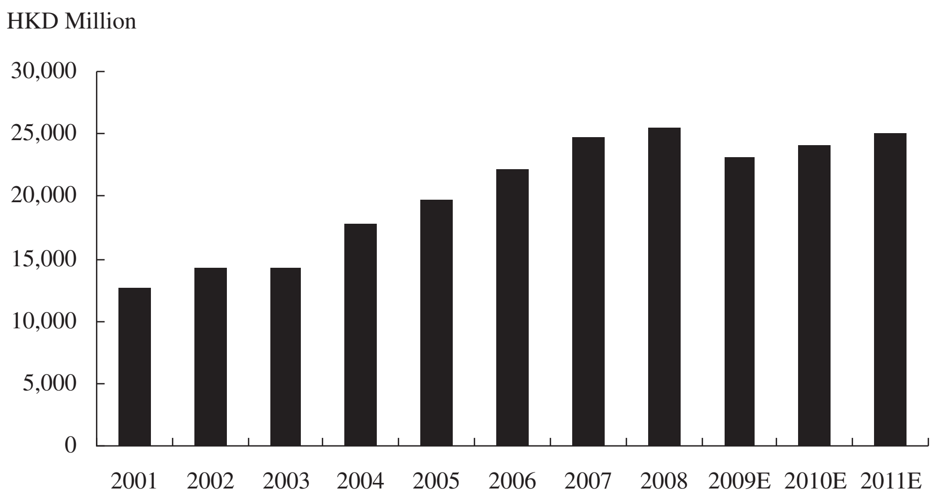
	2004	**2005**	**2006**	**2007**	**2008**
Real GDP year-on-year growth (%)	8.5	7.1	7.0	6.4	2.4
Nominal GDP year-on-year growth (%)	4.6	7.0	6.7	9.5	3.8
Per capita real GDP (HK$)	195,340.0	208,263.0	221,455.0	233,245.0	236,989.0
Per capita nominal GDP (HK$)	190,451.0	202,928.0	215,158.0	233,245.0	240,327.0

Source: Census and Statistics Department of Hong Kong

THE ADVERTISING INDUSTRY IN HONG KONG

Hong Kong's advertising industry is fragmented, backed by a developed printing industry and communications network. It is mainly driven by the advertising market which is affected largely by the general economic condition. According to the ZenithOptimedia Report, the total advertising expenditures in Hong Kong amounted to approximately HK$25.6 billion in 2008, representing a growth of approximately 3.7% from 2007, or a CAGR of approximately 10.6% from 2001 to 2008.

Hong Kong's Total Advertising Expenditures



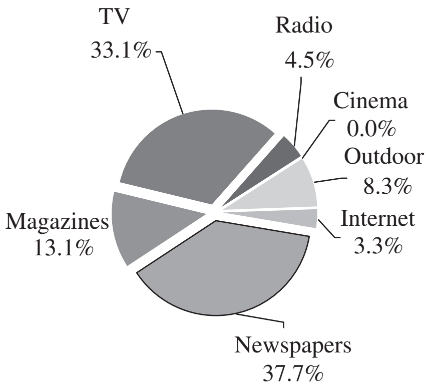
Source: ZenithOptimedia Report (March 2009)

Note: "E" denotes estimated figures.

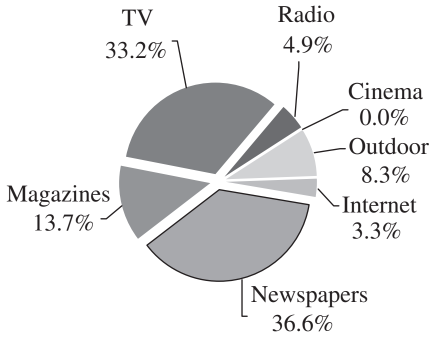
Advertising expenditures by types of media

According to the ZenithOptimedia Report, advertising expenditures on newspapers and TV in Hong Kong accounted for the largest share of total advertising expenditures in 2008. The breakdown of advertising expenditures by types of media in 2007 and 2008 is as follows:

Advertising Expenditures by types of Media in 2007



Advertising Expenditures by types of Media in 2008



Source: ZenithOptimedia Report (March 2009)

Top Category Spending

According to the Nielsen Company, "Medication/Tonic", "General Retail" and "Female Skin Care" were the top three most advertised categories in 2007 and the total combined advertising expenditures of the top 10 categories made up 40% of the total advertising expenditures.

Top 10 advertising categories

Ranking	Categories	% to total advertising expenditures in 2007
1	Medication / Tonic	6.9%
2	General Retail	4.8%
3	Female Skin Care	4.1%
4	Real Estate	4.0%
5	Entertainment & Leisure	4.0%
6	Travel	3.9%
7	Entertainment	3.8%
8	Household	3.5%
9	Health & Fitness	3.0%
10	Education	2.6%

Source: The Nielsen Company

Recent development of the advertising industry in the global market and China

According to the ZenithOptimedia Report, global advertising expenditures had been contracting since the third quarter of 2008 as a result of the outburst of the global financial turmoil, and such contraction was accelerated in the fourth quarter of 2008 and the first quarter of 2009. ZenithOptimedia has forecasted that global advertising expenditures will shrink by 6.9% in 2009 followed by a 1.5% growth in 2010 and a 4.5% growth in 2011.

For China's advertising market, advertising expenditures in China increased by 18.8% in 2008 driven by the Beijing Olympics Games. Regardless of the anticipated contraction in global advertising market, China's advertising market is expected to outperform most of the developed countries in the world and maintains a steady growth in the coming years. According to ZenithOptiameida, the advertising expenditure growth in China will slow down to just approximately 5.4% in 2009 compared to a decrease of 6.9% in global advertising expenditures. Moreover, the Shanghai World Expo and the 2010 FIFA World Cup South Africa are expected to stimulate demand for advertising in the coming years and it is expected that the total advertising expenditures in China will grow by 5.2% in 2010 and 8.9% in 2011.

This section summarises the major aspects of the laws, rules and regulations of the PRC and Hong Kong that are relevant to the operations and the businesses of our Group.

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 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 endangers 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 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.

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 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 be 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 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 prospectus.

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 Books 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.

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 these two companies 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 adviser 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 Listing 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 a 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 Listing when our Directors see fit.

OVERVIEW

Our Group is a media company, aspiring to be a cultural and lifestyle media platform for the elites in the greater China region, and is principally engaged in the operation of the Magazines in Hong Kong and the PRC, including the publication of, and the sale of advertising spaces in, "號外" (City Magazine) in Hong Kong and the provision of content production, consultation, management, advertising and other supporting services to, marketing and distribution of, and the sale of advertising spaces in, the PRC Magazines in the PRC, to provide integrated marketing solutions to our advertising customers.

Currently, our Group publishes "號外" (City Magazine), a magazine with a publication history of over 30 years, in Hong Kong and through the PRC Operational Entities, operates seven magazines in the PRC, namely "週末畫報" (Modern Weekly), "優家畫報" (U+ Weekly), "新視綫" (The Outlook Magazine), "汽車生活" (Auto Life), "健康時尚" (LOHAS), "生活月刊" (Life Magazine) and "大都市" (Metropolis). Pursuant to the cooperation agreements entered into between Guangzhou Modern Information and the PRC Publishing Partners, we have obtained the exclusive rights for the sale of advertising spaces in and the distribution of the PRC Magazines and in return we are responsible for providing content production, consultation, management, advertising and other supporting services. Among the Magazines, "週末畫報" (Modern Weekly) is the most successful publication in terms of the contribution to our advertising revenue and is one of a few leading nation-wide weekly magazines in the PRC. Our Group and the Magazines have obtained a number of awards and recognitions from recognised organisations. In 2009, Guangzhou Modern Information was awarded as one of the 2008－2009 年度中國十大最具投資合作價值傳媒產業公司 (Top 10 China Media Company Most Worth Investing In and Cooperating With 2008 - 2009*) granted by 傳媒雜誌社 (Chuanmei Magazine Society*) at 2009 中國傳媒產業經營管理論壇 (China Media Product Operation and Management Forum 2009*).

We consider that the Magazines have a wide spectrum of readers with the majority of them belonging to the growing middle class in the PRC and ranging from affluent entrepreneurs and corporate decision makers to educated elites with high purchasing power and disposable income. According to 中國國家統計局 (The National Bureau of Statistics of China*), domestic household income in the PRC has increased markedly in recent years. Per capita annual income of the middle income households of China has increased by 11.8% and 17.4% in 2006 and 2007 respectively while the per capita annual income of the highest income households has also increased by 11.5% and 14.9% in 2006 and 2007 respectively. Furthermore, population of college and higher education level in China has increased from approximately 55.5 million in 2002 to approximately 73.2 million in 2007, i.e., from approximately 4.7% of the total population in 2002 to approximately 6.6% of the total population in 2007. With such a niche readership who aspire to high quality living standards and our platform of multi-segmented magazines portfolio, we have successfully attracted a group of eminent advertising clientele comprising internationally renowned brands of leisure and luxurious products to place advertisements in the Magazines.

We pride ourselves in the provision of quality contents to an array of diversified lifestyle magazines with international vision that provides our advertising customers, which comprise mainly international advertising agencies and brand advertisers, a comprehensive advertising platform and marketing solutions with well-defined demographic segmentation through our close monitoring in content production, artwork and photographical design, quality of printing as well as designing various value-added advertising services. Our Directors consider that the success of our Group is attributable to, among other things, our distinctive business philosophy and corporate culture, experienced management team in innovative publication practices, dedicated and experienced execution teams contributing creative ideas for the production of the Magazines and the provision of value-added advertising services, well-established relationship with our advertising customers, wide distribution network and the effective marketing channels in promoting our integrated marketing solutions.

Our major source of revenue was derived from the sale of advertising spaces in the Magazines, which accounted for approximately 94.7%, 94.4%, 94.1% and 90.5% of our Gross Revenue during the Track Record Period. We also generated revenue from the circulation of the Magazines, which accounted for approximately 4.4%, 3.2%, 3.6% and 6.0% of our Gross Revenue during the Track Record Period. In recent years, our Group has been enjoying a revenue boost by implementing our clientele segmentation strategies and by introducing more comprehensive advertising services to our advertising customers. Such services include advertorial, brochures, special creative banners, brand posters and supplementary issues. During the three years ended 31 December 2008, our total revenue grew from approximately RMB231.3 million in 2006 to approximately RMB347.8 million in 2008, representing a CAGR of approximately 22.6%. However, our revenue decreased by 7.8% from approximately RMB65.1 million for the three months ended 31 March 2008 to approximately RMB60.0 million for the three months ended 31 March 2009 due to the outburst of global financial turmoil in the end of 2008 which temporarily affected the promotional activities and advertising spending of our advertising customers in the first quarter of 2009. Set out below is a breakdown of our revenue during the Track Record Period:

	Years ended 31 December			**Three months ended 31 March**	
	2006	**2007**	**2008**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Advertising income	235,387	289,040	359,461	65,069	59,210
Circulation income	10,881	9,722	13,614	2,789	3,895
Sponsorship, event and service income	2,401	7,296	8,794	2,765	2,311
Gross Revenue	248,669	306,058	381,869	70,623	65,416
Less: Sales taxes and other surcharges	(17,367)	(24,973)	(34,044)	(5,518)	(5,394)
Total revenue	231,302	281,085	347,825	65,105	60,022

Leveraging on our established media platform in Hong Kong and the PRC, we believe that with our successful business operation model, dedication to high quality lifestyle magazines and differentiated advertising services, we are well-positioned to compete with other competitors and capture the market potential of the growing media market in the PRC. Our Group aims to strengthen our leading market position in the lifestyle magazine sector in the PRC by continuing the production of literary and culturally influential magazines in the PRC with creative and quality contents and international vision, and expand the portfolio of magazines we produce in the PRC by cooperation with additional PRC Publishing Partners in the future to expand our readership base and provide value-added advertising services and integrated marketing solutions to our advertising customers. Please refer to the paragraph headed "Business strategies" in this section for details of the business strategies we aim to implement to maintain and consolidate our leading position.

COMPETITIVE STRENGTHS

Our Directors believe that our Group is well positioned in the fast-growing yet competitive Chinese-language lifestyle magazines market in the PRC, attributing to the following key competitive strengths which distinguish us from our competitors:

Distinctive business philosophy and corporate culture

"*Believe with Attitude. Create with Dreams*" - Our Directors consider the pursuit of one's dream with passion and belief with an unconventional attitude to be the essence of creativity and of the utmost importance in the media industry of today. This motto is the driving force that motivates us and our staff to strive to devote the best in order to exceed and excel our competitors. Our Group has set our objectives of delivering the truth, the trend and the taste through our focused and innovative media services. Through our innovative and creative content production capability, we aim at promoting an elite concept embodying international values and visions and yet retaining the traditional Chinese elements through the Magazines in order to broaden the horizons of our target readers.

Under the leadership of our management team, our employees have also been instilled with the business philosophy of innovation with a focus on customer satisfaction. This distinct philosophy enables us to stand out in the PRC lifestyle magazines market, thereby drawing elite and well known editors and contributors and management personnel to join us, as well as attracting higher-end advertising customers to develop business relationships with us.

An experienced management team with international exposure and local knowledge that leads our Group to innovative directions

The management team of our Group combines extensive experience in the media and advertising industries with a proven track record in operating and managing our business successfully. Most of the management team members possess solid educational backgrounds and seasoned working experience in established and renowned media and/or advertising corporations with international exposure. Leveraging on their experience and knowledge, the management team is able to lead our Group to innovative publication directions to compete with the leading players in the lifestyle magazines industry of the PRC and international arena. Most importantly, with the insight of our management team, our employees are prepared to embrace change, maintain flexibility and continue to innovate in the fast-evolving industry.

Dedicated and experienced execution teams contributing creative ideas for the production of the Magazines and the provision of value-added advertising services and integrated marketing solutions

We have deployed various dedicated execution teams, including content production, design, sales and marketing, distribution and market research for specific publication-related functions. The content production team of each of the Magazines works independently under the direction of the respective publishing directors to ensure the diversification of the Magazines' contents. Various content production team members have gained achievements and recognitions in the publication industry, and their creative content designs are well known to be editorial masterpieces in the publication industry. Moreover, after the indirect acquisition of City Howwhy in 2003, our content production team has strengthened with the distinctive content production team of "號外" (City Magazine) which bridges us further to the international perspective.

Our other execution teams, such as the sales and marketing team, the creative design team, the magazine distribution team and the market research team operate independently and are supervised by experienced and professional team leaders with solid and well-established market connections. They focus on individually assigned tasks and the clear segregation of duties would allow them to optimise their expertise in the creation of the much-applauded publications that ultimately attract our advertising customers.

Leading market position in the nation-wide lifestyle magazines sector

"週末畫報" (Modern Weekly), which has obtained a number of awards and recognitions from recognised organisations in the PRC over the years, has demonstrated a continuing success and secured a leading market position in the lifestyle magazines sector in the PRC. Through the operation of "週末畫報" (Modern Weekly) with the input of our innovative and influential contents in 2001, we have gained a pioneer advantage in capturing a large market share in the leisure and lifestyle magazines market in the PRC. Following the launch of other high quality Chinese-language lifestyle magazines, namely, "優家畫報" (U+ Weekly), "新視綫" (The Outlook Magazine), "汽車生活" (Auto Life), "健康時尚" (LOHAS), "生活月刊" (Life Magazine), "大都市" (Metropolis) and "號外" (City Magazine), we have further implanted our stylish, innovative and cultural images to our readers and advertising customers. All of these enable us to establish a sizeable readership base which mainly comprises well-educated middle to high income elite groups.

The quality and leading market position of the Magazines are manifested by a good number of awards and accreditations we received, including 2005-2006 年度中國最具價值媒體100強 (China's Top 100 Most Valuable Media in 2005-2006*), 全國城市生活服務類週報綜合競爭力10強 (Top 10 National Weeklies on Urban Life Service in terms of comprehensive competitiveness*), 第二屆中國傳媒創新年會: 2006年度十大創新週報 (China Media Innovation Forum: Top 10 Innovative Weeklies in 2006*), 首屆中國傳媒領軍人物年會暨第三屆中國傳媒創新年會: 2007年度中國十大領軍報業 (China Media Leaders Forum & China Media Innovation Forum: China's Top 10 Leading Newspaper in 2007*), 2008 中國標杆品牌 (China Benchmark Brand 2008*) and 第四屆中國傳媒創新年會暨中國傳媒改革三十年論壇: 十大創新傳媒品牌、十大週報品牌 (China Media Innovation Forum & 30 Years of China Media Reform Forum: Top 10 Innovative Media Brand, Top 10 Weeklies Brand*) (for "週末畫報" (Modern Weekly)), Awards for Editorial Excellence in 2005 and 2009 (for "新視綫" (The Outlook Magazine)), Awards for Editorial Excellence in 2007, 2008 and 2009 (for "生活月刊" (Life Magazine) and Awards for Editorial Excellence in 2005, 2007, 2008 and 2009 (for "號外" (City Magazine)). For details of these awards and accreditations, please refer to the paragraph headed "Major awards and recognitions" in this section.

Strong brand recognition of "Modern Media" that is synonymous with the leading media group in lifestyle magazines in the PRC

With years of experience in the media industry in Hong Kong and the PRC, our Group has established strong brand recognition amongst our advertising customers and readers, and have achieved a leading role in the Chinese-language lifestyle magazines industry in the PRC, which can be evidenced by our eminent advertising clientele comprising mostly internationally renowned brands. Such popularity has also strengthened our positioning as being the national media brand, boasting the elements of "international", "exquisite" and "stylish" which have already been instilled among our target readers. Our Group is able to take advantage of such brand recognition in promoting ourselves among the advertising customers, thereby boosting their confidence in our value-added advertising services. In turn, our Group will benefit from securing increasing number of sales orders from our existing advertising customers, and attracting potential advertising customers. Such strong and solid business platform further enables our Group to leverage upon for the future development of new business titles and advertising business in the first and second tier cities in the PRC.

A wide distribution network covering major cities in the PRC that supports our broad customer base and attracts advertising customers

Our Group has developed our own distribution network for the Magazines. In the PRC, we have entered into distribution agreements with over 200 distributors, covering more than 20 major cities in the PRC including Shanghai, Guangzhou, Beijing and Shenzhen as well as some second tier cities, such as Hangzhou, Chengdu, Chongqing, Nanjing, Tianjin, Shenyang, Wuhan, Qingdao and Xi'an. We strategically select the designated distribution agents or proprietary owners of local retail outlets, such as bookshops at the airports and subways, supermarkets, convenience stores and newsstands, as our distributors so that we can closely manage the display and brand image of the Magazines at these points of sales through our direct relationship with their agents or owners. The high exposure of the PRC Magazines supported by our extensive and well-managed distribution network put us in an advantageous position that will effectively impress our advertising customers and attract an increasing number of advertising customers.

A unique media platform

With a diversified portfolio of magazines promoted under our corporate brand "Modern Media" in the PRC, we believe we have strategically formulated a unique and multi-segmented business platform of magazines, which our management colloquially refers to as the "Mag-Form", to provide integrated advertising and marketing services to our advertising customers. By featuring distinctive contents and style in the Magazines and deploying the valuable human resources in our content production and advertising teams, our Group is able to provide value-added advertising services and integrated marketing solutions to the advertising customers. Thus, our Mag-Form serves as a unique channel for creative advertising and marketing thereby attracting advertising customers and achieving cross-selling advertising opportunities which ultimately will generate revenue for our Group.

Provision of value-added advertising services and integrated marketing solutions for our advertising customers

In addition to the customary sale of advertising spaces in the Magazines, our Group also provides various value-added advertising services and integrated marketing solutions directly or indirectly through the advertising agents to the brand advertisers. Our experienced creative team designs tailor-made creative and unique promotions for our advertising customers that suit their advertising needs as well as the marketing strategies of different brands and products, and achieve a talk-of-the-town promotion with a strong impact on the target end customers of our advertising customers. A variety of value-added services is available, including creative content design services, event management and joint promotion events. Our creative content design services include the creation of special advertising formats, such as advertorial, brochures, special creative banners, brand posters and supplementary issues, that enable the advertising customers to deliver their messages to their target customers. Together with the international exposure of our management personnel, and the provision of a cross-selling platform, our Group's local resources enable us to promptly identify different market niches and to formulate tailor-made advertising strategies that best suit the needs of our diversified advertising customers.

BUSINESS STRATEGIES

Our Group strives to become the leading media group in the PRC by the provision of an array of high quality Chinese-language lifestyle magazines with international vision that provides our advertising customers with a comprehensive advertising platform and integrated marketing solutions with well-defined demographic segmentation. We will continue to seek opportunities to realise sustainable growth of our business by capturing the anticipated market potential in the Chinese-language lifestyle magazines market and advertising business in the greater China region. In order to achieve these business objectives, we intend to implement the following strategies:

To expand our existing weekly and monthly magazines portfolio platform

Our Directors recognise the importance of maintaining a sustainable growth. Apart from expanding the distribution network coverage of the PRC Magazines and enhancing our value-added advertising and integrated marketing solutions to generate revenue from the sale of advertising spaces in our multi-segmented magazines platform that our advertising customers seek, we intend to expand our existing weekly and monthly magazines portfolio operation by (a) liaising with the PRC Publishing Partners to revamp their existing magazines or operate new nationally-distributed magazines with them which can supplement our existing magazines portfolio with different focus of demographic segmentation or cooperating with such PRC Publishing Partners to enhance the quality of such existing regionally-renowned Chinese-language lifestyle magazines; (b) conducting selective collaboration with appropriate regional PRC Publishing Partners to invest in magazines focusing on the market of second tier cities in the PRC which our Directors consider it to be at a relatively early stage of development of its lifestyle magazines sector; and (c) collaborating with reputable international publishers to operate the Chinese editions with adaptations of their high-end lifestyle and fashion-focused monthly magazines for the PRC and Hong Kong markets in the future.

In selecting targets for investment and collaboration, we principally focus on projects which (a) enable us to exercise reasonable control over the operations of the relevant magazines; (b) enable us to expand readership base in the fast-growing regional advertisement markets; (c) enable us to complete our magazine portfolio in elite segments in order to provide integrated marketing solutions to the advertising customers; and (d) enable our vertical integration of the value-chain to maximise operational profits. Our Directors believe that such collaboration would create desirable synergies and our Group would benefit from the increase in market share and broadened reader base. Up to the Latest Practicable Date, we had not identified any definite targets for investment and collaboration although we have entered into preliminary discussions with a number of potential targets.

To broaden our revenue streams by increasing our effort in the promotion of magazines and media platform which excel in the provision of value-added advertising services and integrated marketing solutions

Reckoning the importance of strengthening market recognition of our corporate brand "Modern Media" as a leading media company specialising in high quality Chinese-language lifestyle magazines which target well-segmented elite readership base in Hong Kong and the PRC, we intend to increase our efforts and budgets in promoting our corporate image and our magazines portfolio by organising marketing and public relationship events jointly with or on behalf of our advertising customers and through advertisements on both online and traditional media channels. Leveraging on our multi-segmented magazines and media platform and "Mag-Form", we have adopted, and will continue to implement, the strategy to cross-sell our advertising customers to incrementally place advertisements in the other magazines we currently operate. We will continue to expand the scope of our value-added advertising services and integrated marketing solutions so that we can develop new business opportunities and generate revenues from different channels, such as the design and production of tailor-made periodicals or supplements for our advertising customers.

To expand our geographical coverage to penetrate further into regional distribution networks

In view of the vast market potential of Chinese-language lifestyle magazines in the PRC with the demographic readership targets that our advertising customers seek, we will continue to allocate resources in strengthening the business relationship with our existing advertising customers, such as establishing new offices or liaison points and enlarging the distribution network through our distributors in the second tier cities in the PRC. It is the current intention of our Group to strength distribution networks in Hangzhou, Nanjing, Chongqing, Chengdu and Tianjin by the end of 2010, and in Wuhan, Shenyang, Dalian, Qingdao, Harbin and Xi'an by the end of 2011. Our Directors believe that these second tier cities have considerable growth potential for the promotion of our Group's unique value-added advertising services and integrated marketing solutions. We believe this is an effective strategy to enlarge the market share and geographical coverage of the PRC Magazines that we operate, resulting in promoting our corporate image and brand recognition in these cities. Also, we will continue to collaborate with our advertising customers closely to identify the changing customers' needs and market demand in order to develop creative and integrated marketing solutions to cater for the individual marketing needs of the advertising customers. Our experienced sales and marketing teams will also continue to actively seek business opportunities with new advertising customers directly by updating them with our new value-added advertising services and integrated marketing solutions.

To increase efficiency of cost and quality control

We believe by expanding the magazines portfolio that we operate, we will be able to strengthen the synergies within our Mag-Form so that we can save cost internally by the sharing of management resources, and achieve better economies of scale as we can obtain more favourable rates from printers or distributors of our Group. All of these will help us improve our profit margin. We believe this strategy will enhance our competitiveness in the rapidly-growing Chinese-language lifestyle magazines in the PRC in the long run.

HISTORY AND DEVELOPMENT

Milestones in our business development

Our Group was founded in 1999 by Mr. Shao after his acquisition of Modern Media (HK) in April 1999 as an vehicle to engage in the provision of advertising agency services in Hong Kong. The initial capital of Modern Media (HK) was funded by Mr. Shao's own financial resources. Mr. Shao aimed to develop an innovative media company to act as a cultural information platform between the international arena and the greater China region.

In 2001, through Mr. Shao's industry network established from his previous working experiences, our Group identified the PRC Publishing Partner of "週末畫報" (Modern Weekly) for cooperation to operate "週末畫報" (Modern Weekly), which was initially published in the PRC in the 1980s, with the input of our innovative and influential contents. Mr. Shao used Guangzhou Modern Information, which he founded in September 1999 with an initial registered capital of RMB500,000 funded by his own resources, as the vehicle for this venture. As a flagship magazine operated by our Group, "週末畫報" (Modern Weekly) has become a successful magazine in the PRC in the recent years, attracting an elite class of readership. With years of efforts, our Group has successfully established a famous national media brand through the cooperation with the PRC Publishing Partners to publish high quality and stylish lifestyle magazines.

Following the successful operation of "週末畫報" (Modern Weekly) from 2001 and the subsequent launch of "新視綫" (The Outlook Magazine) in 2002 in the PRC, our Group pursued further to extend our reach to the international horizon and set our vision on magazines with an international exposure. Through the indirect acquisition of City Howwhy which publishes "號外" (City Magazine) in 2003, our Group has been able to take advantage of the strong editorial team of "號外" (City Magazine), whose members have vast experience in the publication of lifestyle magazines and exposure to the ever-changing trend of lifestyle and provide innovative idea and creative inspiration to the other magazines we have launched.

Inspired by the readership of "號外" (City Magazine), we anticipated growing demand for similar lifestyle magazines in the PRC where we have seen continuous improvement in its living standards and a growing middle class with high disposable income and strong purchasing power. Capitalising on the successful cooperation arrangements with the PRC Publishing Partners for "週末畫報" (Modern Weekly) and "新視綫" (The Outlook Magazine), our Group further entered into various cooperation agreements with relevant PRC Publishing Partners for the operation of five other magazines, namely, "生活月刊" (Life Magazine), "汽車生活" (Auto Life), "健康時尚" (LOHAS), "優家畫報" (U+ Weekly) and "大都市" (Metropolis) during 2005 to 2009. Our Directors believe the Magazines have constituted a meaningful portfolio of magazines under our corporate brand "Modern Media" in the PRC and Hong Kong. Further, our Mag-Form have enabled us to efficiently execute our business strategies. Please refer to the paragraphs headed "Business strategies" above in this section for further discussion of these business strategies.

The following table illustrates the key milestones of our business development:

January 2001	We commenced the operation of "週末畫報" (Modern Weekly) which has become reputable for its innovative format and contents.
April 2002	We commenced the operation of "新視綫" (The Outlook Magazine), a creative lifestyle and design magazine.
August 2003	We took over the publication of "號外" (City Magazine), a lifestyle magazine then with a publication history of about 27 years in Hong Kong, following the indirect acquisition of City Howwhy.
December 2005	We commenced the operation of "生活月刊" (Life Magazine), a magazine for the contemporary Chinese cultural and lifestyle elites and leaders.
December 2006	We commenced the operation of "汽車生活" (Auto Life), a new generation of car magazine with a mixture of lifestyle and car culture.
January 2008	We commenced the operation of "健康時尚" (LOHAS), a magazine enhancing the lifestyle, health and sustainability of women.
December 2008	We commenced the operation of "優家畫報" (U+ Weekly), a high quality women weekly magazine.
May 2009	We took over the operation of "大都市" (Metropolis), a magazine with separate editions dedicated to male and female readers respectively.

Milestones in our corporate development

The origin of our Group dated back to April 1999 when Mr. Shao established Modern Media (HK) to engage in advertising agency services in Hong Kong. Attracted by the growing demand for high quality and stylish lifestyle magazines and advertising business in the PRC, Mr. Shao decided that our Group should broaden our business territory and strategically ventured into the PRC, where our management has envisaged great potentials for further development. The following table highlights the key milestones in the corporate development of our Group since inception:

April 1999	Mr. Shao acquired Modern Media (HK) to primarily engage in advertising agency services.
September 1999	Guangzhou Modern Information was established.
January 2002	Beijing Yage was established in Beijing to provide supporting advertising agency service in a cultural city which our Directors believe is rapidly growing in so far as advertising business is concerned.

June 2002	Shanghai Yage was established in Shanghai to provide supporting advertising agency service in a fast-growing business centre in the PRC.
August 2003	Following the acquisition of E-starship, City Howwhy (and its publication "號外" (City Magazine)) has become part of our Group.
November 2004	Guangzhou Modern Books was established in Guangzhou to centralise the distribution network of our Group.
March 2007	Our Company was incorporated in the Cayman Islands.
December 2007	Modern Media (HK) acquired Zhuhai Technology to undertake the research and development of the management software, the MMS, and certain management and administrative functions of our Group.
June 2009	Zhuhai Technology set up its branch offices in Shenzhen, Shanghai, Guangzhou and Beijing to accommodate the management staff transferred to our Group from the PRC Operational Entities in furtherance of the business carried on by our Group to the PRC Operational Entities in accordance with the relevant contracts constituting the Contractual Arrangements.

We also set out below the corporate history and major shareholding changes of the principal members of our Group (including the PRC Operational Entities):

(i) ***Our Company***

Our Company was incorporated in the Cayman Islands on 8 March 2007 as an exempted company with limited liability.

Our Company has become the ultimate holding company of our Group since its acquisition of the entire issued share capital of E-starship from Hero Enterprises Limited at the consideration of US$1, being the nominal value of the equity interest of the registered capital transferred (Hero Enterprises Limited was then and is also wholly and beneficially owned by Mr. Shao) in April 2007. The acquisition was a step to streamline the corporate structure of our Group.

At the time of its incorporation, the authorised share capital of our Company was US$50,000 divided into 50,000 ordinary shares of US$1 each, which were subsequently divided into 50,000,000 shares of US$0.001 each and with 8,000,000 ordinary shares of US$0.001 each held by Mr. Shao. For the purpose of the Listing, our Company has undergone further changes in both its authorised and issued share capital, details of which are set out under the paragraph headed "Changes in share capital of the Company" in Appendix V to this prospectus.

(ii) ***E-starship***

E-starship was incorporated in BVI on 18 May 2000 with a registered share capital of US$50,000 divided into 50,000 shares of US$1 each. E-starship became part of our Group when in August 2003, Hero Enterprises Limited (which was then and is wholly and beneficially owned by Mr. Shao) acquired the entire issued share capital of E-starship from an Independent Third Party at the consideration of HK$7,500,000. The consideration for the acquisition was arrived at after arm's length negotiation between the parties involved with reference to, among other things, the negative net asset value of

E-starship as at 30 June 2003 and the then loss making status of E-starship. Notwithstanding the then negative net asset value and the loss making status of E-starship, Hero Enterprises Limited and Mr. Shao considered the consideration of HK$7,500,000 fair and reasonable on the basis of two significant factors: (a) the anticipated horizontal expansion of our business outside the mainland China market by the indirect acquisition of "號外" (City Magazine) which then already had a publishing history of 27 years and was considered to be one of the most influential cultural and fashion magazines in Hong Kong, and was then published by City Howwhy (which in turn was and is held by E-starship); and (b) the rarity of the opportunity to acquire a recognised magazine as "號外" (City Magazine). The content production team and strong editorial team of "號外" (City Magazine) have vast experience in the publication of lifestyle magazines and exposure to the ever-changing trend of lifestyle, which were expected to bridge us further to the international perspective and to provide inspiration for the development of other magazines we launch. The assets, liabilities, contractual obligations, employees, suppliers and customers are assumed and enjoyed by our Group after the acquisition of E-starship.

As a step to streamline the corporate structure of our Group, our Company, shortly after its incorporation under the auspices of Mr. Shao, acquired the entire issued share capital of E-starship in April 2007 and since then, E-starship has become the intermediate holding company of our Group.

(iii) ***City Howwhy***

City Howwhy was incorporated in Hong Kong on 15 May 2000 with a registered share capital of HK$10,000 divided into 10,000 shares of HK$1 each. City Howwhy has been engaged in the publication of "號外" (City Magazine). Immediately prior to the acquisition of the entire issued capital in E-starship by Hero Enterprises Limited (which was then and is wholly and beneficially owned by Mr. Shao) in August 2003, City Howwhy was wholly and beneficially owned by E-starship. Since August 2003, City Howwhy had been held as to 50% by E-starship (where the assets, liabilities, contractual obligations, employees, suppliers and customers are assumed and enjoyed by our Group after the indirect acquisition of City Howwhy) and as to 50% by Top Finance Holdings Limited (which was then wholly and beneficially owned by Mr. Shao for the purpose of holding the equity interest of E-starship, was subsequently transferred to our Company in April 2007 and was transferred back to Mr. Shao in May 2009 and has become wholly and beneficially owned by Mr. Shao since then) until May 2007, when as a step to streamline the corporate structure of our Group, Top Finance Holdings Limited disposed of its 50% shareholding in City Howwhy to E-starship at the consideration of HK$1, being the nominal value of the equity interest of the registered capital transferred. Since then City Howwhy has remained a wholly owned subsidiary of E-starship.

(iv) ***Modern Media (HK)***

Modern Media (HK) was incorporated in Hong Kong on 6 May 1998. It was acquired by Mr. Shao in April 1999 to act as the vehicle to engage in advertising agency services when he and his nominee acquired the two issued shares of HK$1 each from the then initial subscribers of Modern Media (HK) at the nominal consideration of HK$1 each respectively. It has a registered share capital of HK$1 million divided into 1 million shares of HK$1 each.

Modern Media (HK) has become a wholly owned subsidiary of our Group since the acquisition of its entire issued share capital by City Howwhy (of which Mr. Shao was its ultimate owner) from Mr. Shao and his nominee at the nominal consideration of HK$2 in April 2007.

(v) ***Zhuhai Technology***

Zhuhai Technology was initially established by an Independent Third Party on 13 April 2006 as a wholly foreign-owned enterprise under the laws of the PRC with a registered capital of HK$3.25 million and its then permitted business scope was to engage in the research and development, production and sale of self-invented management and finance-related software and after-sale services. On 2 November 2007, Modern Media (HK) entered into an equity transfer agreement with that Independent Third Party pursuant to which Modern Media (HK) acquired the entire equity interest in Zhuhai Technology at nil consideration, which was arrived at after arm's length negotiation between the parties with reference to the fair value of the then net assets of Zhuhai Technology and the dormant status of Zhuhai Technology before it was acquired by Modern Media (HK). On 3 December 2007, 珠海市對外貿易經濟合作局 (Foreign Trade and Economic Cooperation Bureau of Zhuhai City*) approved the equity transfer and the increase in the registered capital by HK$6.75 million to HK$10 million. In June 2009, the registered capital of Zhuhai Technology further increased to HK$35.0 million as approved by 珠海高新技術開發區管理委員會 (The High and New-Tech Development Zone Management Committee of Zhuhai City*).

Instead of setting up a new entity as our own subsidiary in Zhuhai, our Group acquired Zhuhai Technology, which was then established but dormant, as our management believed that acquiring an effective shelf entity would save more time and cost incurred in the administrative work than setting up a new entity in the PRC.

Since becoming a member of our Group, Zhuhai Technology has played a significant role in our Group's operation. Zhuhai Technology principally serves as an information technology hub of our Group and provides information technology support to other members of our Group. In addition, it is engaged in the research and development of softwares (including the media management system we developed) which cater for our Group's operation. As in 2008, Zhuhai Technology's software development team successfully developed and launched the Media Management System (the "**MMS**"), for which we have obtained a certificate of computer software copyright from 中華人民共和國國家版權局 (National Copyright Administration of the PRC*) and applied for efficient management and provision of advertising services. Please refer to the paragraph headed "Information technology system" in this section for further details of MMS.

Zhuhai Technology is also the flagship of our Group in the PRC now as it has entered into a series of agreements with the PRC Operational Entities that constitute the Contractual Arrangements (as more particularly described under the paragraph headed "Reorganisation" in this section). In this connection, the permitted business scope of Zhuhai Technology has been amended to include the provision of consultation services on project planning, social economic information and enterprise management and enterprise image planning.

In view of the potential business growth in the first-tier cities in the PRC, and for the purpose of providing the management and consultation services in accordance with the terms of various agreements constituting the Contractual Arrangements, as well as for accommodating management staff transferred to our Group from the PRC Operational Entities, Zhuhai Technology established four branch offices in Shenzhen, Shanghai, Guangzhou and Beijing on 10 June 2009, 10 June 2009, 17 June 2009 and 22 June 2009, respectively.

The branch offices of Zhuhai Technology are principally engaged in the research and development, production and sale of self-invented software and after-sale services, provision of consultation services on project planning, financial information and enterprise management and enterprise image planning, and they commenced business operations as at the Latest Practicable Date.

(vi) ***Shenzhen Yazhimei***

Shenzhen Yazhimei was established on 16 August 2007 as a wholly foreign-owned enterprise of City Howwhy under the laws of the PRC to engage in the provision of consultation services in economic information, project investment planning and enterprise management. It had a registered capital of HK$2 million at the time of its establishment and it has been wholly owned by City Howwhy since its establishment. Shenzhen Yazhimei has not commenced any business operations since its establishment.

(vii) ***PRC Operational Entities***

(a) *Guangzhou Modern Information*

On 3 September 1999, Guangzhou Modern Information was established by Mr. Shao and Guangzhou Xiandai with an initial registered capital of RMB300,000 (then owned as to 95% by Mr. Shao and as to 5% by Guangzhou Xiandai). Guangzhou Modern Information is now principally engaged in the design, production and agency services of various advertisements; retail sale of the books, newspapers, periodicals edited and published in the PRC; planning of literary arts activities and exhibitions. It has a registered capital of RMB1.1 million.

Since its establishment, the equity interest of the registered capital of Guangzhou Modern Information underwent the following changes:

(i) On 11 November 2004, Mr. Shao, Guangzhou Xiandai and 高淑莊 (Gao Shuzhuang*) ("**Ms. Gao**") *(note 1)* entered into an equity transfer agreement pursuant to which each of Mr. Shao and Guangzhou Xiandai transferred each of their 5% of the equity interest in Guangzhou Modern Information to Ms. Gao at the consideration of RMB110,000 each.

(ii) On 19 October 2006, Mr. Shao and Ms. Gao entered into an equity transfer agreement pursuant to which Mr. Shao acquired 10% of the equity interest in Guangzhou Modern Information from Ms. Gao at the consideration of RMB110,000, being the attributable registered capital transferred.

(iii) On 18 December 2007, Mr. Shao and 鍾遠紅 (Zhong Yuanhong*) ("**Ms. Zhong**") *(note 2)* entered into an equity transfer agreement pursuant to which Ms. Zhong acquired 5% of the equity interest in Guangzhou Modern Information from Mr. Shao at the consideration of RMB55,000, being the attributable registered capital transferred.

(iv) On 13 June 2008, Zhuhai Modern Zhimei and Mr. Shao entered into an equity transfer agreement pursuant to which Zhuhai Modern Zhimei acquired 95% of the equity interest in Guangzhou Modern Information from Mr. Shao at the consideration of RMB1,045,000, being the attributable registered capital transferred.

(v) On 8 October 2008, Mr. Shao entered into two equity transfer agreements with Ms. Zhong and Zhuhai Modern Zhimei respectively, pursuant to which Mr. Shao acquired 5% of the equity interest in Guangzhou Modern Information from Ms. Zhong and 95% of the equity interest in Guangzhou Modern Information from Zhuhai Modern Zhimei at the respective consideration of RMB55,000 and RMB1,045,000, being the attributable registered capital transferred. Following this transfer, Guangzhou Modern Information has been wholly and beneficially owned by Mr. Shao.

Guangzhou Modern Information is the leading member of the PRC Operational Entities as it has entered into cooperation agreements with the PRC Publishing Partners through which we have acquired the right to sell advertising spaces in and to distribute the PRC Magazines for the PRC Publishing Partners to generate a substantial portion of our revenue through the sale of advertising spaces and the circulation of the PRC Magazines. Guangzhou Modern Information is also the applicant for the registration of certain trademarks and the registered owner of certain domain names which are of material importance to our business, the particulars of which are disclosed under the paragraph headed "Intellectual property rights of the Group" in Appendix V to this prospectus.

(b) *Guangzhou Modern Books*

Guangzhou Modern Books was established on 24 November 2004 to engage in consultation services for books information; books presentation design; wholesale and retail sale for books, newspapers and periodicals edited and published in China. It has a registered capital of RMB3.01 million.

Guangzhou Modern Books was owned as to 90% by Mr. Shao and as to 10% by 周暉 (Zhou Hui*) ("**Mr. Zhou**") *(note 3)* until in contemplation of the Listing and as part of the Reorganisation, Mr. Zhou entered into an equity transfer agreement with Guangzhou Modern Information on 15 April 2009, pursuant to which Mr. Zhou transferred his 10% equity interest in Guangzhou Modern Books to Guangzhou Modern Information at the consideration of RMB301,000, being the attributable registered capital transferred. Following completion of the said transfer since 12 May 2009, Guangzhou Modern Books has been owned as to 90% by Mr. Shao and as to 10% by Guangzhou Modern Information.

Guangzhou Modern Books plays a significant role in supporting the operation of Guangzhou Modern Information as it has undertaken to distribute the PRC Magazines for Guangzhou Modern Information in the PRC. Currently, Guangzhou Modern Books holds a valid distribution licence 中華人民共和國出版物經營許可証 (Publication Operation Licence of the PRC*) which will expire on 31 March 2013 and as such, the distribution of all the PRC Magazines is undertaken by Guangzhou Modern Books.

(c) *Zhuhai Yinhu*

Zhuhai Yinhu was established by two Independent Third Parties on 30 March 2001 to engage in the design, production, publication of advertisements and provision of advertising agency services. It has a registered capital of RMB500,000. On 5 June 2008, each of Mr. Shao and Ms. Zhong *(note 2)* entered into an equity transfer agreement with the then owners of Zhuhai Yinhu (who were and are Independent Third Parties), pursuant to which Mr. Shao acquired 90% of the equity interest in Zhuhai Yinhu at the consideration of RMB63,000 and Ms. Zhong acquired the remaining 10% of the equity interest in Zhuhai Yinhu at the consideration of RMB7,000. The consideration for the acquisitions was arrived at after arm's length negotiation between the parties involved with reference to the fair value of the then net assets of Zhuhai Yinhu.

In preparation for the Listing and as part of the Reorganisation, Ms. Zhong entered into an equity transfer agreement with Guangzhou Modern Information on 13 April 2009, pursuant to which Ms. Zhong transferred her 10% equity interest in Zhuhai Yinhu to Guangzhou Modern Information at the consideration of RMB50,000, being the attributable registered capital transferred. Following completion of the said transfer since 4 May 2009, Zhuhai Yinhu has been owned as to 90% by Mr. Shao and as to 10% by Guangzhou Modern Information.

(d) *Zhuhai Modern Zhimei*

Zhuhai Modern Zhimei was established by an Independent Third Party on 23 October 2006 with an initial registered capital of HK$6 million and the permitted business scope was to engage in the production and sale of mould, metal stamping products and electronic products (which was subsequently amended as "the design, publication and agency services for advertisements; consultation services for project planning, enterprise investment and economic information" in June 2008).

During the Track Record Period, the equity interest of the registered capital of Zhuhai Modern Zhimei underwent the following changes:

(i) In November 2007, Modern Media (HK) acquired the entire equity interest of Zhuhai Modern Zhimei from its founder at nil consideration. Such consideration was based on the then fair value of the net assets of Zhuhai Modern Zhimei and given none of its registered capital was paid up then and that Zhuhai Modern Zhimei was then dormant, the consideration was determined as nil. Following completion of the said transfer, Zhuhai Modern Zhimei then became wholly and beneficially owned by Modern Media (HK).

(ii) In April 2008, Mr. Shao acquired from Modern Media (HK) the entire equity interest of Zhuhai Modern Zhimei at the consideration of HK$10 million, being the attributable registered capital transferred, following which the corporate nature of Zhuhai Modern Zhimei was converted from a foreign invested entity to a domestic enterprise.

(iii) In August 2008, Mr. Shao transferred to Zhuhai Yinhu the entire equity interest of Zhuhai Modern Zhimei at the consideration of RMB8,950,000, being the attributable registered capital transferred, following which Zhuhai Modern Zhimei has become a wholly owned subsidiary of Zhuhai Yinhu.

Upon completion of the Reorganisation, Zhuhai Modern Zhimei acts as an investment holding company for holding the entire equity interest of each of Shanghai Gezhi, Beijing Yage Zhimei, Shenzhen Yage Zhimei and Guangzhou Yage.

(e) *Shanghai Yage*

Shanghai Yage was established on 17 June 2002 by Guangzhou Modern Information and an Independent Third Party, with an initial registered capital of RMB500,000 (owned as to 90% by Guangzhou Modern Information and as to 10% by the Independent Third Party). Shanghai Yage is now principally engaged in the design and production of various advertisements and agency services for advertising business in the PRC.

Since its establishment, the equity interest of the registered capital of Shanghai Yage underwent the following changes:

(i) On 20 October 2003, 廣州現代設計製作有限公司 (Guangzhou Xiandai Sheji Zhizuo Company Limited*) ("**Guangzhou Xiandai Sheji**") (which is now de-registered and was substantially owned by Mr. Shao before de-registration) entered into an equity transfer agreement with the Independent Third Party pursuant to which the Independent Third Party transferred 10% of the equity interest in Shanghai Yage to Guangzhou Xiandai Sheji at the consideration of RMB50,000, being the attributable registered capital transferred.

(ii) On 10 October 2007, Guangzhou Modern Information entered into an equity transfer agreement with Guangzhou Xiandai Sheji pursuant to which Guangzhou Xiandai Sheji transferred 10% of the equity interest in Shanghai Yage to Guangzhou Modern Information at a consideration of RMB50,000, being the attributable registered capital transferred. Following this transfer, Shanghai Yage has been wholly and beneficially owned by Guangzhou Modern Information.

On 10 April 2009, in contemplation of the Listing and as part of the Reorganisation, Guangzhou Modern Information and Guangzhou Modern Books entered into an equity transfer agreement, pursuant to which Guangzhou Modern Information transferred 10% of the equity interest in Shanghai Yage to Guangzhou Modern Books at the consideration of RMB50,000, being the attributable registered capital transferred. Following completion of the said transfer since 4 May 2009, Shanghai Yage has been owned as to 90% by Guangzhou Modern Information and as to 10% by Guangzhou Modern Books.

(f) *Beijing Yage*

Beijing Yage was established on 15 January 2002 by Guangzhou Modern Information and 邵國權 (Shao Guoquan*) *(note 4)*, with an initial registered capital of RMB500,000 (owned as to 80% by Guangzhou Modern Information and as to 20% by 邵國權 (Shao Guoquan*)). Beijing Yage is now principally engaged in the design, production, publication and agency services for advertisements in the PRC; organising cultural exchange activities and exhibitions.

Since its establishment, the equity interest of the registered capital of Beijing Yage underwent the following changes:

(i) On 1 March 2005, 厲劍 (Li Jian*) ("**Mr. Li**") *(note 5)* acquired 20% of the equity interest in Beijing Yage from 邵國權 (Shao Guoquan*) at the consideration of RMB100,000, being the attributable registered capital transferred.

(ii) On 26 February 2007, Mr. Shao acquired 20% of the equity interest in Beijing Yage from Mr. Li at the consideration of RMB100,000, being the attributable registered capital transferred. Following this transfer, Beijing Yage has been owned as to 80% by Guangzhou Modern Information and as to 20% by Mr. Shao.

(iii) On 15 April 2009, in contemplation of the Listing and as part of the Reorganisation, Mr. Shao and Guangzhou Modern Books entered into an equity transfer agreement, pursuant to which Mr. Shao transferred 20% of the equity interest in Beijing Yage to Guangzhou Modern Books at the consideration of RMB100,000, being the attributable registered capital transferred. Following completion of the said transfer since 24 April 2009, Beijing Yage has been owned as to 80% by Guangzhou Modern Information and as to 20% by Guangzhou Modern Books.

(g) *Shanghai Gezhi*

Shanghai Gezhi was established on 16 January 2006 by Shenzhen Yage Zhimei and Ms. Zhong *(note 2)* with an initial registered capital of RMB500,000 (owned as to 90% by Shenzhen Yage Zhimei and as to 10% by Ms. Zhong). Shanghai Gezhi is now principally engaged in the design, production, publication and agency services for various advertisements, business information consultation and related business consultation services.

Since its establishment, the equity interest of the registered capital of Shanghai Gezhi underwent the following changes:

(i) On 23 June 2008, Zhuhai Modern Zhimei entered into an equity transfer agreement with Shenzhen Yage Zhimei pursuant to which Shenzhen Yage Zhimei transferred 90% of the equity interest in Shanghai Gezhi to Zhuhai Modern Zhimei at the consideration of RMB450,000, being the attributable registered capital transferred.

(ii) On 25 August 2008, Zhuhai Modern Zhimei entered into an equity transfer agreement with Ms. Zhong pursuant to which Ms. Zhong transferred 10% of the equity interest in Shanghai Gezhi to Zhuhai Modern Zhimei at the consideration of RMB50,000, being the attributable registered capital transferred. Following this transfer, Shanghai Gezhi has been wholly and beneficially owned by Zhuhai Modern Zhimei.

(h) *Beijing Yage Zhimei*

Beijing Yage Zhimei was established on 29 March 2006 by 黃春慧 (Huang Chunhui*) ("**Ms. Huang**") *(note 6)* and Shenzhen Yage Zhimei with an initial registered capital of RMB500,000 (owned as to 99% by Shenzhen Yage Zhimei and as to 1% by Ms. Huang). Beijing Yage Zhimei is now principally engaged in the design, production, publication and agency services for advertisements; organising cultural exchange activities and exhibitions.

Since its establishment, the equity interest of the registered capital of Beijing Yage Zhimei underwent the following changes:

(i) On 26 February 2007, Mr. Shao entered into an equity transfer agreement with Ms. Huang pursuant to which Ms. Huang transferred 1% of the equity interest in Beijing Yage Zhimei to Mr. Shao at the consideration of RMB5,000, being the attributable registered capital transferred.

(ii) On 13 June 2008, each of Ms. Zhong *(note 2)* and Mr. Shao, and Zhuhai Modern Zhimei and Shenzhen Yage Zhimei entered into two equity transfer agreements pursuant to which Mr. Shao transferred 1% of the equity interest in Beijing Yage Zhimei to Ms. Zhong at the consideration of RMB5,000, being the attributable registered capital transferred, and Shenzhen Yage Zhimei transferred 99% of the equity interest in Beijing Yage Zhimei to Zhuhai Modern Zhimei at the consideration of RMB495,000.

(iii) On 12 August 2008, Zhuhai Modern Zhimei entered into an equity transfer agreement with Ms. Zhong pursuant to which Ms. Zhong transferred 1% of the equity interest in Beijing Yage Zhimei to Zhuhai Modern Zhimei at a consideration of RMB5,000, being the attributable registered capital transferred. Following this transfer, Beijing Yage Zhimei has been wholly and beneficially owned by Zhuhai Modern Zhimei.

(i) *Shenzhen Yage Zhimei*

Shenzhen Yage Zhimei was established on 8 June 2005 by Mr. Shao and 陳佳穎 (Chen Jiaying*) ("**Ms. Chen**") *(note 7)* with an initial registered capital of RMB2,000,000 (then owned as to 95% by Mr. Shao and 5% by Ms. Chen). Shenzhen Yage Zhimei is now principally engaged in advertising business.

Since its establishment, the equity interest of the registered capital of Shenzhen Yage Zhimei underwent the following changes:

(i) On 15 March 2006, 劉關姍 (Liu Guanshan*) ("**Ms. Liu**") *(note 8)* acquired 5% of the equity interest in Shenzhen Yage Zhimei from Ms. Chen at a nominal consideration of RMB1. The consideration was nominal given it was a transfer between the trustees of Mr. Shao.

(ii) On 16 March 2007, Mr. Shao entered into an equity transfer agreement with Ms. Liu pursuant to which Ms. Liu transferred 5% of the equity interest in Shenzhen Yage Zhimei to Mr. Shao at a nominal consideration of RMB1. The consideration was nominal given it was a transfer from a trustee back to Mr. Shao.

(iii) On 20 May 2008, Ms. Zhong *(note 2)* acquired 5% of the equity interest in Shenzhen Yage Zhimei from Mr. Shao at a nominal consideration of RMB1. The consideration was nominal given it was a transfer from Mr. Shao to his trustee.

(iv) On 15 July 2008, Zhuhai Modern Zhimei acquired 95% of the equity interest in Shenzhen Yage Zhimei from Mr. Shao at the consideration of RMB1,900,000, being the attributable registered capital transferred.

(v) On 20 August 2008, Zhuhai Modern Zhimei acquired 5% of the equity interests in Shenzhen Yage Zhimei from Ms. Zhong at a nominal consideration of RMB1. The consideration was nominal given Ms. Zhong then held the equity interest transferred on trust only. Following this transfer, Shenzhen Yage Zhimei has been wholly and beneficially owned by Zhuhai Modern Zhimei.

(j) *Guangzhou Yage*

Guangzhou Yage was established on 25 February 2004 by Mr. Shao and Ms. Zhong *(note 2)* with an initial registered capital of RMB500,000 (owned as to 90% by Mr. Shao and as to 10% by Ms. Zhong). Guangzhou Yage is now principally engaged in the design of enterprise image, planning of enterprise ceremony, design, production, publication and agency services for various advertisements. Following the transfer of 90% and 10% equity interest in Guangzhou Yage by Mr. Shao and Ms. Zhong respectively to Shenzhen Yage Zhimei at the respective consideration of RMB450,000 and RMB50,000, being the attributable registered capital transferred in May 2007, Guangzhou Yage has been wholly and beneficially owned by Shenzhen Yage Zhimei.

On 15 April 2009, in contemplation of the Listing and as part of the Reorganisation, Shenzhen Yage Zhimei and Zhuhai Modern Zhimei entered into an equity transfer agreement, pursuant to which Shenzhen Yage Zhimei transferred the entire equity interest in Guangzhou Yage to Zhuhai Modern Zhimei at the consideration of RMB500,000, being the attributable registered capital transferred. Following completion of the said transfer, Guangzhou Yage has been wholly and beneficially owned by Zhuhai Modern Zhimei.

Notes:

1. Ms. Gao is an employee of the PRC Operational Entities. Mr. Shao had nominated Ms. Gao to hold the relevant equity interests in Guangzhou Modern Information on trust for Mr. Shao at the relevant times as disclosed above.

2. Ms. Zhong is a member of the senior management of our Group and her biography has been disclosed in the section headed "Directors, management and staff" in this prospectus. Mr. Shao had nominated Ms. Zhong to hold the relevant equity interests in (a) Guangzhou Modern Information; (b) Zhuhai Yinhu; (c) Shanghai Gezhi; (d) Beijing Yage Zhimei; (e) Shenzhen Yage Zhimei; and (f) Guangzhou Yage on trust for Mr. Shao at the relevant times as disclosed above.

3. Mr. Zhou is an employee of Guangzhou Modern Books. Since the establishment of Guangzhou Modern Books and during the Track Record Period, Mr. Shao had nominated Mr. Zhou to hold the 10% equity interest in Guangzhou Modern Books on trust for Mr. Shao.

4. 邵國權 (Shao Guoquan*) is a former employee of Bejing Yage. Mr. Shao had nominated 邵國權 (Shao Guoquan*) to hold the relevant equity interests in Bejing Yage on trust for Mr. Shao at the relevant times as disclosed above.

5. Mr. Li is an executive Director and a member of the senior management of our Group and his biography has been disclosed in the section headed "Directors, management and staff" in this prospectus. Mr. Shao had nominated Mr. Li to hold the relevant equity interests in Bejing Yage on trust for Mr. Shao at the relevant times as detailed above.

6. Ms. Huang is an employee of Bejing Yage. Mr. Shao had nominated Ms. Huang to hold the relevant equity interests in Bejing Yage Zhimei on trust for Mr. Shao at the relevant times as disclosed above.

7. Ms. Chen is a former employee of Shenzhen Yage Zhimei. Mr. Shao had nominated Ms. Chen to hold the relevant equity interests in Shenzhen Yage Zhimei on trust for Mr. Shao at the relevant times as disclosed above.

8. Ms. Liu is a former employee of Shenzhen Yage Zhimei. Mr. Shao had nominated Ms. Liu to hold the relevant equity interests in Shenzhen Yage Zhimei on trust for Mr. Shao at the relevant times as disclosed above.

During the relevant times when the above-mentioned nominees held the relevant equity interests, each of them exercised his/her rights as a shareholder of the relevant PRC Operational Entities in accordance with the instructions of Mr. Shao from time to time and received no compensation for acting as such nominee shareholder. There were fairly frequent shareholding changes in each of the members of our Group (including the PRC Operational Entities) which were not for the purpose of the transactions contemplated as part of the Reorganisation, as Mr. Shao was on the understanding that under the then applicable laws in the PRC, each company would be required to have at least two shareholders. Thus, Mr. Shao had nominated another individual, in most cases an employee of our Group, to be his trustee to hold the minority stake in the relevant members of our Group. The shareholding of the trustee had been transferred whenever the trustee left our Group or was seconded to different regional offices. Our PRC legal adviser has confirmed that the respective trust arrangements between Mr. Shao and each of the above nominees are legally binding and enforceable between Mr. Shao and each of the nominees under the prevailing PRC laws and regulations.

In addition, Mr. Shao was the sole director of each of the PRC Operational Entities during the Track Record Period or immediately after the respective PRC Operational Entities having become part of our Group (where this is a shorter period).

We have also been advised by our PRC legal adviser that:

(a) we had obtained from the relevant governmental authorities and registration required for the transfer of the registered capital of the companies incorporated in PRC disclosed above; and

(b) the registered capital and the increase in the registered capital of the companies incorporated in PRC comprising our Group had been duly paid up within the required timeframe.

REORGANISATION

Prior to the Listing and in preparation of the Contractual Arrangements, our Group (comprising our Company, all of our subsidiaries and the PRC Operational Entities) underwent the Reorganisation, details of which are set out under the paragraph headed "Reorganisation" in Appendix V to this prospectus.

In addition to the steps described in the sub-section headed "History and development" above, the following companies have been excluded from forming part of the PRC Operational Entities at the direction of Mr. Shao for the purpose of rationalising the corporate structure of the PRC Operational Entities before their entering into the Contractual Arrangements:

(i) *Sichuan Shangdu*

Sichuan Shangdu was established on 20 April 2007 by Guangzhou Modern Information and an Independent Third Party with an initial registered capital of RMB2,000,000 (owned as to 50% by Guangzhou Modern Information (which was subsequently transferred to Zhuhai Modern Zhimei in August 2008) and as to 50% by the Independent Third Party) to engage in commercial service industry. Prior to completion of the Reorganisation, the equity interest of Sichuan Shangdu was owned as to 50% by Zhuhai Modern Zhimei and as to 50% by an Independent Third Party.

It was one of the business plans of Guangzhou Modern Information and the Independent Third Party that Sichuan Shangdu would provide content production services for a pamphlet as supplementary insertion to a local newspaper in Chengdu and which aimed at capturing the local high-end lifestyle advertisement market in Sichuan Province. However, due to the limited demand of high-end lifestyle advertisements in the local market (which was further aggravated as a result of the earthquake in Sichuan Province in May 2008), the operation of Sichuan Shangdu had been loss making since its establishment. As such, our Group and the other shareholder of Sichuan Shangdu decided to terminate the abovementioned business plan in around the end of 2008 and Sichuan Shangdu has since then been dormant. As our Directors consider that it is not necessary to include a dormant company in our Group, Sichuan Shangdu was excluded from our Group with effect from May 2009 following the completion of the transfer of the equity interest in 50% of the registered capital of Sichuan Shangdu by Zhuhai Modern Zhimei to an Independent Third Party, at the consideration of RMB298,000. As the consideration for the disposal of RMB298,000 is equivalent to the net asset value attributable to the equity interests disposed, no gain or loss has been recorded as a result of the disposal. Our Directors confirm that there is no contingent liability as a result of the disposal.

(ii) *Tianjin Holiday*

Tianjin Holiday was established on 28 June 2002, which was permitted to engage in the design and production of broadcast, film and television, billboard and neon light advertisements; design of presswork advertisements; international trading; commodities exhibitions; wholesale and retail sale of cultural and office supplies and communication equipments, design of conferences and exhibitions; conference services; food and beverage; sale of packed food and alcohol drinks; investigation services. In August 2007, our Group acquired 20% equity interest in Tianjin Holiday with an intention to invest in the operation of a regional weekly magazine in Tianjin. Prior to completion of the Reorganisation, the equity interest of Tianjin Holiday was owned as to 20% by Zhuhai Modern Zhimei and as to 80% by two Independent Third Parties.

However, since our Group was only able to exercise limited control over the operation of Tianjin Holiday as a minority shareholder, our Directors considered that is not in line with the business strategy of our Group. Accordingly, our Directors decided to divest such investment in Tianjin Holiday and disposed our Group's equity interest in Tianjin Holiday to an Independent Third Party at the consideration of RMB8,101,200 in May 2009. The disposal resulted in a loss of RMB1,468,800, representing the difference between the consideration of the disposal and the net assets of RMB9,570,000 disposed. Our Directors confirm that there is no contingent liability as a result of the disposal.

For the preparation of the financial information in the accountants' report of our Company set forth in Appendix I to this prospectus, the financial results of Sichuan Shangdu (which is 50% owned by Zhuhai Modern Zhimei) and Tianjin Holiday (which is 20% owned by Zhuhai Modern Zhimei) have been accounted for under equity method during the Track Record Period.

Details of and reasons for the exclusion of Shanghai Senyin and Guangzhou Xiandai are disclosed in the section headed "Relationship with the Controlling Shareholder" in this prospectus. Please also refer to the paragraph headed "Reorganisation" in Appendix V to this prospectus for further details of the Reorganisation.

Regulatory matters

With respect to whether Mr. Shao is subject to the requirements under the No. 75 Notice by virtue of the Reorganisation and the Listing, we have conducted unofficial consultation, through our PRC legal adviser and our staff, with the officers of the state bureau and local branch of SAFE respectively, who are appropriate officers and authorities to give advice on such consultation as confirmed by our PRC legal adviser. Such officers indicated that the registration application of Mr. Shao in relation to the offshore investment-related foreign exchange ascribed thereto in the No. 75 Notice will not be accepted or considered, and it is appropriate for qualified PRC lawyers to opine on such issue. We have been advised by our PRC legal adviser that although Mr. Shao holds a PRC identity card, it is not required for Mr. Shao to apply for the registration of the offshore investment-related foreign exchange under the No. 75 Notice on the basis that (a) Mr. Shao obtained a Hong Kong identity card (Hong Kong non-permanent resident) in October 1992; and (b) since 2002 Mr. Shao has been receiving salaries in Hong Kong and subject to Hong Kong salaries tax treated as a Hong Kong resident by the relevant authority in Hong Kong. Therefore, Mr. Shao does not qualify as a "domestic resident" within the meaning ascribed thereto in the No. 75 Notice.

Furthermore, we have been advised by our PRC legal adviser that:

(i) pursuant to applicable PRC laws, as Mr. Shao is a Chinese citizen, enterprises established by Mr. Shao in the PRC are regarded as PRC enterprises. Mr. Shao's equity interests in the PRC Operational Entities are not in violation of PRC laws on restricted foreign ownership of companies in the publishing industry;

(ii) since no part of the Reorganisation has involved any merger or acquisition of domestic entities through the acquisition of equity or asset by foreign investors ascribed thereto in the provisions of 關於外國投資者併購境內企業的規定 (The Provisions on the Acquisition of Domestic Enterprises by Foreign Investors*) which became effective from 8 September 2006 and amended on 22 June 2009, such provisions are not applicable insofar as the Reorganisation is concerned; and

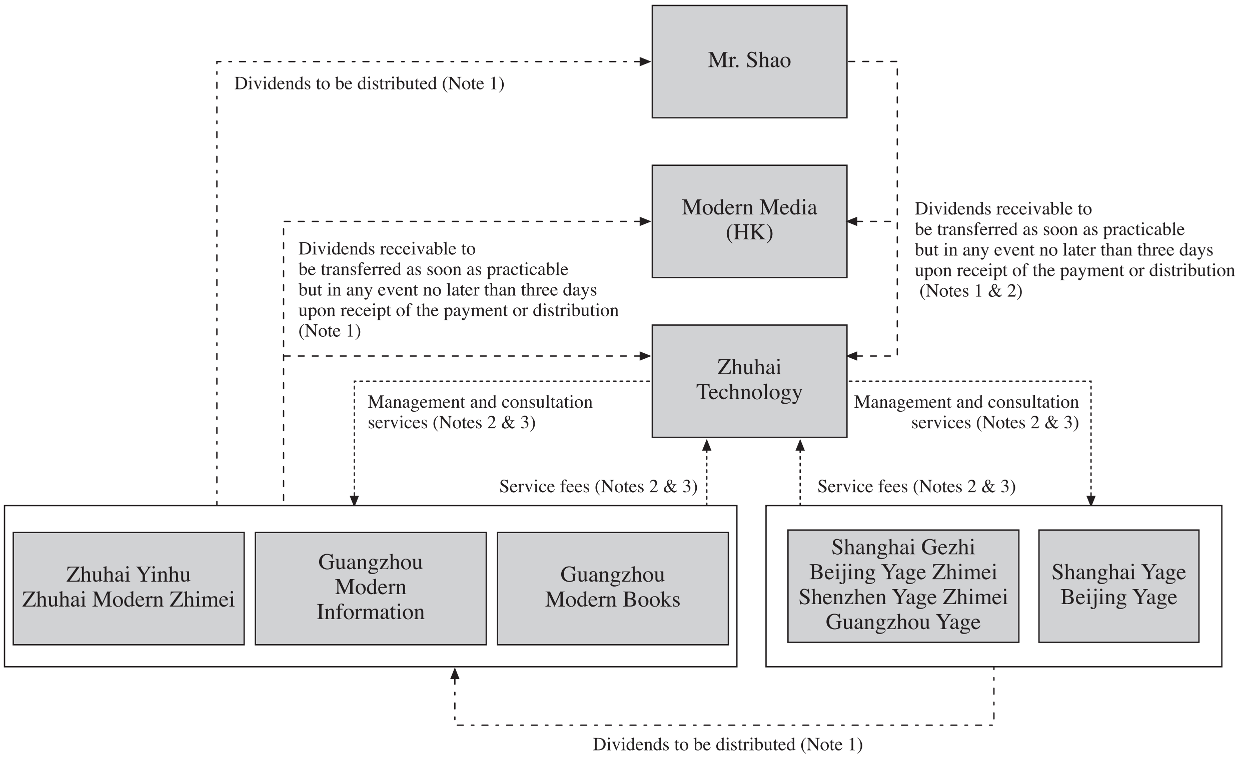
(iii) the Reorganisation and the Listing comply with applicable PRC laws and regulations and no approval, consent, filing or registration is required from the PRC regulatory authorities.

CONTRACTUAL ARRANGEMENTS

Under the prevailing laws and regulations in the PRC, companies with foreign ownership are restricted from engaging in the publishing business in the PRC. Pursuant to the cooperation agreements entered into between Guangzhou Modern Information and the PRC Publishing Partners, Guangzhou Modern Information is responsible for the content production of the PRC Magazines, including without limitation, its participation in selecting themes, structuring and reviewing of manuscripts, processing and production of advertisements in story formats and advertorials, and the PRC Publishing Partners are responsible for the review of the contents of the PRC Magazines submitted by Guangzhou Modern Information. Guangzhou Modern Information has delegated to the PRC Operational Entities to arrange for the content production of the PRC Magazines and also to arrange for other matters including the affirmation of the number of printed copy, price and related expenses of the PRC Magazines, and to conclude respective printing agreements with the printers and to distribute the PRC Magazines on behalf of the PRC Publishing Partners. Therefore, the PRC Operational Entities have, through Guangzhou Modern Information, effectively established indirect cooperation relationship with the PRC Publishing Partners in respect of the content production, printing and distribution of the PRC Magazines, and have also been operated, as a whole, as "Cooperation Partners" for the PRC Magazines. As such, our Directors are of the view, which our PRC legal adviser concurs, that the business operation of the PRC Operational Entities (i.e. content production, printing and distribution of the PRC Magazines) as a whole under the cooperation agreements entered into with the PRC Publishing Partners falls within the scope of business which restricted foreign ownership under the prevailing PRC laws and regulations. Accordingly, the PRC Operational Entities have not been included in the group, which comprises the Company and those subsidiaries in which the Company has direct and indirect equity interest for the purpose of the Reorganisation and the Listing so that the PRC Operational Entities can continue to engage in their existing business activities. To comply with the PRC laws, we conduct our business operations indirectly in the PRC through the PRC Operational Entities by way of the Contractual Arrangements.

Although our Group does not have any direct equity holding in the PRC Operational Entities, we manage to maintain an effective control over the financial and operational policies of the PRC Operational Entities and are entitled to the economic benefits derived from the operations of the PRC Operational Entities through the Contractual Arrangements.

The following simplified diagram illustrates the flow of economic benefits from the PRC Operational Entities to our Group stipulated under the Contractual Arrangements:



Notes:

1. Please refer to the paragraph headed "(ii) Option Agreements" below for details.

2. Please refer to the paragraph headed "(iii) Business Operation Agreements" below for details.

3. Please refer to the paragraph headed "(iv) Management and Consultation Services Agreements" below for details.

4. Please refer to the paragraphs headed "(i) Equity Pledge Agreements", "(v) Proxy Agreements" and "(vi) Trademark Transfer Agreement" below for further details of the Contractual Arrangements.

5. Please refer to the paragraph headed "Group structure" in this section for more details of the shareholding structure and the principal activities of the members of our Group (including the PRC Operational Entities).

(i) ***Equity Pledge Agreements***

The equity pledge agreements (the "**Equity Pledge Agreements**") entered into among Zhuhai Technology, Mr. Shao, Guangzhou Modern Information, Guangzhou Modern Books, Zhuhai Yinhu and Zhuhai Modern Zhimei dated 24 August 2009 constitute a security for guaranteeing the payment of the service fees under the Management and Consultation Services Agreements.

Pursuant to the Equity Pledge Agreements, Mr. Shao, Guangzhou Modern Information, Guangzhou Modern Books, Zhuhai Yinhu and Zhuhai Modern Zhimei have granted a continuing first priority security over all their respective direct equity interests in the PRC Operational Entities to Zhuhai Technology. None of the equity interests in the members of the PRC Operational Entities may be reduced, pledged, transferred or disposed of without the prior consent of Zhuhai Technology. Zhuhai Technology is entitled to all dividends derived from the pledged equity interests and to exercise its rights to sell the pledged equity interests on occurrence of any non-payment of the services fees under the Management and Consultation Services Agreements.

The Equity Pledge Agreements are effective from the date on which they have been executed by the parties thereto while the pledges created thereunder shall become effective upon such pledges having been duly registered in the PRC Operational Entities' register of members and having been duly registered with the relevant Administration for Industry and Commerce of the PRC in accordance with the applicable PRC laws. The pledges will remain in full effect during the term of the Management and Consultation Services Agreements, and shall not be terminated until all payments in the Management and Consultation Services Agreements are settled by the PRC Operational Entities, as well as upon which the PRC Operational Entities are no longer responsible for the performance under the Management and Consultation Service Agreements.

(ii) ***Option Agreements***

Pursuant to the option agreements (the "**Option Agreements**") dated 24 August 2009 entered into among Modern Media (HK), Mr. Shao, Guangzhou Modern Information, Guangzhou Modern Books, Zhuhai Yinhu and Zhuhai Modern Zhimei, Modern Media (HK) has been granted options to acquire, directly or through one or more nominees, the entire equity interest in the PRC Operational Entities at nil consideration or the minimum amount as permitted by the applicable PRC laws. Subject to compliance with the PRC laws, Modern Media (HK) may exercise the options at any time and in any manner at its sole discretion. Pending the acquisition of the entire equity interests in the PRC Operational Entities by our Group (as permitted by the PRC laws and regulations), Guangzhou Modern Information, Guangzhou Modern Books, Zhuhai Yinhu and Zhuhai Modern Zhimei have undertaken, among other things, that they shall not reduce their respective registered capital or dispose of any part of their assets, business or revenues unless with the prior consent from Zhuhai Technology.

Furthermore, under the Option Agreements, each of Mr. Shao, Guangzhou Modern Information, Guangzhou Modern Books, Zhuhai Yinhu and Zhuhai Modern Zhimei has undertaken that he or it shall, and shall procure the relevant PRC Operational Entities to, assign or transfer to Modern Media (HK) or Zhuhai Technology all of his or its dividends and/or capital gain derived from the equity interests in the relevant PRC Operational Entities, distributable reserve and proceeds from the realisation of any assets by the PRC Operational Entities which are distributable in accordance with applicable laws and the constitutional documents of each of the PRC Operational Entities received thereof as soon as practicable but in any event no later than three days upon receipt of the payment or distribution.

Under the Option Agreements, our Group has secured the right of acquiring the entire equity interests in the PRC Operational Entities and pending such acquisition, the PRC Operational Entities have undertaken, among other things, that they shall not reduce their respective registered capital or dispose of any part of their assets, business or revenues unless with the prior consent from Zhuhai Technology. Before the above acquisition contemplated under the Option Agreements is permitted by the laws and regulations of the PRC, our Group may exercise all the rights as if it were the ultimate beneficial owner of the PRC Operational Entities by virtue of the Proxy Agreements.

Each of the Option Agreements has become effective from 24 August 2009 and will only expire on the date on which all the equity interests in the PRC Operational Entities are transferred to Modern Media (HK) and/or its nominees, and the registrations of such equity transfers in the relevant administration of industry and commerce in the PRC are completed.

(iii) ***Business Operation Agreements***

Pursuant to the business operation agreements (the "**Business Operation Agreements**") dated 24 August 2009 entered into among Zhuhai Technology, Mr. Shao and the PRC Operational Entities, the PRC Operational Entities have undertaken not to enter into any material business transaction without the prior written consent of Zhuhai Technology and to appoint individuals as nominated by Zhuhai Technology to be the directors and key management of the PRC Operational Entities (including those responsible for financial management, accounting, financial control and reporting). Mr. Shao and the PRC Operational Entities have also undertaken to sign and execute such documents authorising Zhuhai Technology's nominees to be their representatives to exercise the rights of shareholders of the PRC Operational Entities and to ensure that any dividend and/or capital gain derived from the equity interests in the PRC Operational Entities shall be paid to Zhuhai Technology as soon as practicable but in any event no later than three days from the receipt of the payment or distribution.

Under the Business Operation Agreements, the representative to be nominated by Zhuhai Technology to exercise the shareholder's rights of the PRC Operational Entities will ensure that any dividend and/or capital gain derived from the equity interests in the PRC Operational Entities shall be paid to Zhuhai Technology as soon as practicable but in any event no later than three days from the date of receipt of the payment. Furthermore, all the directors and key management in each member of the PRC Operational Entities are to be nominated by Zhuhai Technology. Such arrangements can further assure Zhuhai Technology and our Group to obtain economic benefits generated from the operations of the PRC Operational Entities; and can assure that our Group is able to monitor, supervise and effectively control the businesses and operations of each member of the PRC Operational Entities.

Each of the Business Operation Agreements shall commence from 24 August 2009 and shall continue until the termination by Zhuhai Technology by giving a 30-day prior written notice to the other parties thereto; or pursuant to the terms under other agreements entered into by the relevant parties.

(iv) ***Management and Consultation Services Agreements***

On 24 August 2009, Zhuhai Technology and the PRC Operational Entities entered into management and consultation services agreements (the "**Management and Consultation Services**

Agreements") pursuant to which the PRC Operational Entities will engage Zhuhai Technology on an exclusive basis to provide consultation services in the management, sales and marketing, enterprise management and other supporting services in connection with the PRC Operational Entities' business services including the exclusive management and consultation, customer management and marketing consultation, enterprise management (including accounting and financial reporting) and consultation, staff training, magazine content and information provision, exclusive planning, consultation and recommendation for magazine arrangement, design and printing; planning, consultation and recommendation for magazine distribution, and other consultation and supporting services permitted under the PRC laws. In consideration of the provision of the aforementioned services by Zhuhai Technology, each of the PRC Operational Entities agrees to pay to Zhuhai Technology fees on an annual basis in arrears. Fees payable to Zhuhai Technology by the PRC Operational Entities will be equivalent to the total revenue less all the related costs, expenses and taxes of the respective PRC Operational Entities, as audited by such certified public accountants of the PRC.

Pursuant to the Management and Consultation Services Agreements, Zhuhai Technology will be engaged to provide management and consultation services whereby the business and operations of each of the PRC Operational Entities will be managed by Zhuhai Technology. In return, Zhuhai Technology will be entitled to the consultation service fees payable by the PRC Operational Entities which amount will be equivalent to the total revenue of the respective PRC Operational Entities, after deducting all the relevant costs, expenses and taxes, as audited by such certified public accountants of the PRC. The Directors consider that such arrangements will ensure the economic benefits generated from the operations of the PRC Operational Entities will flow to Zhuhai Technology and hence, our Group as a whole.

Each of the Management and Consultation Services Agreements shall commence from 24 August 2009 and shall continue until the termination by Zhuhai Technology with a 30-day prior written notice to the other parties; or pursuant to the terms under other agreements entered into by the relevant parties. The Management and Consultation Services Agreements are renewable upon Zhuhai Technology's written confirmation that the term be extended.

(v) ***Proxy Agreements***

On 24 August 2009, Zhuhai Technology, Mr. Shao, Guangzhou Modern Information, Zhuhai Modern Zhimei and Guangzhou Modern Books entered into proxy agreements (the "**Proxy Agreements**") pursuant to which (a) Mr. Shao is authorised to exercise the shareholders' rights in each of the PRC Operational Entities including attending shareholders' meeting and exercising voting rights (as long as Mr. Shao remains as the chairman of Zhuhai Technology); (b) any PRC individuals designated by Zhuhai Technology is authorised to enjoy and exercise the shareholders' rights of Mr. Shao in each of the PRC Operational Entities (in the event that Mr. Shao shall cease to be the chairman of Zhuhai Technology); and (c) any dividend and/or capital gain derived from the equity interests in the PRC Operational Entities shall be paid to Zhuhai Technology as soon as practicable but in any event no later than three days from the receipt of the payment or distribution. Under the Proxy Agreements, during the period when Mr. Shao holds the directorship of Zhuhai Technology, Mr. Shao shall act according to the best interest and instructions of Zhuhai Technology, and exercise all his and his nominee's rights as a shareholder of the PRC Operational Entities.

Before our Group acquires the entire equity interests in the PRC Operational Entities contemplated under the Option Agreements, our Group can exercise all the rights through Mr. Shao as if we were the ultimate beneficial owner of the PRC Operational Entities by virtue of the Proxy

Agreements. Mr. Shao has undertaken that he shall assign or transfer to Zhuhai Technology all of his dividends, capital gain and/or any assets derived from the equity interests in the relevant PRC Operational Entities as soon as practicable but in any event no later than three days upon receipt of such payment or distribution.

The Proxy Agreement shall be in full effect during the term of the Business Operation Agreements.

(vi) ***Trademark Transfer Agreement***

Pursuant to the trademark transfer agreement (the "**Trademark Transfer Agreement**") dated 24 August 2009 entered into between Guangzhou Modern Information and Zhuhai Technology, Guangzhou Modern Information has granted an option to Zhuhai Technology to acquire certain trademarks in relation to the PRC Magazines and the business of Guangzhou Modern Information at a nominal consideration of RMB1 or such other minimum amount as required by the applicable PRC laws. Prior to Zhuhai Technology's exercise of the option, Zhuhai Technology and its nominees may use the trademarks free from payment of royalty. Guangzhou Modern Information has been restrained from licensing the trademarks to any third party without Zhuhai Technology's prior written consent. Through the Trademark Transfer Agreement, Zhuhai Technology will also obtain the rights to acquire any or all of the trademarks of all members of the PRC Operational Entities at such time as permitted by the relevant laws and regulations of the PRC.

The Trademark Transfer Agreement has become effective from 24 August 2009 for a perpetual term and covers all crucial trademarks of our Group's business.

The rationale for entering into the Contractual Arrangements is to enable Zhuhai Technology to provide our Group with effective control over the financial and operational policies of the PRC Operational Entities regardless the lack of direct equity interest of our Group in those of the PRC Operational Entities, to obtain the economic benefits from the operations of the PRC Operational Entities, and to acquire the equity interests in and/or the trademarks of the PRC Operational Entities as and when permitted under the applicable PRC laws, and to prevent any possible dissipation of assets and values of the PRC Operational Entities to any parties other than the Company or its subsidiaries. These include:

(i) an option to acquire all the equity interests in the PRC Operational Entities and/or the trademarks in relation to the existing business of the PRC Operational Entities, as and when permitted by the PRC laws, at a nominal price or such other minimum payment as required by the PRC laws;

(ii) the undertakings from the PRC Operational Entities not to enter into any material business transaction without the prior written consent of Zhuhai Technology;

(iii) the rights to exercise the rights of shareholders of the PRC Operational Entities; and

(iv) the pledges in favour of our Company over the entire equity interests in the PRC Operational Entities.

These Contractual Arrangements effectively transfer the economic benefits and pass the risks associated therewith of the PRC Operational Entities to our Company, and as a result, the PRC Operational Entities have been consolidated as subsidiaries of our Company from their respective dates of acquisition or establishment by Mr. Shao and/or entities controlled by him. The Contractual Arrangements are renewable by Zhuhai Technology only and may only be terminated by Zhuhai Technology. Pursuant to the Business Operation Agreements and the Management and Consultation Services Agreements, we have effectively re-deployed the employees, who assumed the management and supervisory role of the day-to-day operations of and previously employed by the PRC Operational Entities, to be under the employment of Zhuhai Technology. More importantly, in order to ensure the PRC Operational Entities are managed and operated in accordance with our Group's instructions and to prevent misappropriation of assets and funds by the ultimate shareholder of the PRC Operational Entities (i.e., Mr. Shao), all the boards of directors and financial controllers of each of the PRC Operational Entities are nominated on 24 August 2009 by our Group to allow for effective control. Currently, Mr. Shao is the ultimate beneficial owner and sole director of each of PRC Operational Entities.

Legality of the Contractual Arrangements

After taking all possible actions or steps to enable it to reach its legal conclusions, our PRC legal adviser is of the opinion that:

(i) on the basis of the applicable PRC laws and regulations and the reply from the relevant PRC government authorities upon an unofficial verbal enquiry by our PRC legal adviser that it is appropriate for a PRC legal adviser to give legal opinion as to the legality of the agreements constituting the Contractual Arrangements;

(ii) each of the agreements, constituting the Contractual Arrangements, constitutes legal, valid and binding obligations of the parties thereto under the PRC laws; and the Contractual Arrangements as constituted by all the agreements mentioned above, individually and collectively as a whole, are in full compliance with all existing PRC laws and regulations and the provisions of the respective articles of association of the relevant companies that are incorporated in the PRC;

(iii) save for the registration of the pledges created under the Equity Pledge Agreements in the register of members of the relevant PRC Operational Entities and subject to any new laws and regulations promulgated by the PRC government authorities to the contrary, no consents, approvals, permits or authorisations by any PRC government authorities is required under the prevailing PRC laws and provisions in connection with the execution, effectiveness and enforceability of the agreements constituting the Contractual Arrangements, either before or after the Listing;

(iv) the respective current businesses and operations of Zhuhai Technology and the PRC Operational Entities, as described in this prospectus, are within the business scope as approved by the competent government authorities in the PRC and have not been punished by any PRC governmental authorities for violating their respective permitted business scope; and

(v) each of Zhuhai Technology and the PRC Operational Entities has obtained all necessary approvals for its business.

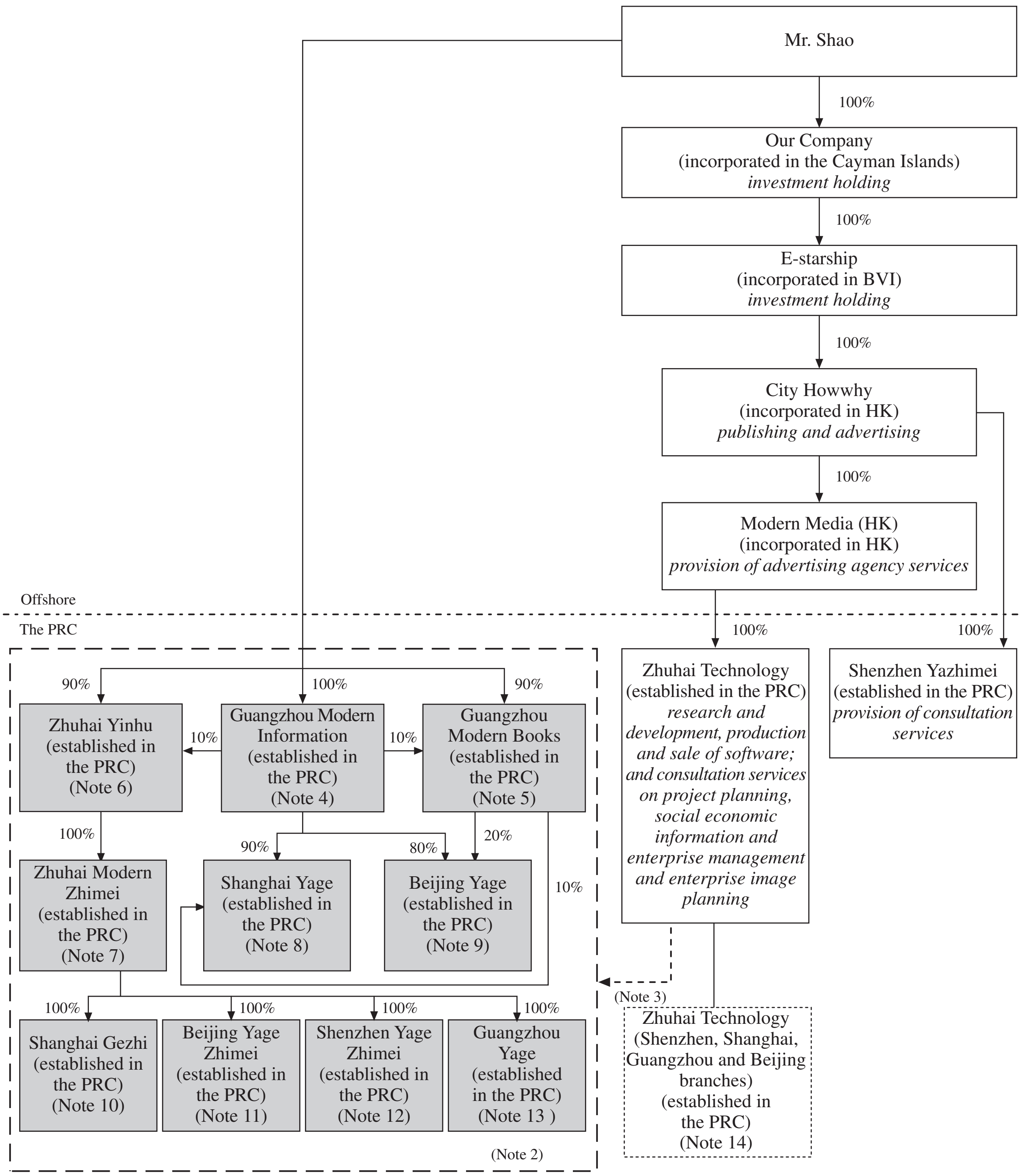
In addition, to the best of our Directors' knowledge, information and belief and having made all reasonable enquiries and in particular, making reference to the contractual arrangements in place in other publication and media companies already listed on the Stock Exchange, the Contractual

Arrangements are not unique but appear to be a common arrangement by the companies in the publication and media industry in the PRC that are operated and ultimately owned by foreign holding company, and our Directors are not aware that the relevant PRC authorities have challenged other contractual or structural arrangements which are similar to the Contractual Arrangements.

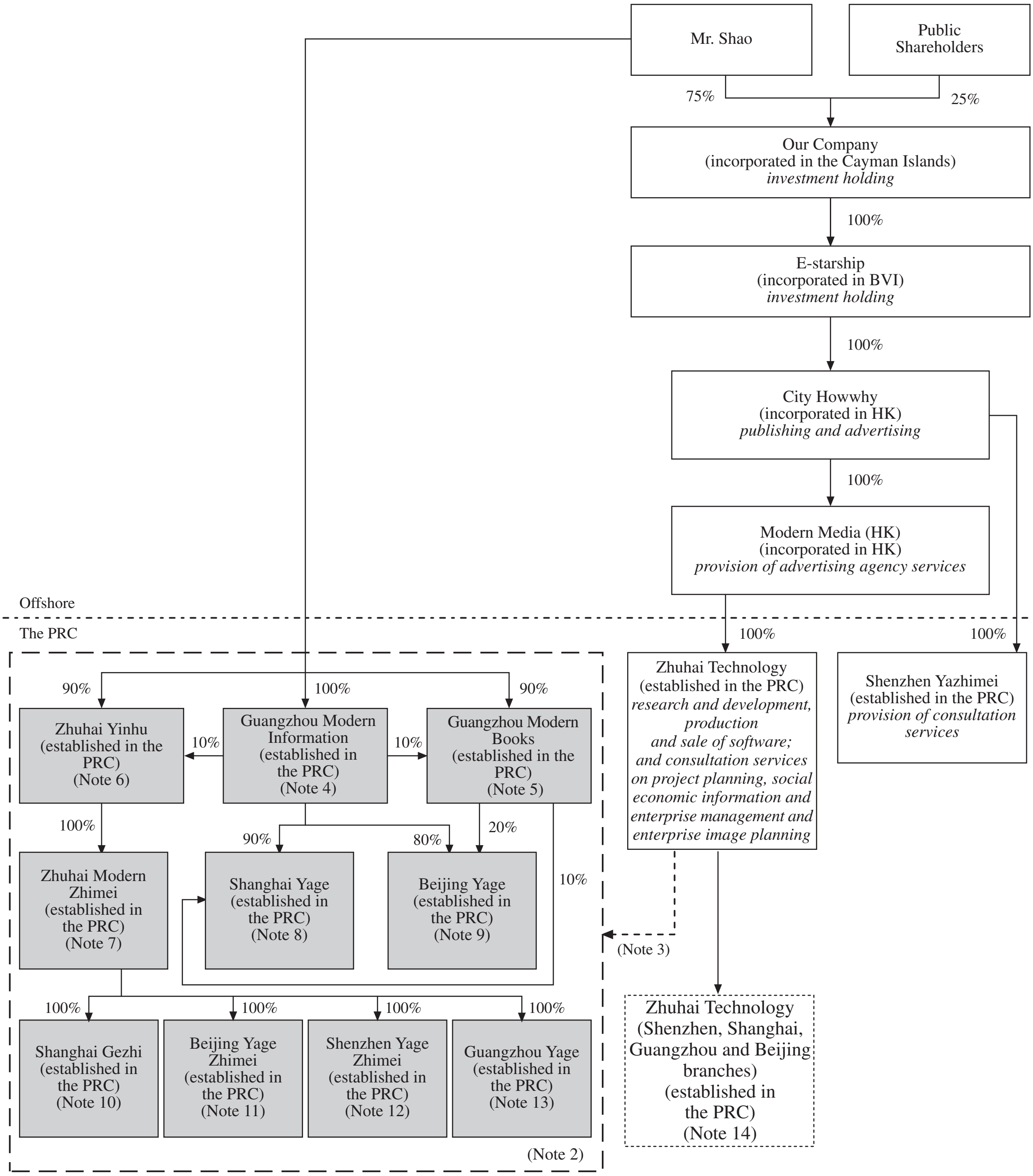
There can be no assurance that the PRC governmental authorities (including GAPP) will not in the future take a view that is contrary to the above opinion of our PRC legal adviser. We have been further advised that if the PRC governmental authorities and courts find that the Contractual Arrangements (or any part thereof) do not comply with the PRC laws, each of the agreements constituting the Contractual Arrangements will have to be revoked and the transactions contemplated under these agreements shall not continue. We have been advised by our PRC legal adviser that save for the revocation of the agreements and discontinuation of the relevant transactions contemplated under these agreements, we will not be subject to any administrative penalties by the relevant PRC governmental authorities for the entering into and the implementation of these agreements since no filings, registrations, consents, approvals, permits, authorisations, certificates, licences by any PRC government authorities is required under the prevailing PRC laws in connection with the execution, effectiveness and enforceability of the agreements constituting the Contractual Arrangements. Please refer to the paragraph headed "We rely on the Contractual Arrangements." in the section headed "Risk factors" in this prospectus for a discussion of the relevant risk.

GROUP STRUCTURE

The corporate structure and the principal activities of the members of our Group immediately after completion of the Reorganisation but prior to the Capitalisation Issue and the Share Offer (assuming the Over-allotment Option and any options that may be granted under the Share Option Scheme are not exercised) are set out below:



The corporate structure and the principal activities of the members of our Group immediately following completion of the Reorganisation, the Capitalisation Issue and the Share Offer (assuming the Over-allotment Option and any options that may be granted under the Share Option Scheme are not exercised) are set out below:



Notes:

1. "———" denotes direct legal and beneficial ownership in the equity interest and "- - - - - - - -" denotes contractual relationship.

2. Please refer to the paragraph headed "PRC Operational Entities" in this section for the description of each relevant company.

3. Please refer to the paragraph headed "Contractual Arrangements" in this section for the details of these arrangements.

4. Guangzhou Modern Information is principally engaged in the design, production and agency services of various advertisements; retail sale of the books, newspapers, periodicals edited and published in the PRC; planning of literary arts activities and exhibitions.

5. Guangzhou Modern Books is principally engaged in consultation services for books information; books presentation design; wholesale and retail sale for books, newspapers and periodicals edited and published in China.

6. Zhuhai Yinhu is principally engaged in the design, production, publication of advertisements and provision of advertising agency services.

7. Zhuhai Modern Zhimei is principally engaged in the design, publication and agency services for advertisements; consultation services for project planning, enterprise investment and economic information.

8. Shanghai Yage is principally engaged in the design and production of various advertisements and agency services for advertising business in the PRC.

9. Beijing Yage is principally engaged in the design, production, publication and agency services for advertisements in the PRC; organising cultural exchange activities and exhibitions.

10. Shanghai Gezhi is principally engaged in the design, production, publication and agency services for various advertisements, business information consultation and related business consultation services.

11. Beijing Yage Zhimei is principally engaged in the design, production, publication and agency services for advertisements; organising cultural exchange activities and exhibitions.

12. Shenzhen Yage Zhimei is principally engaged in advertising business.

13. Guangzhou Yage is principally engaged in the design of enterprise image, planning of enterprise ceremony, design, production, publication and agency services for various advertisements.

14. These branch offices of Zhuhai Technology are principally engaged in the research and development, production and sale of self-invented software and after-sale services, provision of consultation services on project planning, financial information and enterprise management and enterprise image planning. Neither of these branches is an independent legal person.

PUBLICATIONS

Features and positioning of the Magazines

We consider the Magazines positioned as “international”, “exquisite” and “stylish”. Each one of the Magazines has its distinctive contents in order to satisfy a target group of readers and such targeted segmentation of readership of the Magazines in turn cater the needs of the diversified advertising customers.

Currently, the Magazines comprise two weekly and six monthly magazines. Our Directors consider that weekly magazines are our major growth driver since our target readers are more receptive to weekly magazines than to monthly magazines as the former provide more up-to-date information and have higher market exposure to the target readers and weekly magazines will also be more attractive to advertising customers for placing their advertisements. As such, following our success in operating “週末畫報” (Modern Weekly), we launched “優家畫報” (U+ Weekly) in late 2008 with a view to increasing our market penetration rate. Save for “號外” (City Magazine) which is published by our Group in Hong Kong, all of the PRC Magazines are operated pursuant to various exclusive cooperation agreements we entered into with the PRC Publishing Partners. For details of such cooperation agreements, please refer to the paragraph headed “Cooperation agreements with the PRC Publishing Partners” in this section.

Weekly magazines

Name of the Magazine

Description of the Magazine

“週末畫報”
(Modern Weekly)

- *History, contents and target segments:* “週末畫報” (Modern Weekly), our flagship magazine which we have commenced operation since 2001, has a publication history of 28 years. Our Group has brought input of innovative and influential contents to “週末畫報” (Modern Weekly), turning it into a full-colour and glossy weekly magazine, thereby attracting the non-mainstream readership profile. Our target readership of “週末畫報” (Modern Weekly) is China’s elites between the ages of 20 and 45, well-educated with high disposable income and high standard of living.

  “週末畫報” (Modern Weekly) is divided into four major sections, namely, News, Business, Lifestyle and Metro. This publication also provides readers with local and international news, global financial information, international lifestyles and consumption trends, as well as the various hot issues around the world. In addition, special supplementary issues will be produced from time to time to develop our Group’s cosmopolitan brand image and reputation for innovative ideas in the publishing industry.

- *Retail price per copy:* RMB5

- *Commencement of operation by our Group:* 2001

- *Duration of cooperation agreement with the PRC Publishing Partner:* For an initial term of 27.5 years until 2028

Name of the Magazine | **Description of the Magazine**

"優家畫報"
(U+ Weekly)

- *History, contents and target segments:* "優家畫報" (U+ Weekly) is positioned as a women's lifestyle magazine providing comprehensive and updated news and information regarding beauty, fashion, shopping, dining and entertainment. The target readership of "優家畫報" (U+ Weekly) is the educated and white-collar women between the ages of 25 and 39, with average to high income.

  Furthermore, we strategically market "優家畫報" (U+ Weekly) in the second tier cities of the PRC with considerable future market potential in order to attract a greater mass of female readers and to further increase our market penetration rate in the PRC.

  "優家畫報" (U+ Weekly) is a two-booklet weekly publication including "修身篇" (personal management section) and "齊家篇" (family perfection section). "修身篇" mainly focuses on fashion, beauty, life quality and astrology information. "齊家篇" mainly focuses on leisure and food information, travel tips, family health and entertainment advice.

- *Retail price per copy:* RMB3
- *Commencement of operation by our Group:* 2007
- *Duration of cooperation agreement with the PRC Publishing Partner:* For an initial term of 19 years until 2025

Monthly magazines

Name of the Magazine | **Description of the Magazine**

"新視綫"
(The Outlook Magazine)

- *History, contents and target segments:* "新視綫" (The Outlook Magazine) is a creative lifestyle monthly magazine targeting at urban elites of the new-generation and the emerging creative class, who possess a keen fashion sense and are interested in international brands.

  "新視綫" (The Outlook Magazine) focuses on promoting international, trendy and high quality creative lifestyle through four major innovative columns, namely, "Explore the perspectives of living", "Access to the greatest creativity", "Shine bright and right", and "Think big, think different", and to encourage our readers to transform their ways of living while redefining the quality of life and value of contemporary city elites. Certain well-known writers in the PRC have been invited as special columnists to write featured articles on creative lifestyles and living since 2008.

- *Retail price per copy:* RMB20
- *Commencement of operation by our Group:* 2002
- *Duration of cooperation agreement with the PRC Publishing Partner:* For an initial term of 15 years until 2017

Name of the Magazine	Description of the Magazine

“號外” (City Magazine)

- *History, contents and target segments:* “號外” (City Magazine), with a publication history of over 30 years in Hong Kong, was acquired by our Group in 2003. It presents global culture and lifestyle information through its creative literature and simplistic design. “號外” (City Magazine) aims to set its creative standard, seek improvement and evolution, and record the subtle change of our times amid the avalanche of information flow in the outside world. In 2008, “號外” (City Magazine) launched a travel-size edition as an innovative attempt to further explore editorial and visual possibilities. “號外” (City Magazine) is targeted at the elite class of readers in Hong Kong who has aspiration for lifestyle and cultural upbringing.

  “號外” (City Magazine) reports the latest city lifestyle news from different parts of the world, provides updated information on brand new trends of art and designs as well as beauty and skin care, and incorporates conceptual pictures.

  Supplements featuring different topics, including valentine’s day, women and men’s fashion, as well as watch and jewellery, are issued so as to attract more readers and advertisers.

- *Retail price per copy:* HK$35 (Original edition) and HK$25 (Travel-size edition)

- *Commencement of operation by our Group:* 2003

“生活月刊” (Life Magazine)

- *History, contents and target segments:* “生活月刊” (Life Magazine) promotes the “Heart of Life” attitude, style and value. By deploying the magazine as a platform, it aims to uphold and disseminate Chinese culture and national cultural confidence, and to encourage the pursuit of a high quality spiritual life.

  “生活月刊” (Life Magazine) is a book-like magazine with a combination of literature works and photography, and its target readership is upwardly-mobile managers, new intellectuals, inspiring entrepreneurs, and the Chinese upper classes, between the ages of 28 and 49, with high disposable income and strong consumption power. This publication contains nine regular columns with topics covering the entire spectrum of spiritual and secular life, emboldened with a touch of Chinese traditional culture and contemporary aesthetics.

- *Retail price per copy:* RMB50

- *Commencement of operation by our Group:* 2005

- *Duration of cooperation agreement with the PRC Publishing Partner:* For an initial term of 10 years until 2015

Name of the Magazine | **Description of the Magazine**

"汽車生活"
(Auto Life)

- *History, contents and target segments:* "汽車生活" (Auto Life) is a lifestyle car magazine that focuses on the relationship between cars and daily life. It aims at showing how daily life and culture change after the inception of cars, and leading readers to appreciate cars from different perspectives, such as culture, art and technology. The target readership of "汽車生活" (Auto Life) is male readers who are car lovers and owners.

  "汽車生活" (Auto Life) aims to provide comprehensive information on topflight cars, car content and test driving evaluation, new accessories of the latest popular cars, supplements with new and trendy high-tech products. It also provides interviews with executives of certain vehicle manufacturers' and car designers and shares their living with cars.

- *Retail price per copy:* RMB20

- *Commencement of operation by our Group:* 2007

- *Duration of cooperation agreement with the PRC Publishing Partner:* For an initial term of 10 years until 2016

"健康時尚"
(LOHAS)

- *History, contents and target segments:* The English title of "健康時尚" — LOHAS, is the acronym of "Lifestyle Of Health And Sustainability", aiming at the promotion of healthy and sustainable lifestyle by providing readers with the latest news and information on worldwide healthy lifestyle. The target readership of "健康時尚" (LOHAS) is the growing mass of trendy, educated and independent female readers.

  The contents of "健康時尚" (LOHAS) are divided into nine life cycles, namely, "New life", "Beauty life", "My life", "Healthy life", "Enjoy life", "Above life", "Care life", "Cure life" and "Life cycle", which are derived from the Chinese and oriental philosophy of beauty. These contents are accompanied with health tips, exercise manual, beauty and skincare knowledge.

  In order to further promote the market awareness of "健康時尚" (LOHAS), quarterly supplementary copies are issued as LOHAS lifestyles, which feature topics on men's and women's beauty, as well as travel information.

- *Retail price per copy:* RMB10

- *Commencement of operation by our Group:* 2007

- *Duration of cooperation agreement with the PRC Publishing Partner:* For an initial term of 10 years until 2016

- *History, contents and target segments:* "大都市" (Metropolis), the latest publication we promoted, is an elite lifestyle magazine with separate editions dedicated to male and female readers respectively.

Name of the Magazine | **Description of the Magazine**

"大都市" (Metropolis)

- *History, contents and target segments:* "大都市" (Metropolis), the latest publication we promoted, is an elite lifestyle magazine with separate editions dedicated to male and female readers respectively.

Male edition

The male edition of "大都市" (Metropolis) is a men's lifestyle magazine focusing on "Living, Style & Business" from the male perspective. Its target readership is middle and upper business echelons, decision makers, trendsetters and pillars of the city's business community and social life between the ages of 25 and 49, who are well-educated, stylish, and attach great importance to the quality of their lives and lifestyle. This publication offers a variety of well recognised columns under the headings of ''Feature'', "Topic", "Focus", "Celeb Bar", "Men's Trend", "Scent of Women" and "Fashion", providing latest business and lifestyle information to the new generation of male readers in the city.

Female edition

The female version of "大都市" (Metropolis) is a women's lifestyle magazine focusing on "Fashion, Psychology & Living" from the female perspective. Its target readership is white collar women between the ages of 25 and 49. This publication has introduced a number of highly successful columns such as "Glamour", "Vogue", "Special Report", "Trends 360 Degrees", "Classic", "Clothing" and "Office", presenting comprehensive fashion and lifestyle information with first-class pictorial coverage to the new generation of female readers in the city.

- *Retail price per copy:* RMB15

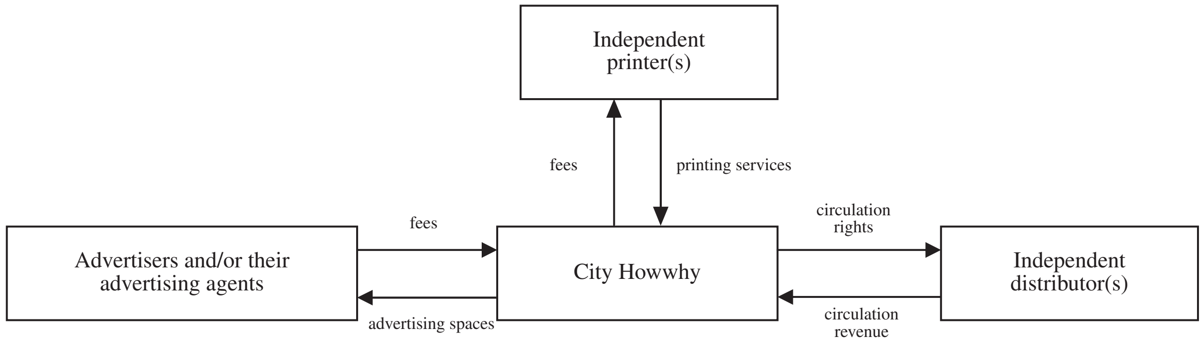
- *Commencement of operation by our Group:* 2009

- *Duration of cooperation agreement with the PRC Publishing Partner:* For an initial term of 6.5 years until 2015

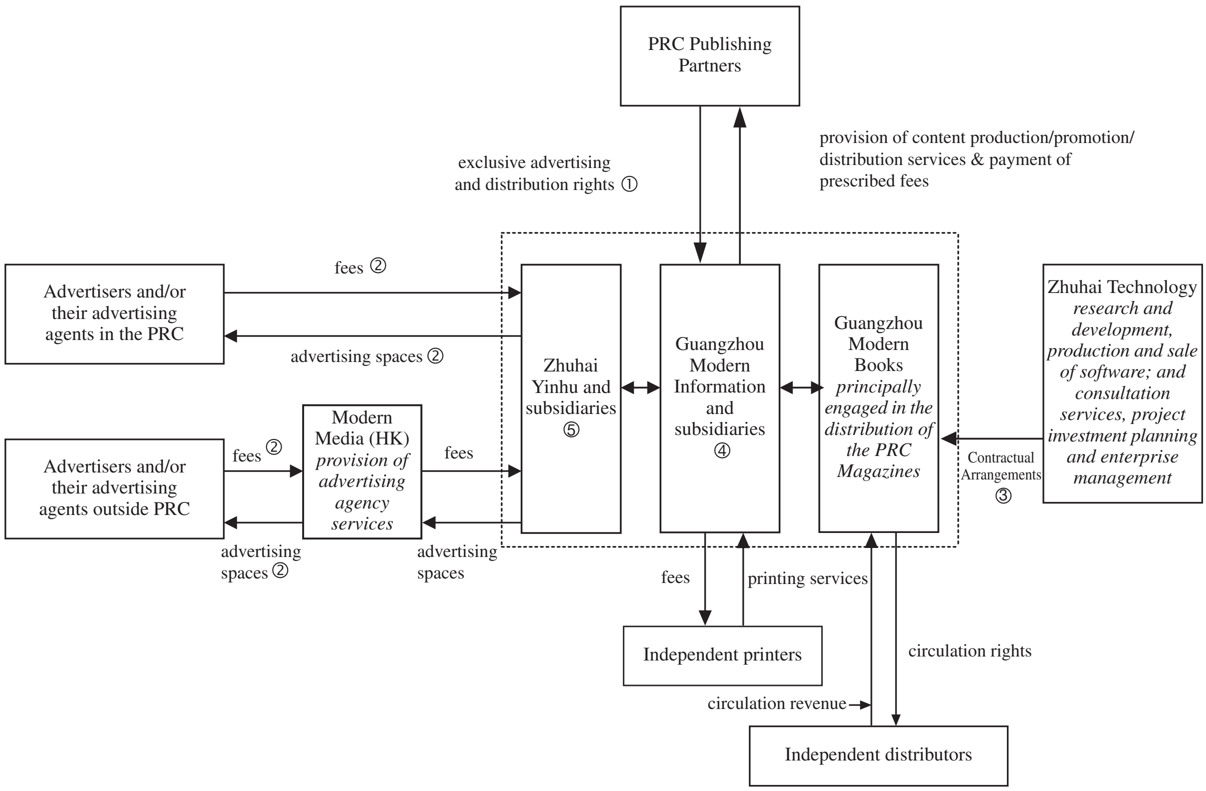
MODE OF BUSINESS OPERATION

The simplified diagrams below illustrate the models of our existing business operations:

Business Model in Hong Kong



Business Model in the PRC



Notes:

1. Guangzhou Modern Information has acquired the exclusive rights to sell advertising spaces in and to distribute the PRC Magazines by providing content production, consultation, management, promotion, distribution and other supporting services (with the assistance of its fellow PRC Operational Entities) to the PRC Publishing Partners in relation to the PRC Magazines and paying prescribed fees to the PRC Publishing Partners pursuant to the cooperation agreements, details of which are disclosed under the paragraph headed "Cooperation agreements with the PRC Publishing Partners" in this section.

2. Please refer to the paragraph headed "Sales and marketing" in this section for details of the sale of advertising spaces in Hong Kong and the PRC.

3. Please refer to the paragraph headed "Contractual Arrangements" in this section for the details of these arrangements.

4. Guangzhou Modern Information and its subsidiaries, Shanghai Yage and Beijing Yage, are principally engaged in the provision of content production services.

5. Zhuhai Yinhu and its subsidiaries, including Zhuhai Modern Zhimei, Shanghai Gezhi, Beijing Yage Zhimei, Shenzhen Yage Zhimei and Guangzhou Yage, are principally engaged in the provision of content production and advertising services.

SALES AND MARKETING

Our Group devotes significant resources to strengthen the market recognition of our corporate brand "Modern Media" as a leading media company specialising in high quality Chinese-language lifestyle magazines which target well-segmented elite readership base in Hong Kong and the PRC, and to develop and maintain the relationship with our advertising customers, which are mainly brand advertisers and their respective international advertising agencies in Hong Kong and the PRC. Our major source of revenue is derived from the sale of advertising spaces in the Magazines, which accounted for approximately 94.7%, 94.4%, 94.1% and 90.5% of our Gross Revenue during the Track Record Period. Also, we generate revenue from the circulation of the Magazines, which accounted for approximately 4.4%, 3.2%, 3.6% and 6.0% of our Gross Revenue during the Track Record Period. As at the Latest Practicable Date, our Group has a sales team of over 100 employees and a marketing team of over 20 employees.

Sale of advertising spaces

Our sales efforts primarily focus on the sale of advertising spaces in the Magazines to brand advertisers through their respective international advertising agencies, or, directly to brand advertisers. As at the Latest Practicable Date, our advertising sales team consisted of 102 sales staff, which are divided into four regional sub-teams focusing on different sales territories, namely, northern China, eastern China, southern China and Hong Kong with a view to maintaining proximity with our advertising customers. All regional sub-teams are supervised by the sales and marketing director, who is responsible for formulating sales and marketing strategies of our Group. Our sales team is mainly responsible for the sale of advertising spaces in the Magazines, soliciting new advertising customers and advertising agencies, handling enquiries and requests raised by our advertising customers, as well as managing the relationship with our advertising customers.

The distinctive features and readerships amongst the Magazines enable us to build our Mag-Form for specific advertising customers to choose and place advertisements in the relevant Magazines that satisfies their advertising needs. As such, in addition to the sale of advertising spaces, we also provide value-added advertising services and integrated marketing solutions to our advertising customers through our Mag-Form. Such customers-oriented services mainly include (a) organising marketing events including award ceremonies, seminars, forums and cultural exhibitions, for or jointly with the advertising customers and we are mainly responsible for all the creative, technical and logistical elements such as event design, scriptwriting, logistics, budgeting, negotiation and client services; and (b) arranging specific topics and columns to be included in the contents of the Magazines, which act as a marketing channel to complement the individual advertising needs of the advertising customers and to promote their different products or services. Advertising customers may request advertisements to be made in story formats, advertorial, brochures, special creative banners, brand posters, enlarged paper-size advertisements and supplements, which are all attached to the prominent position of the Magazines.

Our advertising customers place advertisements in the Magazines on different bases, ranging from issue by issue to annually. The selling price for advertising spaces is charged according to the per unit price, which is mainly determined on the basis of the size and location of the advertisement spaces in the magazine booklet as set out in the rate card for each of the Magazines, and which will be reviewed and updated by our Group's management annually with reference to our competitors' pricing strategies, the market conditions and the growth of our readership base of the respective magazines. As a general practice in the media industry in the PRC, we offer various discounts and incentives on the sale of advertising spaces to advertising customers based on a number of factors, including: (a) the length of business relationship between the relevant advertising customer and us; (b) the credit terms requested by the advertising customers; and (c) the frequency of the placement of advertisements in the Magazines. Such incentives, which are mainly in the form of additional free advertising spaces offered to our selected advertising customers and effectively as an extra sales discount, are recognised in the income statement when they are used during the sale of advertising spaces and the value of which is determined on a contract-by-contract basis. During the Track Record Period, the value of incentives offered by our Group to our advertising customers was worth approximately RMB8.5 million, RMB14.4 million, RMB14.6 million and RMB3.7 million, respectively. In addition, our value-added advertising services and integrated marketing solutions are charged at fees to be negotiated between our Group and the advertising customers on a case-by-case basis.

Capitalising on our capability in marketing of advertising spaces and with a view to exploring the opportunity in the business-oriented magazine sector, we also cooperated with an Independent Third Party, who is an advertising firm located in Shanghai and was engaged by a holder of the Publishing Code in the sale of advertising spaces in, and the production of, a business-oriented magazine in the PRC during the Track Record Period. Under such cooperation, which commenced in May 2006 without entering into a formal cooperation agreement, we were responsible for soliciting the sale of advertising spaces in, providing content production services to, and the distribution of, the relevant magazine. However, as we could not formalise the contractual relationship with that Independent Third Party and the holder of the Publishing Code regarding the relevant magazine, we agreed with the Independent Third Party in April 2009 to terminate the cooperation in the operation of such magazine from April 2009 so that we could properly re-deploy our management focus and human resources in the PRC Magazines and our operation. Our PRC legal adviser has advised us that the aforesaid termination agreement is legally binding between us and the Independent Third Party, and we are not aware that we are subject to any actual claims and liabilities in connection with the termination of the cooperation.

Furthermore, in order to increase our competitiveness in the advertising business in the PRC and to better serve our advertising customers, we have developed the MMS, which is a customers' data management system for compiling the profile information of our readers. We also perform tailored market researches for our advertising customers to assist their marketing and promotional plans. Details of the MMS are disclosed under the paragraph headed "Information technology system" in this section.

Sale of Magazines

Over the years, we have established an extensive magazine distribution network in Hong Kong and the PRC. Our Directors believe that an efficient and effective distribution and circulation network is an essential element in the constitution of our Mag-Form. Our magazine distribution team, comprising over 110 staff as at the Latest Practicable Date, work closely with our distributors and the agents or owners of the retail outlets to ensure timely distribution and sufficient public visual availability of the Magazines. In addition, we also arrange various promotional items, such as newsstands and posters displaying the Magazines, for our distributors to place them in the retail outlets. Apart from working closely with our distributors, we try to expand our readership through the promotion of direct subscription of the Magazines.

Please refer to the paragraph headed "Logistics and magazines distribution" in this section for details of our distribution of the Magazines. To a lesser extent, the Magazines are also sold through direct subscription by the readers. The selling prices of the Magazines are set at the market prices and will be regularly reviewed by the sales team and our management team and will be adjusted in order to reflect the prevailing market conditions.

Our marketing activities

To support the operation of our Group's sales team, our marketing team is responsible for formulating different marketing strategies for the marketing and promotion of our Group and the Magazines and maintaining good business relationship with our Group's past and existing advertising customers. The ultimate aim of the marketing team's efforts is to arouse market awareness of our corporate brand "Modern Media" and the Magazines and to promote the influential effect of the Magazines in the high quality Chinese-language lifestyle magazines market in the greater China region.

Below is a detailed description of the major marketing strategies of our Group.

(a) ***Mass media promotion***

To enhance the awareness of the "Modern Media" brand (and indirectly the promotion of the Magazines and our value-added advertising services), our marketing team will conduct general marketing and advertising activities through the traditional mass media, including but not limited to, outdoor advertisements featuring our corporate brand "Modern Media" and the Magazines' cover pages on mass billboards of the subway stations, light boxes at the airports and high traffic public areas and poster stands in high-end shopping centres, distribution of marketing materials and advertising trailers on radio and the Internet.

(b) ***Complimentary copies of the Magazines***

Complimentary copies of the Magazines are distributed regularly to strategically selected parties with a view to arousing public awareness of the Magazines and increasing the market exposure of the Magazines. These parties are selected discreetly as they target the same niche group of customers as we do. Selected parties include top-ranked hotels, leading serviced apartments, luxury car showrooms, airport VIP lounges, coffee chain stores, and major private lounges and clubs as well as certain advertisers and advertising agencies.

Through distribution of such complimentary copies of the Magazines, we aim at sharing the same customer base with the above distribution locations, thereby increasing the readership and market exposure of the Magazines and our value-added advertising services among the target groups. The increased market exposure of our Group and the Magazines will in turn attract more advertisers to place advertisements in the Magazines.

(c) ***Special events and ceremonies***

We organise special marketing events, such as seminars, forums and cultural exhibitions, for or jointly with the advertising customers to develop and maintain good business relationships with them. Through such marketing events, we are able to promote our Group, the Magazines and the products of the advertisers.

In addition, we also organise awards ceremonies or campaigns, such as "Modern Weekly Best Restaurants Selection" and "National Spirit Achievers Awards jointly by "生活月刊" (Life Magazine) and Mercedes-AMG" for promoting various themes and ideologies that align with the respective Magazines and in awarding recognition of such upper echelons of the Chinese society, such as entrepreneurs, celebrities, editors, designers, advertisers, etc. These events and ceremonies serve as a means to complement the support of our existing advertising customers and to enhance the profile of our brand in order to attract potential advertisers. Also, we establish close relationship with renowned corporations, international brands, celebrities and artists so that we could further promote our brand and the Magazines.

(d) ***Readers' clubs***

We focus on continuously improving the contents of the Magazines, as we believe our readership base has developed primarily through word-of-mouth as a result of pleasant and satisfying reading experience. Our Group has set up various readers' clubs for the Magazines to solicit comments and recommendations from the target readers, thereby improving the contents and presentation of the Magazines and advertisements to be placed in the Magazines, and to keep track of the subscription and circulation records of the Magazines in order to identify their readership patterns including the amount of sales in various locations and the age range or educational background of the readers. The marketing team will then analyse such information and formulate appropriate marketing strategies for different target groups in order to promote our brand and the Magazines further. For instance, the marketing team is able to identify areas with greater opportunities of potential readership growth, and thus allocate more marketing resources to attract advertising customers for target groups in those areas.

(e) ***Advertising customers nurturing***

In addition to the above marketing strategies, our marketing team will work closely with our sales team in identifying our major customers on a regular basis and actively seek business opportunities with them. We also arrange meetings with customers to keep abreast of their changing needs from time to time and to receive constructive feedbacks on the quality of the Magazines and on our value-added advertising services. Although, as customary in the advertising industry, most of the brand advertisers engaged us through their designated advertising agencies, our sales and marketing teams also work closely with, or in some cases takes the initiative to make contact with, the relevant personnel of brand advertisers as well as constantly update those advertisers with our new value-added advertising services and products, such as new campaigns and special issues of supplements, and seek feedbacks from them in order to maintain a good relationship for future business development.

CUSTOMERS

Our customers comprise two groups: advertising customers and distributors (or readers in the case of direct subscription), all being Independent Third Parties. For the first group, most of these customers are advertising agencies including members of international advertising companies given the customary nature in the advertising industry as most of the brand advertisers (who may be considered as the end advertising customers of our Group) engage advertising media through their designated advertising agencies. As at 31 December 2006, 2007 and 2008, 31 March 2009 and the Latest Practicable Date, our customer base comprised approximately 208, 240, 223, 89 and 163 advertising agencies respectively. The decrease in the number of advertising agencies in our customer base as at 31 March 2009 as compared to that as at the three years ended 31 December 2008 can be ascribed to two major factors: (a) the number of such customers as at 31 March 2009, following our compilation methodology for such purpose, only represented those customers who have placed advertisements in the Magazines during the first three months of the year which is of a shorter timeframe; and (b) as observed by our Directors, our advertising customers temporarily scaled down their promotional activities and advertising spending during the three months ended 31 March 2009 because the first quarter of each year is the traditional slack season of the luxury and leisure consumer goods market in the PRC, coupled with the then obscure economic conditions resulted from the global financial turmoil. Apart from these advertising agencies, we also have a broad base of advertising customers which include international brand of luxurious goods, such as watches and jewellery, fashion and accessories, cosmetics, food and beverages and leading domestic enterprises. Our Group has internal guidelines on the billing, granting of credit period, money collection and settlement arrangements in respect of our sales to the advertising agents and customers, and details of such are set out under the paragraph headed "Credit policy and control" in this section. Leveraging on the quality of our Group's existing advertising customers and our established relationship with them, our Group is able to secure and attract more high profile advertising customers.

As for the second group of our customers, we engaged over 200 distributors during the Track Record Period, and these distributors are responsible for distributing the Magazines through their local point of sales and display spots including newsstands, supermarkets and bookstores, covering more than 20 major cities including second tier cities in the PRC and in Hong Kong (and less significantly, other places outside the PRC) for sale to the end readers. All of our distributors are Independent Third Parties. Details of the distribution method and coverage are set out under the paragraph headed "Logistics and magazines distribution" in this section.

During the Track Record Period, the sales to the advertising agencies contributed to a significant portion of our Group's revenue which amounted to approximately RMB161.8 million, RMB203.0 million, RMB239.7 million and RMB40.3 million, respectively. As the major source of our income is derived from the sale of advertising spaces in the Magazines, our five largest customers during the Track Record Period are members of international advertising agents, who are Independent Third Parties established in Shanghai and Guangzhou, the PRC, and are principally engaged in, among other things, provision of research and development services in relation to consumption trend, media planning and purchase services, sponsorship consultancy and promotion of entertainment activities services. Our five largest customers have business relationship with our Group ranged between three to ten years and accounted for approximately 32.2%, 29.8%, 32.5% and 36.7% respectively of our Group's Gross Revenue while the largest customer accounted for approximately 11.1%, 10.5%, 11.2% and 11.8% respectively of our Group's Gross Revenue during the Track Record Period. None of the Directors, the chief executive, the substantial shareholders of our Company or any of their respective associates, which to the knowledge of our Directors own more than 5% of the issued share capital of our Company, has any interests in any of the five largest customers of our Group.

MAGAZINE PRODUCTION

The following chart illustrates the overall production process of the Magazines. Since each Magazine has its own production team and the mode of our operation in Hong Kong and the PRC is slightly different as discussed under the paragraph headed "Mode of business operation" in this section, there may be certain discrepancies to the production process as illustrated below.

Magazine production meetings	HK: Content production team holds regular meetings to decide and discuss the scope of contents in "號外" (City Magazine) according to the overall direction of the publishing director. PRC: The chief editors appointed by the PRC Publishing Partners organise and hold regular meetings with the content production team to discuss and decide the overall direction and the scope of contents of the PRC Magazines.
↓	
Preparation work	HK/PRC: Content production staff commence reportage work and interviews and coordinate freelancers to provide scripts. Photographers and designers work closely with production staff and the publishing directors to produce photographs and art materials, such as illustrations and graphic designs, for the Magazines respectively. Advertising sales team commences selling of the advertising spaces in the Magazines.
↓	
Artwork and page layout production	HK/PRC: When all production materials are approved by the publishing director, the art designers will produce artwork and page layouts for proofreading. Advertising sales team confirms bookings of advertising spaces in the Magazines with the production team and follows up with the advertising customers on the advertising materials which will be incorporated into the print proof.
↓	
Proofreading	HK/PRC: Scripts with photographs and graphic designs will be submitted to the publishing director, design director, arts director, production and proofreading staff for their reviewing and proofreading (involving three rounds).
↓	
Final approval	HK: Final artwork layouts and contents/materials are submitted to the publishing director for final approval. PRC: Final artwork layouts and contents/materials are submitted to the chief editor of the PRC Publishing Partners for final approval.
↓	
Pagination, artwork and photo retouching and enhancement, print proof and color separation	HK/PRC: Design/production team provides customised works on color enhancements or artwork retouching for printing with desired result. Four-colour films or digital files for all editorial contents are made.
↓	
Printing	HK/PRC: The four-colour films or digital files are delivered to the printer for printing and our production team will monitor the entire printing process to ensure the printing quality of the Magazines.

Production of the Magazines

Each of the Magazines has its own content production team which is responsible for the contents of the Magazines, layout design, artwork production and advertorial production. The content production team holds regular meetings to discuss and decide the scope of contents to be included in the Magazines. The publishing director is in charge of the overall production process of the Magazines. In the case of the PRC Magazines, the chief editors appointed by the PRC Publishing Partners are responsible for formulating the overall directions of the contents to be included in the PRC Magazines. Journalists and scriptwriters are responsible for reporting and maintaining the contents integrity and style of the Magazines. Designers are responsible for the design, artwork production, presentation and page layout of the Magazines. The contents of the Magazines are relatively independent from each other and there is not a high level of sharing of magazine production expertise and management resources among the Magazines. In order to ensure the overall image and artistic quality of the Magazines are up to high standards, the artwork production of each of the Magazines are also supervised by the chief art director of our Group and final approval for the artworks of each of the Magazines is required from such chief art director.

With the support of the strong content production team of City Howwhy, whose members have substantially instilled the content production teams of the PRC Magazines with their vision on the international horizon and their liaison between the western and Chinese culture, the content production team of each of the Magazines is able to produce high quality contents for the Magazines. During our content production process, we also purchase certain licensed materials, from time to time, for reproducing certain contents, texts, photos, pictures and the like in the Magazines. In addition, as at the Latest Practicable Date, we entered into license agreements with three Independent Third Parties, who are international association of newspapers disseminating international news, commentaries, analysis, columns and comments to its member associations, on 22 October 2007, 30 October 2007 and 24 February 2009, respectively, for the right to use or incorporate the contents, photos and pictures provided by them into the Magazines. The three licensing agreements are (i) for a term commencing from the date of the license agreement until the termination by either party with a three-month prior written notice to the other party, (ii) for a term of one year which will be automatically renewed for successive terms of one year until the termination in writing by either party 60 days prior to expiration of the then existing term; and (iii) for a term of one year commencing from 1 January 2009, respectively. The licensing fees are determined on an arm's length basis and are on normal commercial terms, and are payable monthly at a fixed amount or calculated based on the number of piece of licensed materials incorporated in the Magazines. The total amount we paid for the abovementioned licensed materials during the Track Record Period was approximately RMB1.2 million, RMB1.4 million, RMB1.6 million and RMB0.3 million respectively. The copyright in the translations of the licensed contents/articles contained in the Magazines belongs to the licensors or the original copyright owner of the licensed contents/articles, and our Group is not allowed to publish or allow another party to publish such licensed materials in another newspapers other than in those stipulated under the licensing agreements, and the licensed materials cannot be used for promotional or advertising purposes. If we violate the terms of these licensing agreements in any manner, we could be held liable by the licensors for such violations and could be required to, among other things, compensate and indemnify the licensors for any losses suffered by them and cease publication of the relevant Magazine. Our Directors consider that as the terms of each of these licensing agreements are different and the circumstances leading to the violations may vary from case to case, the potential liability to the respective licensors under the respective licensing agreements will depend on the extent of losses proved to be suffered by the licensors. With a view to minimising our exposure to the above risk, we assign experienced personnel to be responsible for the purchases of such licensed materials and set up guidance and internal procedures for entering into such licensing agreements or purchases of licensed materials. In addition, in order to ensure that the usage of the licensed materials is in strict compliance with the terms under the licensing agreements, in some cases, our Group provides to the licensors a copy of each publication in which licensed materials are incorporated for their inspection and confirmation. As at the Latest Practicable Date, our Directors were not aware of any breach of the terms of the license agreements. Our PRC legal adviser has advised us that there are no procedures stipulated under the prevailing laws of the PRC regulating the above purchase of licensed materials with the three Independent Third Parties by our Group, nor are there any approval procedures or registration by the relevant authority for such purchase.

In respect of the contents of advertisements, pursuant to the prevailing laws and regulations in the PRC, any advertising customers who publish, broadcast and place advertisements shall submit to the advertisement operator the originals or valid copies of their certificates. The advertisement operator shall then inspect the aforesaid certificates and examine the contents of the advertisements during advertisement production and dissemination. Advertisements not complying with the legal requirements of the PRC shall not be published, broadcast and placed. Advertisement operators are prohibited from assisting advertisers to commit fraud or publish advertisement the contents of which are prohibited by the PRC laws. Our PRC legal adviser has advised us that the PRC Operational Entities shall examine the relevant certificates and advertisement contents provided by our advertising customers as required. In the event that the advertisement operators breach the laws and regulations of the PRC, various penalties may be imposed depending on the seriousness of the breach in question, including the circulation of a notice of criticism, the confiscation of the illegal gains, the termination of the publication of the illegal advertisements, or the imposition of a fine on the advertisement operators which amount will be in the region of three times of the illegal earnings and up to the maximum of RMB30,000, or the advertising operator may be ordered to be suspended from business operations for rectification and its business license may be revoked, or if the breach amounts to a crime, the criminal responsibilities shall be investigated. Due to the arrangement for the publication of an advertisement that is not allowed under the relevant laws and regulations in the PRC, Shanghai Gezhi, being one of the PRC Operational Entities, was imposed of administrative penalties by Shanghai Huangpu branch of the SAIC on 21 May 2007. Such penalties included the termination of the illegal advertisement, the confiscation of illegal gains of RMB5,000 and the imposition of a fine of RMB5,000. According to the determination of Shanghai Huangpu branch of the SAIC, Shanghai Gezhi paid for the aforementioned illegal gains and fine on 25 May 2007. Save for the administrative penalties above, no other administrative penalties were imposed on our Group in relation to the contents of advertisements during the Track Record Period.

Once the features and articles have been prepared by our journalists and scriptwriters and reviewed by the publishing director, they are typeset by the typesetting staff. Related photographs are selected by scriptwriters, together with the art designers, for each story and article and then scanned into computer file format. The art designer, under the supervision of the content production team, will prepare artwork layout for the publishing director's amendment and approval. The finalised pages are then prepared for colour separation films for printing. Advertisers normally provide digital files or films on the contents and artwork of their advertising pages for our prior approval. The content production team is then responsible for checking if the aforesaid are in accordance with the terms and conditions as set out in the advertising sales agreements, as well as the relevant laws and regulations under which the Magazines incorporating such advertisements are published. The content production team, together with the sales team, decide on the pagination of the Magazines. The publishing director and the circulation team decide on the print run of the Magazines. The final artwork layout and contents/materials are submitted to the publishing director and (in the case of the PRC Magazines) the chief editor of the PRC Publishing Partners for final approval.

Cooperation agreements with the PRC Publishing Partners

Due to the limitations on the publication of magazines in the PRC under the prevailing laws and regulations in the PRC as discussed in the section headed "Regulatory overview" in this prospectus, Guangzhou Modern Information has entered into various exclusive cooperation agreements with the PRC Publishing Partners who are Independent Third Parties and own or hold the relevant Publishing Codes with respect to the relevant PRC Magazines and hold or have the relevant licences and rights in relation to the publication of the relevant PRC Magazines. All of the PRC Publishing Partners are state-owned publishing units established in the PRC and are categorised as the organising unit, the supervising unit and the publishing entity 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*). Our Group started our first cooperation with the PRC Publishing Partners in respect of "週末畫報" (Modern Weekly) in 2001 (and subsequently with the same group of the PRC Publishing Partners on the cooperation of "優家畫報" (U+ Weekly) in 2008) through the connection of Mr. Shao in the cultural sector. Subsequently, due to our successful operation of "週末畫報" (Modern Weekly), we were approached by other potential PRC Publishing Partners for the cooperation of magazines and publications in the PRC. As it is our intention to cooperate with such PRC Publishing Partners on those magazines which themes are aligned with our position, i.e., "international", "exquisite" and "stylish" for life-style magazines, we chose to partner, among others, with the existing PRC Publishing Partners for the cooperation of "新視綫" (The Outlook Magazine), "汽車生活" (Auto Life), "健康時尚" (LOHAS), "生活月刊" (Life Magazine) and "大都市" (Metropolis).

Pursuant to each of the exclusive cooperation agreements with the respective PRC Publishing Partners, we, through Guangzhou Modern Information, are required to pay certain prescribed fees which are payable either monthly or yearly, and are determined between Guangzhou Modern Information and the relevant PRC Publishing Partners after arm's length negotiation and on normal commercial terms (including the pricing and payment terms thereof) with reference to the market practices in the PRC. In consideration of such fees, we have acquired the exclusive rights to sell advertising spaces in the PRC Magazines and distribute the PRC Magazines for the PRC Publishing Partners and are responsible for providing content production, consultation, management, advertising and other supporting services to the PRC Publishing Partners for their publication of the relevant PRC Magazines. Our Group, through the PRC Operational Entities, is engaged in the content production of the PRC Magazines, which include the compilation of various articles and/or data sourced from other Independent Third Parties. As such, our Group is the copyright owner of the contents as compiled, and also as the original selection and arrangement works from our Group, of the PRC Magazines. Moreover, pursuant to such cooperation agreements, our Group is entitled to receive the gross amount of the income from the operation of the relevant PRC Magazines, and is responsible for all the costs associated with the production of the PRC Magazines, which include production staff costs, printing costs and content production costs.

The PRC Publishing Partners, who are the legal publisher and owner of, and hold the publication right of the relevant PRC Magazines, have the right to appoint the chief editor of the relevant PRC Magazines, participate in formulating the editorial direction and have the final editorial right over the contents of the PRC Magazines. Moreover, these publishing partners are also responsible for reviewing the contents we produced to ensure that contents in the PRC Magazines comply with the relevant PRC laws and regulations regarding the censorship of publication contents and handling all procedural formalities in connection with the publication of the PRC Magazines and obtaining all necessary licences in connection with the PRC Magazines. As Guangzhou Modern Books is a holder of the valid 中華人民共和國出版物經營許可証 (Publication Operation Licence of the PRC*), Guangzhou Modern Information has delegated Guangzhou Modern Books to arrange for the distribution of the PRC Magazines on behalf of the PRC Publishing Partners through our own sales and marketing channels as disclosed under the paragraph headed "Logistics and magazines distribution" in this section. The terms of the existing cooperation agreements range from around six to over 20 years (with the earliest expiring in May 2015 and the latest in December 2028), the duration of which, as our Directors believe, aligns with the normal practice in the media industry in the PRC. Our Group has been given the first right of refusal in relation to the renewal of the cooperation agreements upon their expiration. As at 31 December 2006, 2007 and 2008, 31 March 2009 and the Latest Practicable Date, our Group, through Guangzhou Modern Information, entered into cooperation agreements with five, seven, seven, seven and eight PRC Publishing Partners, respectively. Our Group has been having one to eight years of business relationship with such PRC Publishing Partners.

Pursuant to the cooperation agreements, upon any breach of the terms in the cooperation agreements by Guangzhou Modern Information or by any of the PRC Publishing Partners, the breaching party is required to compensate the other party all the damages the other party suffers and is subject to a fine. In the event of the termination of any of the cooperation agreements by the PRC Publishing Partners or by Guangzhou Modern Information, including but not limited to the cases where the Publishing Code of any of the PRC Publishing Partners is revoked by the relevant government authorities due to the default of the PRC Publishing Partners during the term of the relevant cooperation agreements, the terminating party is required to compensate for the damages suffered by the other party and is subject to a penalty ranging from one to three years of the relevant prescribed fees depending on the terms prescribed in the respective cooperation agreements.

To the best knowledge of our Directors after making all reasonable enquiries, the PRC Publishing Partners have obtained respective 期刊出版許可證 (periodical publication licence*) and/or 報紙出版許可證 (newspaper publication licence*) issued by the 新聞出版管理部門 (Press and Publication Management Authority*) and can engage in those publication and cooperation activities as stated in the aforementioned licences; and the PRC Publishing Partners are qualified and have the rights to carry out the businesses with Guangzhou Modern Information according to the terms prescribed in the respective cooperation agreements.

In addition, we have been advised by our PRC legal adviser that:

(i) the cooperation agreements are valid and legally binding on the relevant parties and the operation of the PRC Operational Entities is in compliance with the relevant PRC regulations;

(ii) although some of the PRC Magazines, including "週末畫報" (Modern Weekly) were already in issue well before our Group's involvement through the relevant cooperation agreements, our Group is not subject to any risks or liabilities from any antecedent breaches or defects related to those PRC Magazines since the civil rights and obligations in respect of the cooperation agreements entered into between Guangzhou Modern Information and the relevant PRC Publishing Partners only arose upon such agreements becoming effective;

(iii) the cooperation arrangement under the cooperation agreements does not constitute any selling, leasing or transferring of name, the Publishing Code or layout by any of the PRC Publishing Partners or any lending, transferring, leasing or selling of the PRC Publishing Partners' periodical publication licence or newspaper publication licence prescribed by 期刊出版管理規定 (Provisions on the Administration of Periodical Publication*) and

報紙出版管理規定 (Regulations on the Administration of Newspaper Publication*), the cooperation agreements entered into by Guangzhou Modern Information and the PRC Publishing Partners hence do not constitute any breach of the applicable PRC laws as disclosed in section headed "Regulatory overview" in this prospectus;

(iv) if there are any infringement of any intellectual property rights arising out of, or any defamation actions over, the advertising and non-advertising contents of the PRC Magazines, the relevant PRC Publishing Partners are liable for such actions; and Guangzhou Modern Information may also bear the legal liabilities for those content materials that it has provided to the PRC Publishing Partners and cause the infringement of intellectual property rights or any defamation actions;

(v) if either Guangzhou Modern Information or the relevant PRC Publishing Partners are being claimed or sued for infringing intellectual property rights of any third parties by virtue of the contents of the PRC Magazines, the party which has borne such legal liabilities in excess of the portion that it is obliged to bear as a result of such claim or suit shall have the right to request the other party to reimburse for the excess portion of legal liabilities under the PRC laws; and

(vi) if either our Group or the PRC Publishing Partners are wrongly sued by a claimant for any intellectual property rights infringement or defamation actions, our Group or the PRC Publishing Partners have the right to request that claimant to bear the related compensation of such wrongful actions under the PRC laws.

In addition to the above, our Group may be subject to administrative penalties for the violation of the relevant PRC laws due to the nature and content of the advertisements contained in the PRC Magazines. Please refer to the paragraph headed "Production of the Magazines" above for further details.

Until recently, we noted from the promulgation 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*) that the State of the PRC encourages and supports non-state-owned publishing entities to participate in the investment in the cultural sector. However, these guiding opinions or decisions have merely set out the broad principles in relation to the investment in the cultural sector in the PRC and in encouraging the establishment of non-state-owned publishing entities but have not stipulated any specific guidelines or procedures for the establishment of publishing entities by non-state-owned corporation. To the best knowledge of our Directors, there has not been any non-state-owned publishing entity in the PRC to date. In the future, we may consider establishing our own publishing entity for the publication of new magazine with our own Publishing Code when any new laws and regulations have been introduced to permit foreign investment in publishing companies.

Printing

The Magazines are printed by independent printers in Hong Kong and the PRC respectively. Our Group's production team will attend printing and monitor the whole printing process to ensure that the printing quality is up to the standards as required by our Group.

Quality control

Our Directors consider that the ability to maintain the quality of the contents of the Magazines is crucial to the long term growth and reputation of our Group. Therefore, we place great emphasis on preventive measures in the quality control process. With the aim of identifying, analysing and solving irregularities at the earliest possible stage of the production process, these measures are implemented at various stages of the production process including: resources management, contents editorial management, photographs editorial management, proofreading management, design and production management, advertisement quality management, printing quality management, complimentary production quality management and marketing management. Our Group selects the independent printers in Hong Kong and in the PRC which hold qualification certificates such as ISO9000 or whose printing quality has been recognised in the printing industry.

Our Directors believe that our Group has established a good reputation in the PRC magazines market as a result of our commitment to magazine quality, which is one of the key factors to our success.

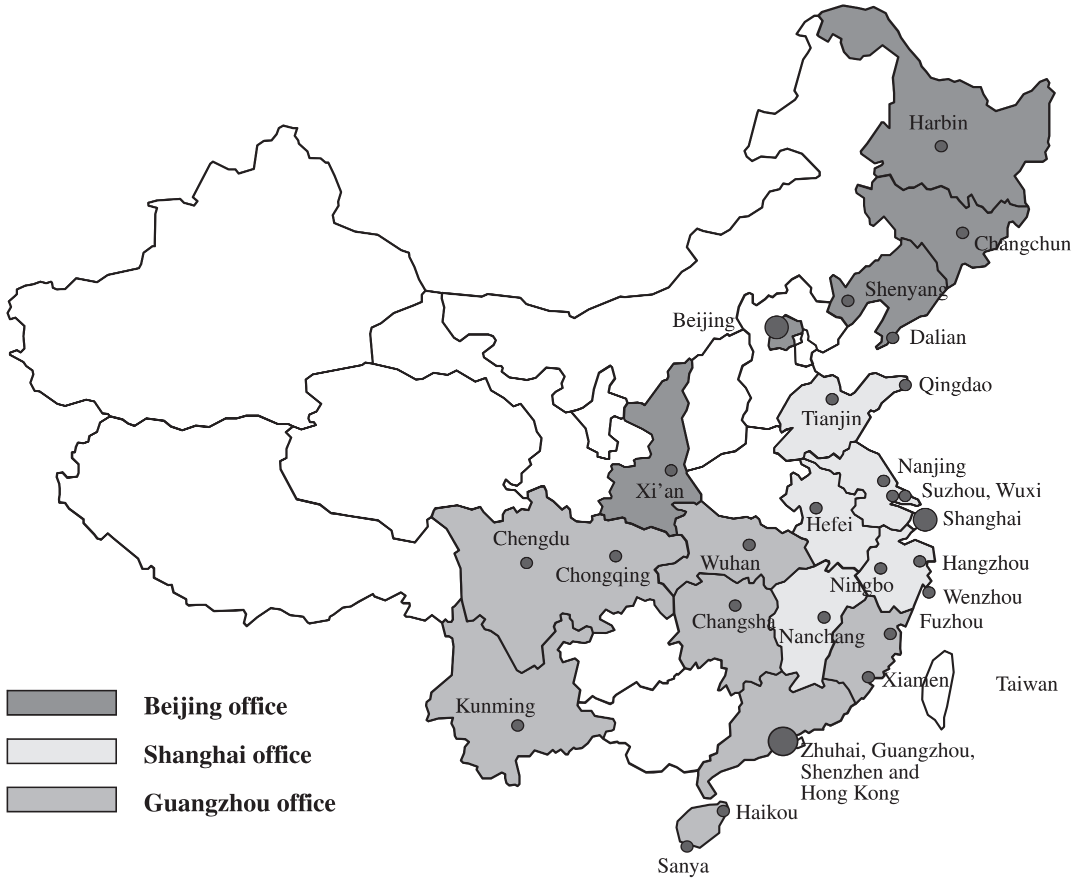
LOGISTICS AND MAGAZINES DISTRIBUTION

As at the Latest Practicable Date, our Group had a distribution team consisting of over 110 employees located in more than 20 major cities across Hong Kong and the PRC to handle the logistics and distribution of the Magazines in Hong Kong and the PRC. During the Track Record Period, the Magazines were mainly distributed through wholesale distributors in Hong Kong and the PRC and were, to a lesser extent, sold directly to retail outlets or through subscription.

Once the Magazines have been printed and bounded by the printers, the Magazines will be delivered to our Group's designated offices in Shanghai, Beijing, Guangzhou and Hong Kong as well as locations designated by our distributors. Thereafter, the distribution teams in the aforesaid offices will coordinate with and monitor our distributors for distribution of the Magazines in the respective cities. As at 31 December 2006, 2007 and 2008, 31 March 2009 and the Latest Practicable Date, we engaged one distributor for the distribution of "號外" (City Magazine) in Hong Kong and approximately 200, 270, 230, 220 and 220 distributors respectively for the distribution of the PRC Magazines in the PRC. Such distributors are mainly owners of newsstand chains and book stores, and publication wholesalers, with vast experience, which ranges from five to 20 years, in the publication distribution industry. All of our distributors are Independent Third Parties and are responsible for distributing the Magazines to their respective owned and/or managed retail outlets including, among other things, points of sales at airports and subways, book shops, supermarkets, hotels, convenience stores, newsstands and gas stations, covering Hong Kong and more than 20 major cities in the PRC including Shanghai, Guangzhou, Beijing, Shenzhen, Hangzhou, Chengdu, Chongqing, Nanjing, Tianjin, Shenyang, Wuhan, Qingdao and Xi'an for sale to our end readers. During the Track Record Period, we also distribute "號外" (City Magazine) , although less significantly, to Macau, the United States, Canada, Australia and the United Kingdom through our distributor in Hong Kong. Such distributor has been responsible for arranging for the overseas distribution and has confirmed with us that there has been no litigation (be it court claim, arbitration or otherwise) arising from the distribution of "號外" (City Magazine) in those countries or cities. Our Group has been having business relationships with these distributors for three to ten years. The distributors are selected on the basis of, among other things, their reputation, financial credibility, and flexibility in cooperating with our Group based on our Group's past experience.

We normally enter into standard annual or fixed term distribution agreements with our distributors which require them to distribute the Magazines in the designated distribution areas. Under these distribution agreements, the distributors are required to sell the Magazines on behalf of our Group by onward distributing them to local retailers and return those unsold Magazines to our Group. The return periods of the Magazines range from seven days to 90 days from the date of publication of the Magazines. In general, our standard distribution agreements usually have a term of four months to three years which will be automatically renewed unless any of the parties otherwise disagrees, and each party may terminate the distribution agreement by giving another party not less than one month's notice. In return, our Group offers certain discounts, which range from 25% to 50%, off of the standard retail price of the Magazines to the distributors in acquiring each of the Magazines, and the distributors are allowed to further sell the Magazines to the local retailers at a lower discount rate. Depending on the terms prescribed in the respective distribution agreements, our Group will reimburse part of the delivery cost of the Magazines to the distributors in respect of their onward distribution of the same to the local retailers. The amounts of delivery cost reimbursed to the distributors were approximately RMB143,000, RMB297,000, RMB345,000 and RMB240,000 for each of the three years ended 31 December 2008 and the three months ended 31 March 2009, respectively, and such reimbursement was determined through arm's length negotiation. The distributors are required to report to our Group the number of Magazines actually sold and the reporting periods range from 30 days to 90 days. Revenue regarding our Group's sales to the distributors is recognised when the Magazines are delivered to the distributors net of the amount of estimated return of the Magazines. In the following month, upon receipt of the information in respect of the actual return of the unsold copies of Magazines from the distributors, the differences between the actual return and the estimated return will be adjusted to the circulation income in the income statement. During the Track Record Period, unsold copies of the Magazines were returned to our Group within seven to 90 days from the date of publication of the relevant Magazines, and revenue was initially recognised net of the estimated returns of unsold copies of the magazines based on management's experience. Our Group generally bills the distributors for their purchases either weekly or monthly, and in certain cases, once every two months. The credit period granted to the distributors for their purchases of the Magazines from our Group is up to 50 days for the distributor in Hong Kong and ranges from 30 to 270 days for the distributors in the PRC.

The diagram below shows our distribution hubs we have identified and the major cities where the Magazines are distributed:



Notes: 1. The respective distribution zones by our Group's offices in Beijing, Shanghai and Guangzhou are indicated in different shadings above.

2. The distributions in Hong Kong and overseas are managed by our Group's office in Hong Kong independently.

The distribution team of our Group regularly reviews the actual sales record of each distributor and the sales locations to ensure sufficient distribution volume. At the end of a publication period, our distribution team will collect all the unsold Magazines from the retailers and re-distribute them as complimentary copies to selected parties in order to attract more readers from the target groups as well as to promote the Magazines. In addition, our Group provides internal guidelines for our distribution team to ensure efficiency in distributing the Magazines through the various channels. For example, our distribution team has to pay regular visits to points of sales such as bookstores and newsstands to ensure that the Magazines are being displayed at a prominent spot that can attract readers' attention easily. Our Group encourages compliance with the internal guidelines by granting awards to distribution staff with good performance and non-compliance with the internal guidelines will result in a punishment or penalty.

Our sales team will also closely monitor the sales volumes of the Magazines, and report its reviews and findings to our distribution team regularly. The distribution team will then formulate and implement circulation strategies so as to improve the cost effectiveness and efficiency of the distribution of the Magazines.

MAJOR AWARDS AND RECOGNITIONS

Since the establishment of our Group, we have been granted a number of significant awards and recognitions by government authorities and recognised organisations with respect to our Group and the Magazines respectively and these awards and recognitions, we believe, signify our leading position in the media industry in the PRC and the high quality of the Magazines:

Magazines

Magazines	Awards and recognitions	Year of grant	Award/grant/issuing organisation
"週末畫報" (Modern Weekly)	2005-2006年度中國最具價值媒體100強 (China's Top 100 Most Valuable Media in 2005-2006*)	2006	中央電視台 (China Central Television*) (Note 1), 中國傳媒大學 (Communication University of China*) (Note 2)
	全國城市生活服務類週報綜合競爭力10強 (Top 10 National Weeklies on Urban Life Service in terms of comprehensive competitiveness*)	2006	GAPP (Note 3)
	第二屆中國傳媒創新年會: 2006年度十大創新週報 (China Media Innovation Forum: Top 10 Innovative Weeklies in 2006*)	2007	北京大學新聞與傳播學院 (School of Journalism & Communication of Peking University*) (Note 4)
	首屆中國傳媒領軍人物年會暨第三屆中國傳媒創新年會: 2007年度中國十大領軍報業 (China Media Leaders Forum & China Media Innovation Forum: China's Top 10 Leading Newspaper in 2007 *)	2008	傳媒雜誌社 (Chuanmei Magazine Society*) (Note 5), 北京大學新聞與傳播學院 (School of Journalism & Communication of Peking University*) (Note 4), 清華大學新聞與傳播學院 (School of Journalism & Communication of Tsinghua University*) (Note 6)
	2008 中國標杆品牌 (China Benchmark Brand 2008*)	2008	哥倫比亞新聞評論中文版 (Columbia Journalism Review (Chinese)) (Note 7)

Magazines	Awards and recognitions	Year of grant	Award/grant/issuing organisation
	第四屆中國傳媒創新年會暨中國傳媒改革三十年論壇: 十大創新傳媒品牌、十大週報品牌 (China Media Innovation Forum & 30 Years of China Media Reform Forum: Top 10 Innovative Media Brand, Top 10 Weeklies Brand*)	2008	傳媒雜誌社 (Chuanmei Magazine Society*) (Note 5), 北京大學新聞與傳播學院 (School of Journalism & Communication of Peking University*) (Note 4), 清華大學新聞與傳播學院 (School of Journalism & Communication of Tsinghua University*) (Note 6)
"新視綫" (The Outlook Magazine)	2005 Awards for Editorial Excellence: Certificate of Excellence for Magazine Front Cover Design	2005	The Society of Publishers in Asia (Note 8)
	2005 Awards for Editorial Excellence: Honourable Mention for Magazine Design	2005	The Society of Publishers in Asia (Note 8)
	2009 Awards for Editorial Excellence: Honourable Mention for Magazine Design	2009	The Society of Publishers in Asia (Note 8)
"生活月刊" (Life Magazine)	2007 Awards for Editorial Excellence: Certificate of Excellence for Magazine Design	2007	The Society of Publishers in Asia (Note 8)
	2008 Awards for Editorial Excellence: Honourable Mention for Magazine Front Cover Design	2008	The Society of Publishers in Asia (Note 8)
	2008 Awards for Editorial Excellence: Certificate of Excellence for Special Issue or Special Section	2008	The Society of Publishers in Asia (Note 8)

Magazines	Awards and recognitions	Year of grant	Award/grant/issuing organisation
	2009 Awards for Editional Excellence: Award of Excellence for Feature Photography	2009	The Society of Publishers in Asia (Note 8)
"號外" (City Magazine)	2005 Awards for Editorial Excellence: Certificate of Excellence for Magazine Design	2005	The Society of Publishers in Asia (Note 8)
	2007 Awards for Editorial Excellence: Honourable Mention for Magazine Design	2007	The Society of Publishers in Asia (Note 8)
	2008 Awards for Editorial Excellence: Honourable Mention for Magazine Design	2008	The Society of Publishers in Asia (Note 8)
	2009 Awards for Editional Excellence: Award of Excellence for Magazine Design	2009	The Society of Publishers in Asia (Note 8)

Corporate

Awards and recognitions	Year of grant	Award/grant/issuing organisation
2009 中國傳媒產業經營管理論壇: 2008 — 2009 年度中國十大最具投資合作價值傳媒產業公司 (China Media Product Operation and Management Forum 2009: Top 10 China Media Company Most Worth Investing In and Cooperating With in 2008 - 2009*)	2009	傳媒雜誌社 (Chuanmei Magazine Society*) (Note 5)

None of the awards or certificates obtained by our Group was revoked or terminated as at the Latest Practicable Date.

Notes:

1. 中央電視台 (China Central Television*) is the largest state-owned television station in the PRC and is directly supervised by the PRC central government. To the best knowledge of our Directors, it is regarded as one of the most famous and creditable media entities in the PRC.

2. 中國傳媒大學 (Communication University of China*) was founded in 1954 in Beijing. To the best knowledge of our Directors, this university is particularly specialised in journalism, visual art and information technology and is also a major national research base in the field of media and communication.

3. GAPP is the highest administrative body responsible for supervising the press and publication affairs in the PRC.

4. To the best knowledge of our Directors, 北京大學新聞與傳播學院 (School of Journalism & Communication of Peking University*) is a journalism school in the Peking University, one of the most famous and historical universities in China. Peking University is the first Chinese university which set up the school of journalism and has built a leading position in the media industry of China. The journalism school currently offers undergraduate, graduate and doctorial programs in the area of journalism and communication.

5. 傳媒雜誌社 (Chuanmei Magazine Society*) is a professional journal published by GAPP in Beijing. To the best knowledge of our Directors, this journal is perceived to be the most authoritative journal in the PRC media industry.

6. 清華大學新聞與傳播學院 (School of Journalism & Communication of Tsinghua University*) is a journalism school set up in 2002 by 清華大學 (Tsinghua University*), one of the most famous and historical universities in China. The school is set up with an aim to provide training and international exposures to students talented in the area of media and journalism. With the strong resources support of 清華大學 (Tsinghua University*), 清華大學新聞與傳播學院 (School of Journalism & Communication*) has developed rapidly and gained social recognition since its establishment.

7. 哥倫比亞新聞評論中文版 (Columbia Journalism Review (Chinese)) is the Chinese edition of Columbia Journalism Review, which was founded in the United States in 1961 by the Columbia University Graduate School of Journalism, a highly creditable school of journalism in the world. The inaugural Chinese edition of Columbia Journalism Review was released in 2008. 哥倫比亞新聞評論中文版 (Columbia Journalism Review (Chinese)) is a bi-monthly journal and its editorial mission is to examine the media industry and to report on current issues in the politics, environment, business and other areas.

8. To the best knowledge of our Directors, The Society of Publishers in Asia was a non-profit organisation founded in 1982 to promote, maintain and manage both local publishers and local representatives of foreign publishers in Asia, with a view to fostering better cooperation and understanding among members and enhancing the professional standing of publishers in Asia and aims to protect their interests. It is based in Hong Kong and represents more than 46 international, regional and local media companies in Hong Kong and around Asia, responsible for more than 200 publications. It also works to establish standards and guidelines for publishers relating to issues such as quality control, professional development, circulation, advertising and new media. The Society of Publishers in Asia is dedicated to best practices in professional publishing and it represents the interests of both local and international media brands in Asia. It facilitates training and events and is active in lobbying on government reforms affecting the media and information industries throughout Asia. Underlying all activities of The Society of Publishers in Asia is an uncompromising dedication to and promotion of, the best traditions of independent, responsible journalism and freedom of the press, which is a vital component of all free societies.

   The Awards for Editorial Excellence by The Society of Publishers in Asia was established in 1999 as a tribute to editorial excellence in both traditional and new media and was designed to honor excellence and to encourage editorial vitality throughout the region. The awards cover a broad range of categories, including the excellence in special issue or special section and excellence in magazine design, which reflect the diversity of Asia's geo-political environment and vibrant editorial scene. To encourage entries from both large and small publications, entries are classified by circulation size and language type, either English or Chinese. A panel of three judges is appointed to judge each category, comprising experienced journalists and former journalists from around the world. The judges assess and discuss the entries and decide on the winner. In the case of questions or a deadlock, they will seek the assistance from the director of judges, who is a member of the editorial board of The Society of Publishers in Asia. The judges and director of judges are chosen so as to ensure that there are no conflicts of interest or potential conflicts of interest with the publications in the category judged by them.

SUPPLIERS

Our Group's major suppliers are the printers and logistic service providers, which are all Independent Third Parties. The printers are responsible for providing printing services and paper supply for the printing of the Magazines. Printing and paper expenses accounted for approximately 54.4%, 48.9%, 50.4% and 51.0% of our Group's total cost of sales for each of the three years ended 31 December 2008 and the three months ended 31 March 2009, respectively.

It is the policy of our Group to identify various potential printers according to the amount of publication estimated, and to communicate with those potential printers on our Group's publications, demands and printing criteria. Those potential printers will then formulate policies according to our Group's specifications and demands. Our Group will choose among those policies with reference to the costs and benefits of each, and engage the printers which offer the most beneficial plans to our Group. Having negotiated with the target printers on the prices and terms of printing, our Group will enter into contract with the printers for the upcoming printing services.

As at the Latest Practicable Date, we engaged one printer in Hong Kong and two printers in the PRC in respect of the printing services and paper supply for the Magazines. We chose these printers based on various criteria, such as the printing quality, delivery time and pricing. Our Group's production team monitors the entire printing process to ensure that the printing quality is up to the standards required by us. The printing agreements with these printers are of varying terms ranging from one year to not more than three years. Our Directors consider that the terms of engagement of these printers are arrived at after arm's length negotiation and are fair and reasonable and therefore there is no material risk relating to the reliance on these printers for our Group's printing services.

During the Track Record Period, our Group had not experienced any material disruption to the printing process of any of the Magazines in Hong Kong or in the PRC and there had not been any material defect in the relevant printing and paper quality of the Magazines.

We require logistic companies, who are Independent Third Parties, to deliver the Magazines to our distributors. For each of the three years ended 31 December 2008 and the three months ended 31 March 2009, the cost incurred for the distribution and delivery of the Magazines accounted for approximately 7.1%, 4.6%, 5.9% and 8.3% respectively of our Group's selling and distribution expenses.

During the Track Record Period, we had not experienced any material disruption in the logistic services provided by third party logistic operators for the delivery of the Magazines.

For each of the three years ended 31 December 2006, 2007 and 2008 and the three months ended 31 March 2009, the five largest suppliers accounted for approximately 71.0%, 68.4%, 73.3% and 73.9% of our Group's total purchases respectively, while the largest supplier accounted for approximately 34.2%, 50.6%, 54.4% and 59.2% of our Group's total purchases respectively. None of our Directors, our chief executive, our substantial shareholders or any of their respective associates and shareholders of our Company, which to the knowledge of our Directors own more than 5% of the issued share capital of our Company, has any interests in any of the five largest suppliers of our Group.

CREDIT POLICY AND CONTROL

Our Group adopts the stringent credit control procedures in order to minimise potential credit risks.

In respect of the sale of advertising spaces in the Magazines, we normally provide our value-added advertising services on an order-by-order basis or pursuant to sales contracts with the advertising customers (including both advertising agencies and brand advertisers). Normally, new advertising customers are assessed by personnel of appropriate levels for their creditability and the granting of different credit terms when they enquire our value-added advertising services. For new advertising customers, payment in advance is normally required by our Group. However, we generally grant to our existing or regular advertising customers credit terms ranging from 60 days to 90 days, which we believe is aligned with the general credit terms offered in the advertising industry. Credit terms of a comparatively longer period, say, 90-day credit period, will be subject to the approval of local general manager or the chief executive officer of our Group. The advertising income is recognised upon the publication of the Magazines in which the advertisements are placed. Our sales and marketing department will then send the issues of the Magazines in which the advertisements are placed to the advertising customers and issue bills to them for payment, stating thereon the length of credit periods granted. In return, the advertising customers will send us a “magazine issuance acknowledgment” as a receipt confirmation. The advertising customers will settle our bills by way of bank cheques or telegraphic remittance and we will then deliver the invoices to the advertising customers. The settlements from the advertising agents are not conditional on the corresponding settlements from the end advertisers since the contracting parties with our Group are the advertising agents but not the end advertisers. Therefore, the advertising agents would bear the legal liabilities for the non-settlement of any outstanding advertising billings.

With respect to the distribution of the Magazines, we normally enter into with our distributors annual or fixed term distribution agreements, which will indicate the estimated sales quantity and settlement of the sales amount on the actual sales quantity shall be made to our Group generally within 50 days in Hong Kong and 30 days to 270 days in the PRC after the verification of the actual sales quantity of the Magazines. As for the distribution of the Magazines to the subscribers, payment in advanced is required by our Group.

Our customers are required to settle the bills by cheque or through bank remittance within the relevant credit periods. Records of credit period granted and payments are kept in both of our accounting and the sales and marketing departments so that both departments can monitor and follow-up on the payment progress by our customers. Our accounting department takes the primary responsibility of overseeing the whole credit control process of our Group, including the issuance of billings to the customers, the identification of the amounts of accounts receivables and reporting any overdue amounts to the sales and marketing teams.

Upon notification of overdue amounts from our accounting department, our sales and marketing staff will take appropriate actions to follow up on the collection of payment from the relevant customers.

According to our Group's credit policy, provision for bad debts is made when there is objective evidence that collection of the full amount is no longer probable, and such provision is made on a case-by-case basis. Outstanding debts for which legal actions had been taken but still not yet recovered were written off. The accounts for the defaulting customers will be blocked and no further advertising services or distribution order of the Magazines will be accepted from such customers.

As a result of our stringent credit control, impairment loss for doubtful debts for the Track Record Period amounted to approximately RMB92,000, RMB690,000, RMB428,000 and RMB364,000 respectively, representing approximately 0.1%, 0.2%, 0.1% and 0.6% of our Group's sales respectively.

INFORMATION TECHNOLOGY SYSTEM

We believe that information technology system is fundamental to our efficient management and operations and plays an important role in our success and future growth. We rely on our information technology system in key areas including sales, promotional activities, brand management, as well as financial and sales information analysis. During the Track Record Period, we invested an aggregate sum of approximately RMB2.6 million in various information technology system, software and related supporting works.

In view of the increasing market demand for our value-added advertising services, and the global market trend of software development for advertising business, we have established a software development team to manage our information technology system and specifically, to develop a comprehensive information system that caters for our unique business operation model. In 2008, our software development team successfully developed, and launched, the MMS, for which we have obtained a certificate of computer software copyright from 中華人民共和國國家版權局 (National Copyright Administration of the PRC*) and applied for efficient management and provision of advertising services. The MMS is a unique and tailor-made enterprise resource planning system that is designed principally to facilitate efficient management and provision of advertising services by our Group.

Key functions featured in the MMS include, among other things:

(i) ***Contract management***

Our sales staff can retrieve from the MMS the standard terms and formats of contracts for the sales of advertising spaces and related services so that the sales persons are able to complete the advertising sales contracts for our advertising customers, and staff with appropriate authority can then preview and approve such contracts in the MMS in order to facilitate and speed up the process of contract confirmations with our advertising customers.

(ii) ***Order placing management***

The system prioritises advertising customers' orders for a particular position in the Magazines on a first-come first-served basis. An ordering schedule indicating the sizes and positions of all the advertisements in a particular issue of the Magazines can therefore be arranged and previewed by the respective personnel for production in the Magazines.

(iii) ***Customer relationship management***

In the MMS, our sales persons are able to (a) perform regular checks on the availability of advertising spaces in the Magazines for our advertising customers, and where appropriate to reserve suitable advertising spaces for them accordingly; (b) arrange for advertising contracts for the advertising customers once reservation is made; (c) retrieve the background information and products/brands details of each advertising customer served from the database for their better understanding of each advertising customer; and (d) make use of precedent advertising projects for different advertising customers as case study materials for reference in formulating advertising strategies for other advertising customers. This system facilitates knowledge flow and sharing among different departments in our Group as well as among the sales persons.

(iv) ***Pagination functions***

The MMS offers functions for adjusting page layouts, arranging pagination and setting out all the prices of advertising in different columns in the Magazines.

Since the launch of the MMS, we have not experienced any material system failure that resulted in the interruption of our operation or substantial loss. We are constantly upgrading our information systems, which we believe will enhance efficiency in our operations.

INSURANCE

Insurance coverage for our Group's operations was in place, which covers risks including loss or damage to property, employees' compensation and business travel loss and accidents. Based on industry practice in Hong Kong and the PRC, our experience in running our businesses and insurance products currently available in Hong Kong and the PRC, our Directors believe that the amount of insurance coverage is adequate for our Group under our current size of operations.

LEGAL AND COMPLIANCE MATTERS

Save as disclosed below, we conduct our operations and carry out our business in strict compliance with applicable laws and regulations in all material aspects in the PRC and Hong Kong. The nature of our businesses exposes us to the risk of litigation claims from, among others, parties whose activities are described in the Magazines and who may perceive that references to them in the Magazines are damaging to their reputation. Moreover, civil claims may be filed against us for fraud, defamation, negligence, copyright or trademark infringement or other violations due to the nature and content of the information or articles contained in the Magazines. No assurance can be given, however, that any claims and actions will not be initiated to arise out of our business in the future. Expenses of litigation, possible losses from lawsuits and delays in proceedings in respect of outstanding and possible future claims may have a material adverse effect on the operations and the financial performance of our Group in the future. As such, we retain competent legal advisers, who are Independent Third Parties and are not employees of our Group, on an annual basis to advise us on matters relating to our business, such as intellectual property matters and litigations arising out of or in connection with the ordinary course of our business.

Save for legal proceedings as a plaintiff relating to claims arising in the ordinary course of our business, including a claim of trade receivables from an advertising customer in the PRC amounted to approximately RMB428,000, which we made full provision in 2008, our Group was not involved in any litigation, claim, administrative action or arbitration of material importance as at the Latest Practicable Date.

We have been advised by our legal advisers as to Hong Kong laws and PRC laws that we (including the PRC Operational Entities) have obtained all requisite permits, licences and approvals from relevant authorities to legitimately conduct our businesses and operations in accordance with all relevant laws and regulations in Hong Kong and the PRC.

Our Directors consider that during the course of our Group's daily operation as a media group, our Group does not have any compliance obligations as to environmental protection. In addition, pursuant to the contracts entered into between the independent printers and our Group, the printers are responsible for sourcing and supplying the printing papers necessary for the printing of the Magazines. As far as our Directors are concerned and aware of, these printers have obtained all of the necessary licences (including the licences relevant to its compliance with relevant laws and regulations as to environmental protection) to engage in the printing businesses in the PRC and Hong Kong, and our Group had not experienced any material defect in the relevant printing and paper quality of the Magazines. Since our Group does not directly deal with and have any agreements with any paper suppliers, our Directors are not aware of any relevant legal and regulatory risks relevant to the issues of environmental protection.

Save for the inadvertent breaches of certain of the laws and regulation of the PRC as disclosed and more particularly summarised below, we have been advised by our legal advisers as to PRC laws and Hong Kong laws that our Group has complied with the applicable laws and regulations in the PRC and Hong Kong in all material aspects insofar as our business operations are concerned and have not been penalised by any national or local authorities for the violations of applicable laws and regulations in the PRC and Hong Kong, which are of material importance or could have a material adverse effect on our results of operations:

Name(s) of our group company(ies)	Breach of requirement (relevant period)	Reasons for the breaches	Potential maximum penalty/fine	Remedial actions
Zhuhai Technology	Failure to submit information for annual review (for the year ended 31 December 2006)	Since Zhuhai Technology was not yet acquired by our Group, the default could be ascribed to the omission by the then owner or management of Zhuhai Technology.	According to an administration disciplinary decision advice issued by the local industrial, commercial and administrative management bureau to which Zhuhai Technology is subject, a fine of RMB3,000 has been imposed.	Zhuhai Technology has paid the penalty and was issued the payment receipt, and has passed the annual review for the two years ended 31 December 2006 and 2007. Our PRC legal adviser has confirmed with us that Zhuhai Technology will not be subject to any further penalty by the local industrial, commercial and administrative management bureau in respect of this matter. Zhuhai Technology has implemented policy that the management staff should provide relevant information to the local industrial, commercial and administrative management bureau or other relevant government orgnaisations for all future annual inspections. In addition, upon the Listing, our Group will retain competent legal advisers to ensure strict compliance of any inspection requirements to which each of our subsidiaries and the PRC Operational Entities are subject. As such, the occurrence of non-compliance with relevant corporate laws and regulations will be minimised.

Name(s) of our group company(ies)	Breach of requirement (relevant period)	Reasons for the breaches	Potential maximum penalty/fine	Remedial actions
	Failure to submit tax registration and notifications with the local tax bureau in 2006 and 2007	Since Zhuhai Technology was not yet acquired by our Group, the default could be ascribed to the omission by the then owner or management of Zhuhai Technology.	According to a confirmation issued by the local tax authority to which Zhuhai Technology is subject, fines of RMB250 and RMB5 in respect of the 2006 and 2007 tax registrations, respectively, were imposed.	Zhuhai Technology has already paid the fine and our PRC legal adviser has confirmed with us that Zhuhai Technology will not be subject to any further penalty by the local tax authority in respect of this matter. Upon the Listing, our Group will retain qualified auditors to conduct the audit and (if applicable) the review of the financial statements of each of our subsidiaries and the PRC Operational Entities before their release in compliance with the Listing Rules. As such the occurrence of non-compliance with relevant tax laws and regulations will be minimised.
Guangzhou Modern Information	Failure to submit accurate information for the calculation of EIT in accordance with the EIT Law (for the two years ended 31 December 2005 and 2006)	Omission and misunderstanding of the accounts department/staff in accounting entries as to those tax deductibles or expenses exempted from tax purposes in the financial statements submitted to the local tax authority.	According to a preliminary administration advice issued by the local tax bureau to which Guangzhou Modern Information is subject, fines of RMB181,602.36, accounting for RMB85,289.65 (outstanding 2005 EIT payment), RMB23,667.88 (late payment fee for 2005 EIT payment) and RMB72,644.83 (penalty for 2005 and 2006 default EIT payment), were imposed.	Guangzhou Modern Information has paid the outstanding EIT payment and penalty, and our PRC legal adviser has confirmed with us that Guangzhou Modern Information will not be subject to any further penalty or liability by the local tax authority in respect of this matter. Guangzhou Modern Information has implemented policy that the accounting staff should provide the financial statements to the local tax representative or adviser to assist the computation of the relevant financial statements before submission to the tax authorities. In addition, upon the Listing, our Group will retain competent auditors to conduct the audit and (if applicable) the review of the financial statements of each of our subsidiaries and the PRC Operational Entities before their release in compliance with the Listing Rules. As such, the occurrence of non-compliance with relevant tax laws and regulations will be minimised.

Name(s) of our group company(ies)	Breach of requirement (relevant period)	Reasons for the breaches	Potential maximum penalty/fine	Remedial actions
Zhuhai Yinhu	Failure to submit tax registration and notification with the local tax bureau in 2007 and 2008	In respect of the default in 2007, Zhuhai Yinhu was not yet acquired by our Group and the default could be ascribed to the omission by the then owner or management of Zhuhai Yinhu. As to the default in 2008, the omission occurred shortly after the acquisition from the then owner of Zhuhai Yinhu by our Group and the omission could be ascribed to omission during the transition of the management of Zhuhai Yinhu.	According to a notice and preliminary administration penalty advice issued by the local tax authority to which Zhuhai Yinhu is subject, a fine in the aggregate amount of approximately RMB1,500 was imposed.	Zhuhai Yinhu has already paid the fine and the PRC legal adviser to our Group has confirmed with us that Zhuhai Yinhu will not be subject to any further penalty or liability by the local tax authority in respect of this matter. Upon the Listing, our Group will retain competent auditors to conduct the audit and (if applicable) the review of the financial statements of each of our subsidiaries and the PRC Operational Entities before their release in compliance with the Listing Rules. As such, the occurrence of non-compliance with relevant tax laws and regulations will be minimised.

INTELLECTUAL PROPERTY RIGHTS

Intellectual property rights are of material importance to our business. To protect such proprietary rights, we rely upon the applicable patent, trademark and copyright laws, laws relating to protection of other intellectual property rights. We also impose confidentiality obligations on our employees and protect our copyrights by requiring our employees, in particular, the editorial and design personnel, to undertake to us on confidentiality and non-competition.

As at the Latest Practicable Date, the trademarks for the Magazines including 周末画报, 新视线, 优家 You Family, 优家画报 U+, AutoLife 汽车生活, LIFEMAGAZINE, Lifestyle Of Health And Sustainability, O and Métropole were still pending registration in the PRC. We understand that 國家工商行政管理總局商標局 (The PRC Trademark Office of the SAIC*) normally renders a decision on trademark applications in about 36 months following its receipt of all the required application and supporting documents. If the application is preliminarily approved, notice of intention to register the relevant trademark will be published for three months during which the public may raise opposition to such trademark registration application. If no opposition is filed against the trademark being applied for registration within such period, 國家工商行政管理總局商標局 (The PRC Trademark Office of the SAIC*) will proceed to registration for the trademark and issue the certificate of such registration. Since the applications for the registration of the trademarks 周末画报 and 新视线 were filed in June 2007 and that of 优家 You Family was filed in October 2007, our Group expects that the registration of such trademarks be completed by the end of 2010. In addition, the applications for the registration of the trademarks 优家画报 U+, AutoLife 汽车生活, LIFEMAGAZINE, Lifestyle Of Health And Sustainability and O were filed in July 2009, and our Group expect that the registration of such trademarks be completed by the end of 2012. As for Métropole, an agent was engaged by us in August 2009 for arranging the registration of such trademark and our Group expects that such registration be completed also by the end of 2012. We are not aware of any material legal impediment for us to obtain the due registration of these trademarks, the applications of which have been duly lodged with 國家工商行政管理總局商標局 (The PRC Trademark Office of the SAIC*).

We have not obtained trademarks registration in the PRC for , and our previous application for registration of a trademark in July 2007 in relation to the periodical "健康時尚" was once rejected by 國家工商行政管理總局商標局 (The PRC Trademark Office of the SAIC*) in June 2009, as certain third parties applied for the registration of the trademarks "樂活市 LOHAS" and "生活 CITYMAGAZINE" in April 2006 and March 2007, respectively, and a third party registered the trademark "時尚健康" on 21 September 2001, all under product category 16 that generally covers periodicals, and being similar to the names of our periodicals "健康時尚" and "生活月刊". We and the PRC Publishing Partners who hold the Publishing Codes in respect of the periodicals "健康時尚" and "生活月刊" only became aware of such applications or registration in respect of the trademarks "時尚健康" and "樂活市 LOHAS" in early July 2009, and in respect of trademark "生活 CITYMAGAZINE" in late May 2007.

Our Group intends to oppose the registration of trademark "生活 CITYMAGAZINE" by the third party, and in this connection, our Group has engaged 中國國際貿易促進委員會專利商標事務所 (CCPIT Patent and Trademark Law Office) to monitor the progress of the application for that trademark registration by the third party from 10 June 2009 to 9 June 2010. 中國國際貿易促進委員會專利商標事務所 (CCPIT Patent and Trademark Law Office) will notify our Group once the application for registration of the relevant trademark by the third party has been preliminarily approved after which the relevant trademark will be published for three months and our Group may then raise opposition to such trademark registration application during that three-month period. Since we have already entered into a cooperation agreement with the PRC Publishing Partner who holds the Publishing Code for "生活月刊", if the use of trademark "生活 CITYMAGAZINE" by the third party is considered to be an infringement of our Group's prior intellectual property rights, our Group is entitled to raise opposition to the registration of the trademark "生活 CITYMAGAZINE" by the third party within the aforementioned three-month period from when such registration is preliminarily approved. 國家工商行政管理總局商標局 (The PRC Trademark Office of the SAIC*) will make the final decision on the registrability of the subject trademark.

Moreover, pursuant to the applicable PRC laws, the use of the name or similar name of another entity or its products that results in consumers confusing one's service or goods with another is deemed to be unfair competition and is prohibited. As such, our Group is entitled to request the competent PRC authorities to determine whether the lodgement of application for the registration of the trademark "生活 CITYMAGAZINE" constitutes unfair competition against our Group pursuant to the applicable PRC laws. The competent PRC authority's decision is final. In the event that the use of the trademark "生活 CITYMAGAZINE" is regarded as unfair competition against our Group by the relevant PRC authorities, our Group may request the relevant PRC authorities to grant an injunction order for the continued use of the trademark.

In addition, the trademark in respect of "汽車生活 CARLIFE" has already been registered by another party but under product categories 1 and 3 and service category 39 which generally cover automobile chemical products, chemical products and logistics services and are distinctly different from those which our mark would cover. Since a particular trademark registered by a party in one product or service category does not preclude the registration of identical or similar trademarks in other product or service categories by another party, in this regard, our Group has engaged 中國國際貿易促進委員會專利商標事務所 (CCPIT Patent and Trademark Law Office) to lodge the application for the registration of "" under product category 16 which generally covers periodicals.

Our Directors are of the view that there will be no material adverse impact on our normal business or our ability to conduct business in connection with the pending registration of the trademarks 周末画报, 新视线, 优家 You Family, 优家画报U+, AutoLife 汽车生活, LIFEMAGAZINE, Lifestyle Of Health And Sustainability, O and Métropole or the non-registration of the trademarks LOHAS, 生活 and Metropole. Our Group has not applied for the relevant trademarks in the first instance due to our Directors' belief that it was sufficient to protect the periodical name of the relevant PRC Magazines by entering into cooperation agreements with the relevant PRC Publishing Partners holding the Publishing Codes because under the PRC laws, a Publishing Code shall only be used for the publication of one periodical with its unique periodical name. The logos and/or marks of the relevant PRC Magazines are then relatively less important as a new design can always be adopted instead. As further protective measures, our Group designed new logos and/or marks for the periodicals "健康時尚" and "生活月刊", and arranged to apply for trademark registration of such new logos in the PRC in July 2009. Pending successful trademark registration of such new logos and/or marks in the PRC, we would from then onwards cease to use the existing logos of the periodicals "生活月刊" and "健康時尚" in the event that the trademarks "樂活市 LOHAS" and "生活 CITYMAGAZINE" are successfully registered by the third parties and 國家工商行政管理總局商標局 (The PRC Trademark Office of the SAIC*) makes the final decision confirming the registrability of the subject trademarks by such third parties regardless of any opposition that will have been raised against "生活 CITYMAGAZINE". Our Directors are of the view that the adoption of new logos or marks for the periodicals "健康時尚" and "生活月刊" will not have any material adverse effect on the operations of our Group as the name and image of the periodicals "健康時尚" and "生活月刊" are highly distinguishable by the readers or advertising customers of our Group.

Moreover, since publication licences are approved and issued by the GAPP, and the holders of the licences are entitled to publish the periodicals listed in the licenses, such publication is not affected by any cessation to use trademarks in the periodicals. Even in the event that the registration of new trademarks which adopt new logos and/or marks while retaining the reference to "健康時尚" (LOHAS), "生活月刊" (Life Magazine) and/or "汽車生活" (Auto Life) are rejected by 國家工商行政管理總局商標局 (The PRC Trademark Office of the SAIC*), and the holders of the registered trademarks which are similar to the marks of LOHAS, 生活 and/or AutoLife 汽车生活 petition to the court and the relevant court adjudicates that our Group have to ceasing using the marks LOHAS, 生活 and/or AutoLife 汽车生活, the publication of the periodicals "健康時尚", "生活月刊" and "汽車生活" is unlikely to be suspended.

Furthermore, our PRC legal adviser has advised us that:

(i) since the current PRC laws do not prohibit us from using those trademarks which are similar to those that are still under the application for registration by third parties, our Group or the PRC Publishing Partners will not be liable for infringement for the use of the trademarks such as 生活 before the due registration of the trademarks by other parties;

(ii) since under the PRC laws, only the use of identical trademarks in respect of the same or similar product or service categories covered by the registered mark without the permission of the trademark registrant may be regarded as an infringement, our Group shall not be liable for infringement for the use of the trademarks such as AutoLife 汽车生活 as the product and service categories for which the registered trademark "汽車生活 CARLIFE" cover do not include newspapers, periodicals and magazines; and

(iii) under the PRC laws, a Publishing Code shall only be used for the publication of one periodical with its unique periodical name. Since our Group has already entered into cooperation agreements with the relevant PRC Publishing Partners holding the Publishing Codes for the involvement in the publication of "健康時尚" (LOHAS), "生活月刊" (Life Magazine) and "汽車生活" (Auto Life), our Group is entitled to use the exclusive periodical names "健康時尚", "生活月刊" and "汽車生活", and the use of these three periodical names by our Group will not constitute unfair competition claimed by other third parties.

In addition to the trademarks in the PRC, City Howwhy is the owner of the registered trademarks CITY MAGAZINE and 號外 in Hong Kong.

Furthermore, we currently are the registrant of a number of domain names which are ancillary to support our business and for the promotion of our Group and the Magazines. For further details of our intellectual property rights, please refer to the paragraph headed "Intellectual property rights of the Group" in Appendix V to this prospectus.

Despite the precautionary steps taken by us, it may be possible for third parties to infringe on our intellectual property rights by copying or otherwise obtaining and using our intellectual property, including text, typography, photograph and design layout. Infringement also extends to the use of the publishing titles of the Magazines without authorisation despite there being trademark registrations for some of the Magazines. We have retained competent legal advisers on a regular basis to advise us in asserting and protecting our rights and interests.

On the contrary, we may be found liable for having infringed third parties' rights including, among other things, intellectual property rights. We could be exposed to liabilities including substantial monetary damages and other sanctions. Such sanctions may include the loss of the right of our Group to source all or some of the contents that we were licensed, or a loss of our right to engage in all or part of our business on a temporary or permanent basis. In this connection, we have put in place stringent procedures in the production process for the Magazines which involve the review and proofreading the contents of the Magazines before publication with a view to minimising any potential infringement.

Our Directors confirm that, as at the Latest Practicable Date, they were not aware of any infringement of any third party's rights by our Group (including the PRC Operational Entities) or by the PRC Publishing Partners. In addition, so far as our Directors are aware, our Group or the PRC Publishing Partners were not involved in any proceedings in respect of, and had not received any notice of any claims of infringement of, any intellectual property rights of any third parties or our Group that may be threatened or pending, in which we or the PRC Publishing Partners may be involved whether as claimant or respondent and which have a material adverse effect on us.

PROPERTIES

As at the Latest Practicable Date, we maintained an office in Hong Kong and ten offices in Zhuhai, Shenzhen, Guangzhou, Beijing, Chengdu, Nanjing, Harbin and Shanghai for conducting our major business operation. Except for the office premises in Beijing, which is owned by our Group, all the other offices are currently leased from Independent Third Parties. In addition to the above major offices, we also leased certain properties in the PRC for staff dormitory, retail shop, studio, warehouse and other ancillary purposes. CB Richard Ellis Limited, an independent property valuer, has valued the property interests of our Group as at 30 June 2009. The texts of the letter, summary of values and the valuation certificates issued by CB Richard Ellis Limited for this purpose are set out in Appendix III to this prospectus.

As at the Latest Practicable Date, we as tenant leased seven properties which were used as car parking space, office, staff dormitory and retail shop, details of which are set out in nos. 10, 11, 13, 14, 17, 18 and 19 in the section headed "Group II — Property interests rented by the Group in the PRC" in Appendix III to this prospectus. The lessors of these leased properties have not provided us with the relevant title certificates or documents evidencing that these lessors have the requisite titles or rights to lease the properties to us. The validity of our leases in respect of these properties may be subject to legal challenge. We cannot assure that no third party will seek to assert their ownership rights against these lessors or challenge these leases in the future. As advised by our PRC legal adviser, we are entitled to claim loss and damages against the lessors for any loss and damages under such circumstances.

In addition, certain tenancy agreements in respect of the properties we leased in the PRC and used as office, warehouse, staff dormitory, car parking space and shop had not been registered with the relevant PRC authority during the Track Record Period. As advised by our PRC legal adviser, the non-registration during the term of the tenancy would not affect the validity of the tenancy agreements. As soon as we had been advised of the issue of non-registration of the tenancy agreements in respect of these leased properties, we used our best efforts in negotiating with the relevant landlords to rectify these defaults. Through our efforts, the tenancy agreements in respect of the properties we leased in Zhuhai, the PRC were duly registered in July 2009. We will use our best endeavours to continuously procure the landlords of other properties (details of which are set out in nos. 3, 5 — 19 in the section headed "Group II — Property interests rented by the Group in the PRC" in Appendix III to this prospectus) to attend the required registration of the relevant tenancy agreements.

Furthermore, in respect of the property we leased in Zhuhai, the PRC (details of which are set out in no. 2 in the section headed "Group II — Property interests rented by the Group in the PRC" in Appendix III to this prospectus) in which we used as office pursuant to the tenancy agreement entered into with the relevant landlord, such use is not in strict compliance with the use designated by the title documents of the property (i.e., industrial purpose). As advised by our PRC legal adviser, we as a lessee will not be subject to any administrative penalty.

As the abovementioned leased premises in the PRC are mainly used as offices for administrative work and work places of our regional distribution staff, storage, staff dormitory and car parking spaces, we foresee no major difficulties in finding suitable alternative premises in substitution for such leased premises in the event that we are being requested to evict from such premises, and our Directors estimated that the total relocation costs will be less than RMB500,000. Therefore, both our Directors and the Sponsor consider that these leased premises are not crucial to our Group's existing operation. However, in order to avoid the occurrence of similar events in the future, our Group will issue new guidelines, which specify the requirements on checking complete title registrations, in respect of all future rentals.

The Controlling Shareholder has undertaken to indemnify our Group against any damages, losses or liabilities which are or become payable by any members of our Group as a result of any of the abovementioned title defects and the non-registration of certain tenancy agreements in relation to the properties leased by our Group after the Listing, particulars of which are set out under the paragraph headed "Estate duty, tax and other indemnities" in Appendix V to this prospectus.

COMPETITION

Currently, the publishing sector has become an important component of China's cultural industry. The publishing industry in the PRC is highly competitive and is characterised by a large number of publishing houses and publications. According to the GAPP, there were approximately 9,500 periodicals and 1,900 newspapers in issue in 2008. In view of the existence of numerous publications in the PRC, our Directors consider that the market competition for printed media in the PRC is keen. Moreover, our Directors consider that competition of the advertising industry is further intensified due to the growing popularisation of the Internet. Over the last decade, the Internet has become one of the most popular vehicles facilitating a variety of communication and information-sharing tasks worldwide. Its growing popularity as a new medium of communication has resulted in changes in use of traditional media. As a new medium the Internet survives, grows, competes, and prospers by providing utility or gratification to consumers and it may have effects on existing media by providing new solutions to old needs or to more contemporary needs. According to the ZenithOptimedia Report, online advertising is by far the fastest-growing medium driven by the rapidly growing internet penetration. Share of online advertising expenditures in the PRC significantly increased from approximately 2.0% in 2003 to approximately 13.6% in 2008 while that for printed media decreased from approximately 41.3% in 2003 to approximately 26.1% in 2008. ZenithOptimedia *(note 1)* also anticipates that the Internet will surpass advertising activities in outdoor and newspapers and become the second-largest advertising medium in the PRC by 2011 after television and account for approximately 18.3% of total advertising expenditures in 2011 while the share of printed media will further decrease to approximately 19.1% in 2011. Notwithstanding the potential competition from the Internet, our Directors consider that as the PRC Magazines are positioned as "international", "exquisite" and "stylish" and target the elite group of readers who aspire to quality and stylish lifestyle magazine, the impact of the growing internet advertising segment to our Group will be rather remote and believe that our solid track record will prove value and reliability to our target class of advertising customers and readership.

As a significant portion of our revenue was contributed from the PRC Magazines (and the sales of advertising spaces therein), our Directors consider that our Group's major competitors are media firms and their publications circulated in the PRC. In view of the intense competition in the PRC, our Directors consider that our Group's competitiveness largely lies on the quality of contents and popularity of the PRC Magazines. According to admanGo Limited *(note 1)*, one of the leading companies in the provision of competitive advertising and media spending information with main focuses in the advertising market in Hong Kong and the PRC and an Independent Third Party, amongst a total of about 320 magazines that are currently under its monitor for compiling its database in relation to the advertising industry in the PRC, "週末畫報" (Modern Weekly) ranked the third in terms of advertising revenue in 2008, taking up a share of approximately 4.3% of the total advertising income of the sample magazines in its database. Furthermore, out of 31 weekly magazines in the database of admanGo Limited, our "週末畫報" (Modern Weekly) ranked first in terms of advertising revenue in 2008, taking up a share of over 40.0% of total advertising income of those weekly magazines. However, to the best knowledge of our Directors, there are no comparable figures available from credible source in relation to the historical information or forecast trend of our market share in the PRC given the evolving and fast changing nature of the industry.

Note:

1. Both ZenithOptimedia and admanGo Limited are not commissioned by us or our Connected Persons and/or the Sponsor.

OUR CONTROLLING SHAREHOLDER

Immediately following completion of the Share Offer and the Capitalisation Issue (but without taking into account Shares to be issued pursuant to the exercise of the Over-allotment Option or options which may be granted under the Share Option Scheme), Mr. Shao will be our Controlling Shareholder holding 75% of the issued share capital of our Company.

Apart from the connected transactions set out in the section headed "Connected transactions" in this prospectus, our Directors do not expect that there will be any other significant transactions between our Group and our Controlling Shareholder upon or shortly after the Listing.

INFORMATION ON OTHER COMPANIES OWNED BY MR. SHAO

Immediately following completion of the Reorganisation, Mr. Shao remains interested or to have investment in the following companies (which are not members of our Group):

1. *Companies of investment holding nature*

Mr. Shao is currently the sole shareholder of each of Hero Enterprises Limited, 68.com Holdings Limited and Top Finance Holdings Limited, being companies incorporated in the British Virgin Islands on 18 February 2002, 20 September 2000 and 8 August 2003 respectively.

Each of Hero Enterprises Limited, 68.com Holdings Limited and Top Finance Holdings Limited is an investment holding company which has not been carrying on any material business operation or activities (other than (i) in the case of Hero Enterprises Limited, the holding of equity interest in E-starship until April 2007; (ii) in the case of Top Finance Holdings Limited, the holding of equity interest in City Howwhy until May 2007; and (iii) in the case of 68.com Holdings Limited, for name reservation purpose only) since the commencement of the Track Record Period.

2. *Companies which have been dormant since the commencement of the Track Record Period*

Mr. Shao is currently the sole shareholder of each of Modern Company Limited and Modern Mobile Digital Media Company Limited, which were incorporated in Hong Kong on 15 April 1998 and 4 December 2000 respectively. During the Track Record Period and up to the Latest Practicable Date, Modern Company Limited and Modern Mobile Digital Media Company Limited have been dormant. The relevant forms in connection with the deregistration of Modern Company Limited were filed with the Inland Revenue Department in July 2009. It is currently expected that Modern Company Limited will be dissolved shortly after Listing, while Modern Mobile Digital Media Company Limited would be kept for name reservation purpose only.

China Yachting Communications Limited, a company incorporated in Hong Kong on 5 June 2003, is currently owned as to 50% by Mr. Shao and as to the remaining 50% by an Independent Third Party. During the Track Record Period and up to the Latest Practicable Date, China Yachting Communications Limited has been dormant. Before the Track Record Period, China Yachting Communications Limited produced one issue of a magazine which merely served as a test or dummy version, and has not been published subsequently. The relevant forms in connection with the deregistration of China Yachting Communications Limited were filed with the Inland Revenue Department and with the Companies Registry in Hong Kong in June 2009 and July 2009 respectively.

The Inland Revenue Department had on 22 July 2009 indicated no objection to the said deregistration, while the Companies Registry in Hong Kong has on 27 July 2009 indicated that approval was given to such deregistration application. It is currently expected that China Yachting Communications Limited will be dissolved shortly after the Listing.

Guangzhou Xiandai was formerly engaged in software development, hardware trading, installation and maintenance. In 1999, Mr. Shao intended to focus on the advertising business and therefore, as the business scope of Guangzhou Xiandai was not related to the advertising business, Mr. Shao decided to cease its operations. On 8 August 2009 and as part of the Reorganisation, Guangzhou Modern Information and Shanghai Senyin entered into an equity transfer agreement whereby Guangzhou Modern Information disposed of its 20% equity interest in Guangzhou Xiandai to Shanghai Senyin at the consideration of RMB100,000. Since 1999 and during the Track Record Period up to the Latest Practicable Date, Guangzhou Xiandai had been dormant and kept for name reservation purpose only.

3. *Shanghai Senyin*

Shanghai Senyin was established in the PRC on 19 October 2005 to engage in the development of computer software, hardware and network technology; technology services, technology transfer and consultation; sale of computer software, hardware, network equipments, communication equipment, electronic products, cultural and office supplies, merchandise, craft and art gifts, jewellery; and design and production of advertisements. Shanghai Senyin was loss making during the Track Record Period. Prior to completion of the Reorganisation, the equity interest of Shanghai Senyin was owned as to 95% by Shanghai Yage (which held such interest on trust for Mr. Shao, pursuant to a confirmation for such trust arrangement dated 11 May 2009 and signed by Mr. Shao) and as to 5% by an Independent Third Party.

On 6 May 2009, in contemplation of the Listing and as part of the Reorganisation, Shanghai Yage and Mr. Shao entered into an equity transfer agreement whereby Shanghai Yage transferred the 95% equity interest in Shanghai Senyin to Mr. Shao at the consideration of RMB100,000.

Mr. Shao had nominated Shanghai Yage to hold the relevant equity interest in Shanghai Senyin on trust for Mr. Shao at the relevant times. Shanghai Yage exercised its rights as a shareholder of Shanghai Senyin in accordance with the instructions of Mr. Shao from time to time and received no compensation for acting as such nominee shareholder. Our PRC legal adviser has confirmed that the trust arrangement between Mr. Shao and Shanghai Yage is legally binding and enforceable between the parties under the PRC laws.

Reasons for not including the Excluded Group in our Group

Our Directors have considered that it is either unnecessary or not in the best interest of our Group to include the Excluded Group in our Group for the purpose of the Listing for the following reasons:

1. The principal activities being carried out by Shanghai Senyin are different from those of our Group. Inclusion of Shanghai Senyin in our Group will not create any synergy with the principal activities of our Group, but may divert our Group's efforts and resources to activities that are not aligned with our principal businesses.

2. For the other companies in which Mr. Shao has interest after completion of the Reorganisation, they are either investment holding companies or have been dormant since the commencement of the Track Record Period.

3. Mr. Shao made his capital injection directly into Shanghai Senyin upon Shanghai Senyin's establishment and Shanghai Yage only held the relevant interest in Shanghai Senyin on trust for Mr. Shao while our Group was not entitled to the economic risks and rewards arising from the operating activities of Shanghai Senyin during the Track Record Period.

Taking into account the above reasons and in order to focus on the principal businesses of our Group, we have not included the entities of the Excluded Group as members of our Group. None of the financial results of the members of the Excluded Group have been accounted for in the combined financial information of our Group during the Track Record Period.

PRC Operational Entities

For the PRC Operational Entities which are regarded as deemed subsidiaries of our Group but in which our Company does not have direct equity interest, their equity interests are not directly or indirectly attributable to our Company due to the current restrictions under the PRC laws and/or regulations. Pursuant to the Business Operation Agreements, nominees of Zhuhai Technology (a member of our Group) are authorised to exercise the rights of shareholders of the PRC Operational Entities and to ensure that any dividend and/or capital gain derived from the equity interests in the PRC Operational Entities shall be paid to Zhuhai Technology as soon as practicable but in any event no later than three days upon receipt of the payment. Pursuant to the Option Agreements, Modern Media (HK) has been granted options to acquire the entire equity interest in the PRC Operational Entities when so permitted by the applicable PRC laws and regulations. Our Directors consider that the Contractual Arrangements are sufficient to ensure that the revenue and profits of the PRC Operational Entities are consolidated as subsidiaries of our Company and that the business model of our Group is in full compliance with all existing PRC laws and regulations and the provisions of the respective articles of association of the PRC Operational Entities.

INDEPENDENCE FROM THE CONTROLLING SHAREHOLDER

Save as otherwise disclosed in the section headed "Connected transactions" in this prospectus, our Directors do not expect that there will be any other significant transactions between our Group and our Controlling Shareholder upon or shortly after the Listing. Our Group is capable of carrying on our business independent of and does not place undue reliance on our Controlling Shareholder, taking into consideration the following factors:

Business independence

Mr. Shao has entered into a service agreement with our Company for a term of three years. He is committed to devote substantially all of his time to our Group. He has been a director of all members of our Group. Mr. Shao has been leading our operations and businesses, and responsible for overseeing the overall strategic development and soliciting business opportunities for our Group. He will continue to do so in accordance with the terms of the service contract.

Save for the related party transactions disclosed in note 27 of the accountants' report of our Company set out in Appendix I to this prospectus, there were no business dealings between our Group and the members of the Excluded Group during the Track Record Period.

During the Track Record Period and up to the Latest Practicable Date, our Group and Mr. Shao did not have any common or shared facilities or resources. Our Group has independent access to customers and sources of supplies for the production of the Magazines. Furthermore, each department of our Group has its own set of internal control system aiming to enhance its efficiency of business operations. Our Directors believe that our Group did not unduly rely on the Controlling Shareholder or his associates or the Excluded Group to carry on its business during the Track Record Period.

Management and administrative independence

Our Group and the Excluded Group (where applicable) are managed by different management teams. Save for Mr. Shao being the Chairman of our Company leading our operations and business, all essential management functions (such as financial and accounting management, invoicing and billing, research and development, human resources and information technology) have been and will be carried out by the other directors and management of our Group, without unduly requiring the support of Mr. Shao, his associates or the Excluded Group. Our Directors consider that our Group can operate independently from the Excluded Group.

Financial independence

During the Track Record Period and up to the Latest Practicable Date, our Group had its own internal control and accounting system, accounting and finance department, independent treasury function for receiving cash/making payments and independent access to third party financing.

During the Track Record Period, the amount due from Mr. Shao to our Group amounted to approximately RMB23.5 million, RMB32.0 million, RMB49.4 million and RMB53.3 million as at 31 December 2006, 31 December 2007, 31 December 2008 and 31 March 2009 respectively. Such amount due from Mr. Shao represented non-trading advance to Mr. Shao for his own finance not otherwise related to or in competition with the business of our Group. We will comply with the applicable requirements under the Listing Rules if any advance of similar nature occurs after the Listing.

The above balances between our Group and Mr. Shao were settled or paid in full before the Latest Practicable Date.

A personal guarantee has been given by Mr. Shao to an Independent Third Party in respect of a loan in the principal amount of US$4 million granted to our Group by that Independent Third Party, which loan was fully drawn in 2007. Such personal guarantee is still outstanding. The lender, however, has given its in-principle consent to the release of such guarantee to be substituted, before or upon the Listing, by replacement security to be given by any member of our Group. In addition, a bank loan granted to one of the PRC Operational Entities amounting to RMB10,418,000 as at 31 March 2009 was secured by a personal guarantee from Mr. Shao, a mortgage over an owned property of our Group in Beijing, the PRC as well as guarantee from one of the PRC Operational Entities. The personal guarantee from Mr. Shao will be released before or upon the Listing.

NON-COMPETITION UNDERTAKINGS

Undertakings given by Mr. Shao

Mr. Shao has confirmed that presently he is neither engaged, nor interested, in any business which, directly or indirectly, competes or may compete with our business.

In accordance with the non-competition undertakings ("**Non-Competition Undertakings**") contained in the deed of covenants dated 24 August 2009 and made between our Company and Mr. Shao, Mr. Shao has undertaken in favour of our Company that during the period in which he and his associates, individually or taken as a whole, remains as a controlling shareholder (as defined under the Listing Rules) of our Company:

(a) if there is any project or new business opportunity that relates to the business activities engaged by our Group from time to time, he shall within a reasonable period of time refer such project or new business opportunity including the information in relation thereto to us (including the independent non-executive Directors) for consideration. The factors which our Directors would take into account when deciding whether or not our Group shall take up such new project or business opportunities include, among others, the costs and risks involved, the short-term and long-term benefits expected to be brought to our Group, possible compliance issues and whether such opportunities are in the interest of our Company and its Shareholders as a whole. The Non-competition Undertakings are expected to be effective in that Mr. Shao and/or his associates shall be entitled to pursue the potentially competing business opportunities only after the step of careful scrutiny and approval from the Board will have been taken, and that the principal terms by which Mr. Shao and/or his associates subsequently pursue shall be no more favourable than those initially considered by our Group. Notwithstanding his taking up of the new projects or business opportunities (if any), Mr. Shao shall, as a Director, always perform his duties in good faith and in the interest of our Company, and shall not allow his commitment to devote substantially all of his time to our Group be undermined in any way;

(b) save otherwise as disclosed in paragraph (a) above and paragraph (c) below, he will not invest or participate in any project or business opportunity that competes or may compete, directly or indirectly, with the business activities engaged by our Group from time to time;

(c) he will not (and he will procure his associates (excluding our Group) not to) invest or participate in any project or business opportunity mentioned above, unless such project or business opportunity shall have been rejected by us in Board meeting(s) with the participation of the independent non-executive Directors having been allowed a reasonable period of time to consider the subject matters and without the attendance by any Directors with beneficial interest in such project or business opportunity, in which resolutions have been duly passed by the majority of the independent non-executive Directors that our Company or relevant member of our Group has rejected such project or business opportunity and that the relevant associate(s) of Mr. Shao (excluding our Group) shall be entitled to accept or engage in such opportunities;

(d) he shall not and shall procure his associates not to directly or indirectly engage or otherwise be interested in the business which is the same or similar to that carried on by our Group (otherwise than through our Group).

The Non-Competition Undertakings will cease to have effect on the earlier of the date on which (a) Mr. Shao and his associates (individually or taken as a whole) cease to own 30% or more of the then issued share capital of our Company directly or indirectly or cease to be deemed as controlling shareholder of our Company (within the meaning ascribed to it under the Listing Rules from time to time) and do not have power to control the Board and there is at least one other Shareholder holding more Shares than Mr. Shao and his associates then taken together; or (b) the Shares cease to be listed on the Stock Exchange.

In addition, under the above deed of covenants, Mr. Shao has undertaken to our Company that he shall provide to our Company and/or our Directors (including the independent non-executive Directors) from time to time all information necessary (including his interests in any projects or business opportunities under paragraph (a) above (including any changes thereof), if any) for annual review by the independent non-executive Directors with regard to compliance with the terms of the Non-Competition Undertakings. Mr. Shao has also undertaken to issue an annual confirmation to us on compliance with the terms of the Non-Competition Undertaking, his interests in any projects or business opportunities under paragraph (a) above (including any changes thereof), if any, and consenting to the disclosure of such confirmation in the annual reports of our Company, thereby enabling our Company to keep monitoring the relevant compliance by Mr. Shao.

Concerning the Non-Competition Undertakings,

(a) the independent non-executive Directors would review, at least on an annual basis, the compliance with and enforcement of the terms of the Non-Competition Undertakings by Mr. Shao and if any, the options, pre-emptive rights or first rights of refusals provided by Mr. Shao and/or his respective associates on its existing or future competing businesses;

(b) our Company shall disclose decisions on matters reviewed by the independent non-executive Directors relating to compliance and enforcement of the Non-Competition Undertakings either through annual report, or by way of announcement; and

(c) our Company shall disclose in the corporate governance report of its annual reports on how the terms of the Non-Competition Undertakings are complied with and enforced.

Confirmation given by other Directors

Each Director confirms that save as disclosed in this prospectus, he does not have any competing business with our Group. For Mr. Jiang Nanchun, an independent non-executive Director who is a shareholder in K's Media (a company engaged in specialised media and advertising activities in China and the shares of which are traded on OTC Bulletin Board of the United States) and the chairman and chief executive of 分眾傳媒控股有限公司 (Focus Media Holding Limited), which is the holding company of a leading digital media group that provides out-of-home media advertising platforms in the PRC and the shares of which are listed on NASDAQ, he is considered to be interested in a business which is likely to compete with our business.

Corporate governance

Our Directors recognise the importance of incorporating elements of good corporate governance in management conducive to the protection of the interests of our Shareholders. We would adopt the following corporate governance measures in relation to managing potential conflict of interests (if any) between our Group and our Directors (including independent non-executive Directors and the Controlling Shareholder):

(a) Each Director has, pursuant to his service contract or engagement letter, covenanted with and undertaken to our Company that during the term of his service or appointment, he shall not, and shall procure that none of his associates shall, directly or indirectly, be engaged in or concerned with or interested in any business which is or may be in any respect in competition with the business carried on from time to time by our Group or any of the companies within our Group. However, the aforesaid restriction does not prohibit the holding (directly or through nominees) by a Director of any securities listed on any stock exchanges as long as not more than 5% of the total voting rights attaching to the securities of the same class shall be so held (or, if such investment or holding is over 5%, our Directors concerned should seek the Board's prior written approval before making the relevant investment (with the relevant Director abstaining from voting)) and shall not restrict the holding of any securities of our Company. Subject to the exceptions as aforesaid, for a period of one year after the expiry or the termination of his service or appointment, a Director shall not, and shall procure that none of his associates will, directly or indirectly, engage or be engaged in Hong Kong or those regions and markets within the PRC or elsewhere in which any member of our Group operates or has operated any part of its business from time to time, whether directly or indirectly, in any business which is or may be in competition with the business carried on from time to time by our Group or any of the companies within our Group.

In principle, the Board will give its written approval for Directors to hold more than 5% of the total voting rights in any listed securities ("**Investee Company**") when it considers that such holding will not prejudice the interest of the Company and its Shareholders as a whole. In particular, a balance of the following criteria will be taken into account:

(1) the revenue contributed by the competing or possibly competing sector as compared with the total revenue of the Investee Company - if the contribution is insignificant, the Board may, on balance, be more inclined to allow the 5% or more shareholding in the Investee Company;

(2) the shareholding structure of the Director concerned in the Investee Companies after such investment - if the Director concerned will become the single largest shareholder of the Investee Company, the Board may, on balance, be less inclined to allow the 5% or more shareholding in the Investee Company;

(3) the entitlement to board seat by the relevant Director in the Investee Company - if the Director concerned will also be entitled a major portion of the board seat of the Investee Company, the Board may, on balance, be less inclined to allow the 5% or more shareholding in the Investee Company; and

(4) other applicable factors (e.g. market sentiment, the development strategy of our Group at the material time) which the Board considers relevant from time to time.

(b) Where a Board meeting is to be held for considering proposed transactions in which the Controlling Shareholder/Director(s) has a material interest, the Controlling Shareholder and/or the relevant Director concerned may not vote on the resolutions of the Board approving the same and shall not be counted in the quorum for the voting so as to ensure the relevant matters will be considered by disinterested Directors only.

(c) Where the advice from independent professional, such as that from financial adviser, is reasonably requested by our Directors (including the independent non-executive Directors), the appointment of such independent professional will be made at our Company's expenses.

Upon the Listing, the transactions set forth below will constitute continuing connected transactions (as such term is defined under the Listing Rules) for our Company.

(1) **Relationship between our Group and the Connected Persons**

The relevant Connected Persons, with whom certain members of our Group have entered into continuing connected transactions (i.e. the transactions contemplated under the Contractual Arrangements), are as follows:

(a) Mr. Shao: He is an executive Director and also the Controlling Shareholder of our Company. He is therefore a Connected Person of our Company under Rule 14A.11(1) of the Listing Rules.

(b) The PRC Operational Entities: They are wholly owned by Mr. Shao. They are associates of Mr. Shao and are therefore Connected Persons of our Company under Rule 14A.11(4) of the Listing Rules.

Under the Listing Rules, for so long as Mr. Shao and/or the PRC Operational Entities remain as Connected Persons of our Company, the following transactions between our Group and the PRC Operational Entities (with some of the following transactions also involving Mr. Shao as a party) would constitute connected transactions for our Company upon the Listing.

(2) **Continuing connected transactions subject to the reporting, announcement and independent shareholders' approval requirements**

Background for the application

Under the prevailing laws and regulations in the PRC, companies with foreign ownership are restricted from engaging in the publishing business in the PRC. As our Directors are of the view that the business operations of the PRC Operational Entities under the cooperation agreements entered into with the PRC Publishing Partners as a whole falls within the scope of business for which companies with foreign ownership are restricted from engaging under the prevailing PRC laws and regulations, the PRC Operational Entities have not been included as members of our Group in which our Company has direct and indirect equity interest so that the PRC Operational Entities can continue to engage in their existing business activities.

In view of the above, the Contractual Arrangements have been entered into such that we can conduct our business operations indirectly in the PRC through the PRC Operational Entities while complying with the applicable laws in the PRC.

Principal terms of the transactions

Brief details of the continuing connected transactions (i.e. the transactions contemplated under the Contractual Arrangements) entered into between the relevant Connected Persons and members of our Group, which terms have also been disclosed in this prospectus (see the paragraph headed "Contractual Arrangements" in the section headed "Business") are as follows:

(a) Management and Consultation Services Agreements

By three several Management and Consultation Services Agreements entered into between Zhuhai Technology and

(i) Guangzhou Modern Information, Guangzhou Modern Books, Zhuhai Yinhu and Zhuhai Modern Zhimei (collectively the "**Publishing and Investment Holding Entities**");

(ii) Shanghai Gezhi, Beijing Yage Zhimei, Shenzhen Yage Zhimei and Guangzhou Yage (collectively the "**Sales Entities**");

(iii) Shanghai Yage and Beijing Yage (collectively the "**Production Entities**");

the PRC Operational Entities have engaged Zhuhai Technology on an exclusive basis to provide consultation services in the management, sales and marketing, enterprise management and other supporting services in connection with the PRC Operational Entities' business including the exclusive management and consultation, customer management and marketing consultation, enterprise management (including accounting and financial reporting) and consultation, staff training, magazine content and information provision, exclusive planning, consultation and recommendation for magazine arrangement, design and printing; planning, consultation and recommendation for magazine distribution, and other consultation and supporting services permitted under the PRC laws.

In consideration of the provision of the aforementioned services by Zhuhai Technology, each of the PRC Operational Entities agrees to pay to Zhuhai Technology fees on an annual basis in arrears. Fees payable to Zhuhai Technology by the PRC Operational Entities will be equivalent to the total revenue less all the related costs, expenses and taxes of the respective PRC Operational Entities, as audited by such certified public accountants of the PRC. To enable our Group to capture the economic benefits from the PRC Operational Entities to the fullest extent, no maximum aggregate annual value will be set for such fees payable by the PRC Operational Entities to Zhuhai Technology.

Each of the Management and Consultation Services Agreements has become effective when it was executed on 24 August 2009 and will remain effective for a perpetual term. The Management and Consultation Services Agreements are renewable, unilaterally, upon Zhuhai Technology's written confirmation that the term be extended.

(b) Equity Pledge Agreements

By ten several Equity Pledge Agreements entered into between Zhuhai Technology and

(i) Mr. Shao (in relation to the pledge of the equity interests in Guangzhou Modern Information);

(ii) Mr. Shao and Guangzhou Modern Information (in relation to the pledge of the equity interests in Guangzhou Modern Books);

(iii) Mr. Shao and Guangzhou Modern Information (in relation to the pledge of the equity interests in Zhuhai Yinhu);

(iv) Zhuhai Yinhu (in relation to the pledge of the equity interests in Zhuhai Modern Zhimei);

(v) Zhuhai Modern Zhimei (in relation to the pledge of the equity interests in Shanghai Gezhi);

(vi) Zhuhai Modern Zhimei (in relation to the pledge of the equity interests in Beijing Yage Zhimei);

(vii) Zhuhai Modern Zhimei (in relation to the pledge of the equity interests in Shenzhen Yage Zhimei);

(viii) Zhuhai Modern Zhimei (in relation to the pledge of the equity interests in Guangzhou Yage);

(ix) Guangzhou Modern Information and Guangzhou Modern Books (in relation to the pledge of the equity interests in Shanghai Yage);

(x) Guangzhou Modern Information and Guangzhou Modern Books (in relation to the pledge of the equity interests in Beijing Yage);

the payment of consultations services fees to Zhuhai Technology under the Management and Consultation Services Agreements is secured in that Zhuhai Technology is entitled to exercise its rights to sell the pledged equity interests on occurrence of any non-payment of such fees. None of the equity interests in the PRC Operational Entities can be pledged or transferred unless otherwise with prior consent from Zhuhai Technology. Furthermore, Zhuhai Technology is entitled to all dividends derived from the pledged equity interests in the PRC Operational Entities.

The Equity Pledge Agreements has become effective when it was executed on 24 August 2009. The pledges created under the Equity Pledge Agreements will become effective upon such pledges having been duly registered in the PRC Operational Entities' register of members and having been duly registered with the relevant Administration for Industry and Commerce of the PRC in accordance with the applicable PRC laws. The pledges will remain in full effect during the term of the Management and Consultation Services Agreements.

(c) Business Operation Agreements

Three several Business Operation Agreements have been entered into between Zhuhai Technology and

(i) Mr. Shao and the Publishing and Investment Holding Entities;

(ii) Zhuhai Modern Zhimei and the Sales Entities;

(iii) Guangzhou Modern Information, Guangzhou Modern Books and the Production Entities.

Pursuant to the Business Operation Agreements, no material business transaction can be entered into by the PRC Operational Entities without the prior written consent of Zhuhai Technology. Furthermore, the PRC Operational Entities shall appoint individuals as nominated by Zhuhai Technology to be their directors and key management as and when Zhuhai Technology sees fit. Furthermore, Zhuhai Technology or its nominees is entitled to exercise their rights as if they were the shareholder of the PRC Operational Entities. Any dividend and/or capital gain derived from the equity interests in the PRC Operational Entities shall also be paid to Zhuhai Technology.

Each of the Business Operation Agreements has become effective when it was executed on 24 August 2009 and will remain effective for a perpetual term. The Business Operation Agreements are renewable upon Zhuhai Technology's written confirmation that the term be extended.

(d) Option Agreements

Three several Option Agreements have been entered into between Modern Media (HK) and

(i) Mr. Shao and the Publishing and Investment Holding Entities;

(ii) Zhuhai Modern Zhimei and the Sales Entities;

(iii) Guangzhou Modern Information, Guangzhou Modern Books and the Production Entities.

Pursuant to the Option Agreements, Modern Media (HK) has been granted options to acquire the entire equity interest in the PRC Operational 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 Modern Media (HK). Prior to the exercise of such options, the respective registered capital or assets, business or revenues of the PRC Operational Entities shall not be reduced or disposed of unless with the prior consent from Zhuhai Technology. Any dividend, capital gain and/or distributable reserve and proceeds from the realisation of any assets by the PRC Operational Entities which are distributable in accordance with applicable laws and the constitutional documents of the PRC Operational Entities shall also be transferred to Zhuhai Technology.

Each of the Option Agreements has become effective when it was executed on 24 August 2009 and will only expire on the date on which all the equity interests in the PRC Operational Entities are transferred to Modern Media (HK) and/or its nominees.

(e) Proxy Agreements

Three several Proxy Agreements have been entered into between Zhuhai Technology and

(i) Mr. Shao and Guangzhou Modern Information;

(ii) Mr. Shao and Zhuhai Modern Zhimei;

(iii) Mr. Shao, Guangzhou Modern Information and Guangzhou Modern Books.

Before the options to acquire the entire equity interests in each of the PRC Operational Entities are exercised under the Option Agreements, our Group is authorised under the Proxy Agreements to exercise its rights in the PRC Operational Entities as if it were the ultimate beneficial owner of the PRC Operational Entities.

Each of the Proxy Agreements has become effective when it was executed on 24 August 2009 and will remain effective during the term of the Business Operation Agreements.

(f) Trademark Transfer Agreement

The Trademark Transfer Agreement has been entered into between Zhuhai Technology and Guangzhou Modern Information. An option is granted to Zhuhai Technology to acquire certain trademarks in relation to the PRC Magazines (to be registered under the name of Guangzhou Modern Information) and its business at a nominal consideration of RMB1 or the minimum amount as required by the applicable PRC laws. Before such option is exercised, Zhuhai Technology and its nominees may use the trademarks free from payment of royalty. Guangzhou Modern Information has been restrained from licensing the trademarks to any third party without Zhuhai Technology's prior written consent.

The Trademark Transfer Agreement has become effective when it was executed on 24 August 2009 and will remain effective for a perpetual term.

The purposes of the Contractual Arrangements are to ensure that (i) the business of the PRC Operational Entities can be fully managed by Zhuhai Technology; (ii) Zhuhai Technology can effectively control the economic benefits derived from the PRC Operational Entities; and (iii) any possible leakages of assets and values to the registered equity interest holders of the PRC Operational Entities is prevented.

(3) Reasons for this application and the view of our Directors on the continuing connected transactions

As advised by the PRC legal adviser to our Company in connection with the Listing, the Contractual Arrangements are in compliance with and, to the extent governed by the PRC laws currently in force, are enforceable under the current PRC laws and that in the event of any breach or default by any one of Mr. Shao or the PRC Operational Entities, Zhuhai Technology can take legal actions against any one of them. Our Directors confirm that when formulating the Contractual Arrangements, they have considered, amongst others, the business models of other listed companies of the publication or media industry with similar operations in the PRC, which are companies with structures that are analogous to the structure as contemplated by the Contractual Arrangements. To the best of our Directors' knowledge, information and belief and having made all reasonable enquiries and in particular, making reference to the contractual arrangements in place in other publication and media companies already listed on the Stock Exchange, the Contractual Arrangements are not unique but appear to be a common arrangement by the companies in the publication and media industry in the PRC that are operated and ultimately owned by foreign holding company. Our Directors (including the independent non-executive Directors) are of the view that the Contractual Arrangements are fundamental to our Group's legal structure and business operations and are on normal commercial terms or terms more favourable to our Group and are fair and reasonable or to the advantage of our Group and are in the interests of the Shareholders as a whole. Our Directors also believe that our Group's structure whereby the financial results of the PRC Operational Entities are consolidated into our Group's financial statements as if they were our Group's wholly-owned subsidiaries, and the economic benefit of their business flows to our Group, places our Group in a special position in relation to the connected party transaction rules. Accordingly, notwithstanding that the transactions contemplated under the Contractual Arrangements technically constitute continuing connected transactions for the purposes of Chapter 14A of the Listing Rules, our Directors consider that it would be unduly burdensome and impracticable, and would add unnecessary administration costs of our Company, for all transactions contemplated under the Contractual Arrangements to be subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules, including, among other things, the announcement and approval of the independent Shareholders.

(4) **Application for and conditions of waiver**

In view of the above, we have applied to the Stock Exchange pursuant to Rule 14A.42(3) of the Listing Rules for, and the Stock Exchange has granted, a waiver from (i) strict compliance with the announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions under the Contractual Arrangements; (ii) setting a maximum aggregate annual value (i.e. an annual cap) for the fees payable to Zhuhai Technology under the Contractual Arrangements; and (iii) fixing the term of the Contractual Arrangements to three years or less, for so long as Shares are listed on the Stock Exchange subject however to the following conditions:

(a) No change without independent non-executive Directors' approval: No changes to the Contractual Arrangements will be made without the approval of the independent non-executive Directors.

(b) No change without independent Shareholders' approval: Save as described in paragraph (d) below, no changes to the Contractual Arrangements will be made without the approval of our Company's independent Shareholders. Once independent Shareholders' approval of any change has been obtained, no further announcement or approval of the independent Shareholders, except for those described above, will be required under Chapter 14A of the Listing Rules unless and until further changes are proposed. The periodic reporting requirement regarding the Contractual Arrangements in the annual reports of our Company (as set out in paragraph (e) below) will however continue to be applicable.

(c) Economic benefits flexibility: The Contractual Arrangements shall continue to enable our Group to receive the economic benefits derived by the PRC Operational Entities through: (i) our Group's potential right (if and when so allowed under the applicable PRC laws) to acquire the equity interests in each of the PRC Operational Entities; (ii) the business structure under which the revenue generated by the PRC Operational Entities is substantially retained by Zhuhai Technology (such that no annual caps shall be set on the amount of services fees payable to Zhuhai Technology under the Management and Consultation Services Agreements); and (iii) Zhuhai Technology's right to control the management and operation of, as well as, in substance, all of the voting rights of the PRC Operational Entities.

(d) Renewal and cloning: On the basis that the Contractual Arrangements provide an acceptable framework for the relationship between our Company and its subsidiaries in which our Company has direct shareholding, on one hand, and the PRC Operational Entities, on the other hand, that framework may be renewed and/or cloned upon the expiry of the existing arrangements or in relation to any existing or new wholly foreign-owned enterprise or operating company (including branch company) engaging in the same business as that of our Group which our Group might wish to establish when justified by business expediency, without obtaining the approval of the Shareholders, on substantially the same terms and conditions as described under paragraph (2) above. Such new wholly foreign-owned enterprise or operating company (including branch company) may be established by our Group for expansion into the market in second tier cities in the PRC and/or for accommodating management staff in different first tier cities in the PRC due to potential business growth. When the term of operation of the relevant PRC Operational Entities as set out in their respective operating licence comes to an end in future, our Group may also establish new companies as and when considered necessary. The directors, chief executive or substantial shareholders (as defined in the Listing Rules) of any existing or new wholly foreign-owned enterprise or operating company (including branch company) engaging in the same business as that of our Group which our Group may establish when justified by business expediency will, upon renewal and/or cloning of the Contractual Arrangements, however be treated as our Group's Connected Persons and transactions between these Connected Persons and our Group other than those under similar Contractual Arrangements shall comply with Chapter 14A of the Listing Rules. This condition is subject to the relevant laws, regulations and approvals of the PRC.

(e) Ongoing reporting and approvals: our Group will disclose details relating to the Contractual Arrangements on an ongoing basis as follows:

1. The Contractual Arrangements in place during each financial period will be disclosed in our Company's annual report and accounts in accordance with the relevant provisions of the Listing Rules.

2. Our independent non-executive Directors will review the Contractual Arrangements annually and confirm in our Company's annual report and accounts for the relevant year that: (i) the transactions carried out during such year have been entered into in accordance with the relevant provisions of the Contractual Arrangements, have been operated so that the revenue generated by the PRC Operational Entities has been substantially retained by Zhuhai Technology; (ii) no dividends or other distributions have been made by the PRC Operational Entities to the holders of their respective equity interests which are not otherwise subsequently assigned or transferred to our Group; and (iii) any new contracts entered into, renewed or reproduced between our Group and the PRC Operational Entities during the relevant financial period under paragraph (d) above are fair and reasonable, or advantageous, so far as our Group is concerned and in the interests of the Shareholders as a whole.

3. Our Company's auditors will carry out review procedures annually on the transactions carried out pursuant to the Contractual Arrangements and will provide a letter to our Directors with a copy to the Stock Exchange, at least ten business days before our Company bulk prints its annual report, confirming that the transactions have received the approval of our Directors, have been entered into in accordance with the relevant Contractual Arrangements and that no dividends or other distributions have been made by the PRC Operational Entities to the holders of their respective equity interests which are not otherwise subsequently assigned / transferred to our Group.

4. For the purposes of Chapter 14A of the Listing Rules, and in particular the definition of "connected person", the PRC Operational Entities will be treated as our Company's wholly-owned subsidiaries, but at the same time, the directors, chief executives or substantial shareholders (as defined in the Listing Rules) of the PRC Operational Entities and their respective associates will be treated as our Company's "connected persons" (excluding for this purpose the PRC Operational Entities) and transactions between these connected persons and our Group (including for this purpose the PRC Operational Entities) other than those under the Contractual Arrangements shall comply with Chapter 14A of the Listing Rules.

5. The PRC Operational Entities will undertake that, for so long as the Shares are listed on the Stock Exchange, the PRC Operational Entities will provide our Group's management and our Company's auditors with full access to their relevant records for the purpose of our Company's auditors' review of the connected transactions.

(5) **Confirmation from the Sponsor**

The Sponsor has reviewed the relevant documents and information provided by our Group, has participated in the due diligence and discussions with our management and our PRC legal adviser in connection with the Listing and has obtained necessary representations and confirmations from our Company and our Directors. Based on the above, the Sponsor is of the view that the Contractual Arrangements are fundamental to our Group's legal structure and business operations, and are a common arrangement by the companies in the publication and media industry in the PRC that are operated and ultimately owned by foreign holding company.

The Sponsor is also of the view that the terms of the agreements constituting the Contractual Arrangements and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable and are in the interests of the Shareholders as a whole. With respect to the term of the relevant agreements constituting the Contractual Arrangements which term is of a duration longer than three years, it is a justifiable and normal business practice to ensure that (i) the business of the PRC Operational Entities can be fully managed by Zhuhai Technology; (ii) Zhuhai Technology can effectively control the economic benefits derived from the PRC Operational Entities; and (iii) any possible leakages of assets and values to the registered equity interest holders of the PRC Operational Entities are prevented, on an uninterrupted basis.

DIRECTORS

Executive Directors

Mr. SHAO Zhong (邵忠), aged 48, the founder of our Group. Mr. Shao was initially appointed as a Director on 8 March 2007, and was subsequently designated as chairman of the Board and executive Director on 24 August 2009. Mr. Shao is responsible for the overall corporate strategies, policy-formulating and instilling corporate philosophy of our Group and more significantly, Mr. Shao has been heavily involved in the following key operational aspects: (a) formulating the business model; (b) guiding the innovative directions of publication development and value-added advertising services and integrated marketing solutions; and (c) as our Group's editor-in-chief, directing the content production of the Magazines since founding our Group, which experience has earned him remarkable reputation in the media industry in the PRC. Prior to founding our Group, Mr. Shao worked for 廣州市計劃經濟委員會 (Guangzhou Planned Economy Committee*) from September 1983 to December 1987, and was subsequently employed by 廣州市鄉鎮企業管理局 (Guangzhou Town Enterprises Management Bureau*) as head of the Enterprises Management Department from January 1988 to December 1989. He also undertook senior positions in other publishing and media enterprises. Mr. Shao worked as the publisher in 現代畫報 (Modern Magazine*), which is believed to be one of the pioneering lifestyle magazines in PRC since the economic reform of China, from August 1993 to September 1996, and he was responsible for formulating the overall editorial directions, magazine development strategy and content planning, and managing the operation of that magazine. Capitalising on his experience in the publication industry in China, Mr. Shao was appointed as a director, vice-chairman and chief operating officer of Paramount Publishing Group Limited from June 1998 to January 1999. Mr. Shao also acted as a chief executive officer of Paramount Publishers Limited, a subsidiary of Paramount Publishing Group Limited, in Hong Kong during 1998 and 1999 and undertook the position of chief editor of Capital Magazine (資本雜誌), a financial and business style magazine of Paramount Publishers Limited during which he accumulated solid experience in the media and publishing industry in Hong Kong. Mr. Shao's working experience in both the public and private sectors enables him to become more capable of capturing various business opportunities from the macro-economy growth of the greater China region. Mr. Shao obtained his EMBA degree from 清華大學 (Tsinghua University*) in July 2006. His in-depth experience in the media and publication industries in the PRC earned him the nomination as one of 十大傳媒創新人物 (Top 10 Innovative Media Figure*) at 第四屆中國傳媒創新年會暨中國傳媒改革三十年論壇 (China Media Innovation Forum & 30 Years of China Media Reform Forum*) by 傳媒雜誌社 (Chuanmei Magazine Society*) *(note 1)* in the PRC in December 2008.

Mr. WONG Shing Fat (黃承發), aged 51, is responsible for the corporate and business planning and development as well as the overall management and operation of our Group. He joined our Group in January 2003 as a chief consultant (as a contractor, and not as an employee of our Group) and also assumed the role as the chief operation officer and was subsequently taking up the duties as the chief executive officer of our Group in September 2006. Mr. Wong was appointed as an executive Director (being the employee of our Group) on 27 July 2009. Prior to joining our Group, Mr. Wong undertook senior positions in Ogilvy & Mather Marketing Communications Limited and Mindshare Hong Kong Ltd., each being a subsidiary of the WPP Group (a leading international advertising group), for eight and a half and four years respectively, and was responsible for the media planning, overall operational management and business development in the greater China region. Mr. Wong's managerial experience in the advertising industry enables him to foster close business relationship with our customers and to develop his expertise in the publication and advertising industry. Mr. Wong has over 25 years of management experience in the advertising and media industries. Mr. Wong was granted the "*SALUTE*" *Media Award* by the Association of Accredited Advertising Agencies of Hong Kong in 1996 in recognition of his professional and significant contribution to the advertising industry in Hong Kong *(note 2)*.

Mr. LI Jian (厲劍), aged 40, was appointed as an executive Director of our Group on 27 July 2009. Mr. Li is responsible for the formulation and execution of the advertising sales strategies, as well as the publication management of our Group. He joined our Group in May 1999 and had worked as business development manager, regional general manager in Shanghai, regional general manager in Beijing, and he was subsequently promoted to be the chief operation officer of our Group in July 2006. During his engagement with our Group, Mr. Li has become acquainted with all major operational aspects and resources of our Group, and as such, he is able to deploy our Group's resources in an optimal way to serve the business needs of our customers. Mr. Li obtained his MBA degree from Murdoch University in Australia in March 2000 and his bachelor's degree in Applied Mathematics from the Faculty of Applied Mathematics of 蘭州大學 (Lanzhou University*) in China in June 1992. He has over 10 years of experience in the marketing industry.

Mr. MOK Chun Ho, Neil (莫峻皓), aged 44, was appointed as an executive Director of our Group on 27 July 2009. Mr. Mok joined our Group in March 2003 and is responsible for the general financial planning and management of our Group. He obtained his MBA degree from Charles Sturt University in Australia in November 2002 and the Diploma in Accountancy from the Lingnan College of Hong Kong (currently known as Lingnan University) in November 1989. Mr. Mok is an associate member of each of the Hong Kong Institute of Certified Public Accountants and the Taxation Institute of Hong Kong in June 1996 and April 1999, respectively. Mr. Mok has over 10 years of experience in finance and accounting management through his prior engagements as finance manager and financial controller of other companies. His extensive experience in the finance and accounting fields enables him to utilise his accounting expertise in ensuring the sound management of our Group's finance and in supporting our Group's business growth.

Mr. CUI Jianfeng (崔劍鋒), aged 37, was appointed as the chief investment officer and executive Director of our Group on 27 July 2009. Mr. Cui joined our Group in May 2008 and is responsible for the investment strategies and business management of our Group. Prior to joining our Group, he worked as the financial director, supply chain director and director of government relations and brand marketing of the Asia branch of RR Donnelley for seven years and also the senior financial manager of Osram division of Siemens Ltd., China for five and a half years. Mr. Cui's past working experience in multinational companies helps our Group in developing constructive investment and business finance systems. He obtained his MBA degree from the Deakin University in Australia in September 2003 and another MBA degree from the University of Western Ontario in Canada in October 2004 and also the bachelor's degree of commerce (major in accountancy) from the University of Wollongong in Australia in October 1995. Mr. Cui is a member of CPA Australia. Mr. Cui has over 10 years of experience in finance and business management.

Each of the executive Directors has entered into a service contract with our Company for a period of three years commencing from 1 September 2009. Under such contract, each Director will receive a fixed monthly salary and may receive a discretionary bonus. Further details of the terms of the service contracts of the executive Directors are set out under the paragraph headed "Particulars of service contracts" in Appendix V to this prospectus. Under the arrangements currently in force, we estimate the aggregate remuneration, excluding discretionary bonus, payable to our Directors for the year ending 31 December 2009 to be approximately RMB5,231,000.

Independent non-executive Directors

Mr. WANG Shi (王石), aged 58, was appointed as the independent non-executive Director on 24 August 2009. Mr. Wang has almost 20 years of experience in real estate development in the PRC. He worked in 廣州鐵路局 (Guangzhou Railway Bureau*) from 1978 to 1980, 廣東省外經委 (Guangdong Provincial Committee*) from 1981 to 1983 and 深圳特區發展公司 (Shenzhen Special Region Development Company*) from 1983 to 1984. Mr. Wang found 深圳現代科教儀器展銷中心 (Shenzhen Exhibition Centre of Modern Science and Education Equipment*), the predecessor of 萬科企業股份有限公司 (China Vanke Co., Ltd.*) (a company which is listed on the Shenzhen Stock Exchange) in 1984 and acted as its general manager. He held the office of general manager of 萬科企業股份有限公司 (China Vanke Co., Ltd.*) from 1988 to 1999, and has been its chairman since 1988.

Save for the above, Mr. Wang is currently holding directorships with other listed companies as follows:

Month and year of appointment	Capacity	Name of listed company
April 1997	Independent non-executive director	China Resources Land Limited (shares of which are listed on the main board of the Stock Exchange)
March 2005	Independent non-executive director	Sohu.com Inc. (a company whose issued common stock is traded on the National Association of Securities Dealers Automated Quotations (NASDAQ))
November 2007	Independent non-executive director	上海美特斯邦威服飾股份有限公司 (Shanghai Metersbonwe Fashion and Accessories Co., Ltd.*) (a company which is listed on the Shenzhen Stock Exchange)
January 2008	Independent non-executive director	Central China Real Estate Limited (shares of which are listed on the main board of the Stock Exchange)

Mr. Wang obtained his bachelor's degree in water supply studies from 蘭州交通大學 (Lanzhou Jiaotong University*) in China in September 1977. We consider that it is not uncommon for independent non-executive directors of listed companies in Hong Kong to hold directorships in several public companies and assume other major appointments concurrently. As their roles are "non-executive" (i.e. they are not expected to have hands-on involvement in the day-to-day operation of the listed companies), these directors' contribution to the listed companies are generally expected to be assessed by their broad exposure and vast experience to the proceedings of the board of the listed companies rather than by the amount of time. Given Mr. Wang's credentials for his executive role or experience as non-executive directors of the aforesaid listed companies in the PRC or Hong Kong respectively, our Board believe Mr. Wang's contribution to our Group will be valuable. Meanwhile, Mr. Wang has also confirmed to the Company that he will devote reasonably sufficient time to discharge his duties as an independent non-executive Director.

Mr. JIANG Nanchun (江南春), aged 36, was appointed as the independent non-executive Director on 24 August 2009. Mr. Jiang has over 15 years of experience in the media and advertising industries in the PRC. In 2003, Mr. Jiang was the general manager of Aiqi Advertising, an advertising company founded by his immediate family members in 1997 which was subsequently renamed as Focus Media Advertisement in May 2003. He also founded 分眾傳媒控股有限公司 (Focus Media Holding Limited) ("**Focus Media**") (a company which is listed on the National Association of Securities Dealers Automated Quotations (NASDAQ)) and served as its chairman of the board of directors and the chief executive officer since May 2003. As at the Latest Practicable Date, Mr. Jiang's shareholding in Focus Media was 10.13%. In September 2003, Mr. Jiang was selected by the Television and Newspaper Committees of the China Advertising Commission as one of its "contemporary outstanding advertising media personalities" and in December the same year, he was selected by China News Publisher's Media magazine as one of the "Media People of the Year". Mr. Jiang obtained his bachelor's degree in Chinese language and literature from 華東師範大學 (East China Normal University*) in China in 1995.

Based on the information provided by Mr. Jiang and the publicly available information gathered by our Company, Focus Media is a leading digital media group that provides a broad portfolio of out-of-home media advertising platforms in the PRC. While the principal advertising services of Focus Media are not entirely the same as those offered by our Group, its services may be targeted at similar advertising customers of our Group and thus there might be potential competition between Focus Media and our Group with respect to the sale of advertising services in the PRC given the similarity in the targeted advertising customers. In addition, Mr. Jiang is also a shareholder in K's Media (with a 2.6% shareholding in K's Media as at the Latest Practicable Date), which is engaged in specialised media and advertising activities in China and the shares of which are traded on OTC Bulletin Board of the United States. By virtue of his directorship and his ultimate interest in the shareholding in Focus Media and his shareholding in K's Media, Mr. Jiang is considered to be interested in a business which is likely to compete with our business.

Notwithstanding his overlapping directorships and his shareholding interest in each of Focus Media and K's Media and that during the Track Record Period, our Group had business relationship with Focus Media which is expected to continue after the Listing, we consider that Mr. Jiang is still able to discharge his duties as an independent non-executive Director, given the media platform adopted by each of Focus Media and K's Media actually differs from that adopted by our Group, and that Mr. Jiang's directorship in Focus Media, a public listed company, should in turn enable Mr. Jiang to be acquainted with his duties as a director of a listed company. Furthermore, the annual transaction amount involved in the said business with Focus Media is not considered to be significant and no over reliance has been or will be placed on Mr. Jiang in this regard. We have therefore invited and appointed Mr. Jiang to act as an independent non-executive Director in view of his extensive experience in the media and advertising industries in the PRC which experience is expected to benefit our Group. We believe that with the implementation of various corporate governance measures of our Group (as disclosed under the paragraph headed "Corporate governance" in the section headed "Relationship with the Controlling Shareholder" in this prospectus), our Board can function independently of, and at arms' length from, any potential influence Mr. Jiang will bring for his role as a director of Focus Media and his vested interest in Focus Media and K's Media. Most importantly, Mr. Jiang, as an independent non-executive Director, will not be involved in the day-to-day operations and management of our Group. We believe that by acting as an independent non-executive Director, Mr. Jiang will provide the Board with distinctive insight in strategic planning and in formulating corporate directions of our Group.

During the Track Record Period, our Group placed outdoor light emitting diode billboards advertisements with the media advertising platforms operated by Focus Media. Such transactions are expected to continue after the Listing with an annual transaction amount of not exceeding RMB3 million. On the other hand, K's Media did not have any business relationship with our Group during the Track Record Period and is not expected to have any business relationship with our Group upon the Listing.

Mr. AU-YEUNG Kwong Wah (歐陽廣華), aged 45, was appointed as the independent non-executive Director on 24 August 2009. Mr. Au-Yeung obtained a bachelor's degree in commerce from The Bond University in Australia in September 1996, a master's degree in accountancy from The Chinese University of Hong Kong in December 2000, a postgraduate diploma in corporate administration from The Hong Kong Polytechnic University in December 2005 and an EMBA degree from The Chinese University of Hong Kong in December 2008. Mr. Au-Yeung is a member of CPA Australia and the Hong Kong Institute of Certified Public Accountants. He has over ten years of experience in auditing and financial control through his prior employments with accounting firms and listed companies in Hong Kong. Mr. Au-Yeung was an executive director of C&O Pharmaceutical Technology Holdings Limited, the shares of which are listed on the main board of the Singapore Stock Exchange, from 12 August 2005 to 31 March 2006, after which he was re-designated as an independent non-executive director of this company from 1 April 2006 to 31 January 2007.

The aggregate amount of fees, salaries, pension scheme contributions, other allowances and benefits-in-kind granted by us to our Directors for each of the three years ended 31 December 2008 and the three months ended 31 March 2009 was approximately RMB4.4 million, RMB7.2 million, RMB7.2 million and RMB1.3 million respectively.

Save as disclosed above, no other payments had been paid or are payable, in respect of the three years ended 31 December 2008 and the three months ended 31 March 2009, by our Company or any of our subsidiaries to our Directors.

Save as disclosed above, each of our Directors (i) did not hold other positions in our Company or other members of our Group as at the Latest Practicable Date; (ii) had no other relationship with any Directors, senior management or substantial or controlling shareholders of our Company as at the Latest Practicable Date; and (iii) did not hold any other directorships in listed public companies in the three years prior to the Latest Practicable Date. As at the Latest Practicable Date, save as Mr. Shao's interests in the Shares which are disclosed in the section headed "Interest discloseable under the SFO and substantial Shareholders" and the paragraph headed "Further information about Directors, management and staff and experts" in Appendix V to this prospectus, each of our Directors did not have any interest in the Shares within the meaning of Part XV of the SFO.

Save as disclosed herein, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there was no other matter with respect to the appointment of our Directors that needs to be brought to the attention of the Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules as at the Latest Practicable Date.

SENIOR MANAGEMENT

Mr. Alain DEROCHE, aged 48, the vice president and the publishing controller of our Group. Mr. Deroche joined our Group in June 2008 and is responsible for the management of our Group's international copyright business and the planning and content innovation for the Magazines. Prior to joining our Group, Mr. Deroche served as the general manager in charge of publishing in Asia for two and a half years and the publishing controller for ELLE's international edition in the International Department of a French company called Hachette Filipacchi Medias Group for five years. Mr. Deroche's intensive working experience in the international publication arena helps to bridge our Group's publication practice with the best practice of the leading international publishers, and helps to bring in more international cooperation opportunities to our Group. Mr. Deroche obtained his doctoral degree in international enterprise management from Université Paris-Dauphine (English translation: Paris Dauphine University) in France in October 1986. He has over 25 years of experience in the management of the international media industry.

Mr. LIU Heung Shing (劉香成), aged 58, the editorial director of our Group. Mr. Liu joined our Group in January 2009 and is responsible for the planning and innovation of international news content and the promotion of international business in news. Prior to joining our Group, he was the executive vice president of 新聞集團 (News Group*) for six years, the chief representative in China of 時代華納集團 (Time Warner Inc.*) for three years and the chief photographer in China for the Time Magazine (時代週刊) for three years. Mr. Liu has over 35 years of experience in the international news media industry which enables him to help develop networks for our Group with the international press, and to contribute his vast experience and insight to our Group's quality news reporting. In 1989, he was granted the *1989 Award for Top AP Photographic Performance (News)* by The Associated Press Managing Editors Association and the *1989 Pictures of the Year − 2nd Place Newspaper Spot News* at the 47th Annual Pictures of the Year Award *(note 3)*. Mr. Liu was also part of The Associated Press team which was granted the *1991 Award Sponsored by the Eastman Kodak for the Best Photographic Reporting from Abroad for Newspaper or Wire Services* by the Overseas Press Club of America in 1991. In 1992, together with the other staff of the Associated Press, Mr. Liu was awarded the *Pulitzer Prize in Journalism for News Photography* by the Columbia University, the United States of America. Mr. Liu obtained his Bachelor of Arts degree from Hunter College of The City University of New York in 1975.

Ms. YU Ping (虞萍), aged 40, the publishing controller of "優家畫報" (U+ Weekly) and "健康時尚" (LOHAS). Ms. Yu joined our Group in April 2007 and is responsible for the overall operation and management, as well as the overall brand marketing strategies of the two magazines of our Group. Prior to joining our Group, she had worked as the regional market controller in China for 路威酩軒香水化妝品(上海)有限公司 (LVMH Perfumes & Cosmetics (Shanghai) Co., Ltd.*) for one and a half years and 瑞表國際貿易上海有限公司 (SMH International Trading (Shanghai) Co., Ltd.*) for about one year respectively. Ms. Yu obtained her MBA degree from 中歐國際工商學院 (China Europe International Business School (CEIBS)*) in September 2005. She has over 12 years of experience in marketing and is particularly familiar with the customers and business in our key segments, including luxury goods and cosmetic products. This significantly helps the development of "優家畫報" (U+ Weekly) and "健康時尚" (LOHAS), which target readers with higher living standards.

Mr. TAN Chih-Cheng (譚志澄), aged 44, the national human resource director of our Group. Mr. Tan joined our Group in June 2007 and is responsible for the human resource development planning and management of our Group. Prior to joining our Group, he was the chief human resource officer in China for the WPP Group for three years and the chief human resource officer in the greater China region for B&Q King Fisher Group UK for three years. Mr. Tan obtained his EMBA degree from National Chengchi University (國立政治大學) in Taiwan in September 2005. He has over 15 years of experience in the human resource sector which helps our Group in gradually developing our strategic human resource systems and reserves.

Ms. ZHONG Yuanhong (鍾遠紅), aged 38, the administration and production controller of our Group. Ms. Zhong, being one of the most senior employees of our Group, joined our Group in April 1998 and is responsible for the procurement, production and administrative management of our Group. Prior to joining our Group, she was an assistant to director in Ramada Pearl Hotel (凱旋華美達大酒店) in Guangzhou for three years. Ms. Zhong completed her secondary education in Guangzhou No. 62 middle school in June 1989. She has over 15 years of experience in administrative management, with a particular expertise in printing and the post production management of publications, in the media industry.

Mr. CHING Siu Wai (程少偉), aged 44, joined our Group in July 2003 as the creative director of "號外" (City Magazine) and is now the deputy general manager in Hong Kong, creative director of our Group and also the publishing director of "號外" (City Magazine) in Hong Kong. Mr. Ching is responsible for the administration of our Hong Kong office, the management of the creative design business of our Group and the operation and management of "號外" (City Magazine). Mr. Ching obtained a diploma in design from 香港正形設計學校 (HK Chingying Institute of Visual Arts). He has over 20 years of solid experience in magazine design and the media industry. Mr. Ching was granted the *Best Magazine Design Award* by the Society of Publishers in Asia in 2005 and 2007 respectively.

Mr. LIM Timothy Edward (林添靈), aged 35, joined our Group in February 2006 and is the fashion director of our Group responsible for the planning and development of the fashion aspects of the Magazines. Prior to joining our Group, Mr. Lim was the fashion editor of The South China Morning Post in Hong Kong for six years. Further, Mr. Lim has contributed to a number of famous international fashion magazines including Elle, Marie Claire, Tank and Bazaar in the past. Mr. Lim obtained his bachelor's degree from McGill University in Canada in 1997. He has over 12 years of experience in international fashion news reporting and styling for advertising and professional fashion media.

Ms. HUANG Wenhua (黃文樺), aged 39, joined our Group in June 2002 and is the regional general manager of Guangzhou, responsible for the operation and management of the advertising business in Southern China. Prior to joining our Group, Ms. Huang was the head of the customers relations department in 中央酒店 (Central Hotel*) in Guangzhou for two years. She completed her secondary education in Guangzhou. Ms. Huang has over 10 years of experience in the media industry.

Notes:

1. 傳媒雜誌社 (Chuanmei Magazine Society*) is a professional journal published by GAPP in Beijing. To the best knowledge of our Directors, this journal is perceived to be the most authoritative journal in the PRC media industry.

2. The Association of Accredited Advertising Agencies of Hong Kong was established in 1957, whose members are mostly advertising agencies in Hong Kong with the common objectives to set and maintain the standards of business ethics, to enforce an advertising standards code, to act as a means of arbitration between agencies and to provide a forum for the exchange of views between advertising agencies and others engaged in the industry. The Media Award is organised by

the association to recognise the creative minds that have taken the industry to new heights of excellence and nominations for awards are to be adjudicated by a panel of local, regional and international professionals from media agencies, clients, media owners, creative directors and research houses. To the best knowledge of our Directors, the award candidates were assessed by their influence and performance in the advertising agency industry. Since the advertising agencies are the major customers of our Group, we consider that the Media Award manifests the recognition of our Group by the most important customer category of our Group and could attract the attention of the leading players in the industry. Thus, our Group can gain better understanding of the business needs of these major customers.

3. The Associated Press Managing Editors Association is a non-profit association of editors at newspapers in the Unites States and Canada and works closely with The Associated Press to foster journalism excellence and to support a national network for the training and development of editors who will run multimedia newsrooms in the 21st century. The nominations for awards are to be adjudicated by a panel of selected members of the association. To the best knowledge of our Directors, the panel will select and grant the award to the most influential news report with the best quality generated by the publisher member of the association during the year. Our Group is proud of producing high quality contents and the award is a significant recognition of the quality of our Group's editors.

COMPANY SECRETARY

Mr. MOK Chun Ho, Neil (莫峻皓) is our company secretary and is an ordinary resident in Hong Kong as required under Rule 8.17 of the Listing Rules. Mr. Mok is a practicing accountant and his past working experience also includes company secretarial work for companies incorporated in Hong Kong. Mr. Mok's biography is set out under the paragraph headed "Executive Directors" above.

AUDIT COMMITTEE

We established an audit committee on 24 August 2009 in compliance with Rules 3.21 and 3.23 of the Listing Rules. The audit committee consists of three independent non-executive Directors, namely Mr. AU-YEUNG Kwong Wah, Mr. WANG Shi and Mr. JIANG Nanchun. Mr. AU-YEUNG Kwong Wah is the chairman of the audit committee. The primary duties of the audit committee are to review and supervise the financial reporting process and the internal control procedures of our Group.

REMUNERATION COMMITTEE

We established a remuneration committee on 24 August 2009 in compliance with Appendix 14 to the Listing Rules. The remuneration committee consists of three members, namely Mr. WONG Shing Fat, Mr. JIANG Nanchun and Mr. AU-YEUNG Kwong Wah. Mr. WONG Shing Fat is the chairman of the remuneration committee. The primary duties of the remuneration committee are to make recommendations to the Board on the remuneration of our Directors and senior management and determine on behalf of the Board specific remuneration packages and conditions of employment for our Directors and senior management. The remuneration policy of our Directors and senior management both before and after the Listing is and will continue to be determined based on their seniority, qualification and contribution to our Group, having regard to our Group's operating results and comparable market benchmark. After the Listing, increase in our executive Directors' remuneration shall not occur at any time prior to 1 January 2010, and the exact percentage of increase will be considered and recommended by our remuneration committee (comprised of independent non-executive Directors in majority) to the Board for consideration, while the relevant Director has to abstain from voting in relation to the resolution for considering his own pay rise. Furthermore, such percentage of increase will be subject to the limit imposed under the respective service contract entered into between the executive Directors and the Company.

STAFF

As at the Latest Practicable Date, we had 606 full-time staff in the PRC and 37 full-time staff in Hong Kong. The following sets forth the total number of our staff by responsibilities:

	Total number
Management	16
Magazine production	267
Sales and marketing	126
Magazine distribution	119
Finance	28
General administration	87
Total	643

Relationships with our employees

Since our inception in 1999, we have not experienced any significant problems with our employees or disruptions to our operations due to labour disputes, nor do we have experience any difficulties in the recruitment and retention of experienced employees. We believe we have a good working relationship with our employees.

Compensation

Compensation of our employees primarily includes salaries, discretionary bonus, contributions to housing fund and defined contribution benefit scheme (including pension). For each of the three years ended 31 December 2008 and the three months ended 31 March 2009, our Group incurred staff costs (including Directors' remuneration) of approximately RMB56.8 million, RMB75.0 million, RMB91.2 million and RMB24.1 million respectively, representing approximately 24.6%, 26.7%, 26.2% and 40.2% of our Group's turnover for the respective periods.

Other benefits

During the Track Record Period, our Group complied with all applicable laws and regulations in relation to the social security and retirement contribution in the jurisdictions where we operate. As at the Latest Practicable Date, the registration for social security and retirement contribution by Zhuhai Yinhu and Zhuhai Modern Zhimei was pending due to business deployment. To the best knowledge of our Directors after consultation with our PRC legal adviser, we are not aware that there is any material legal impediment for us to obtain such registration for social security and retirement contribution.

Our employees in the PRC participate in various social security plans enacted in China, which cover pension, medical and other welfare benefits, such as insurance premiums paid pursuant to 工傷保險條例 (Regulation on Work-Related Injury Insurances*) which took effect on 1 January 2004; 企業職工生育保險試行辦法 (Trial Measures for Maternity Insurance for Enterprise Workers*) which took effect on 1 January 1995; 社會保險費徵繳暫行條例 (Interim Regulation on the Collection and Payment of Social Insurance Premiums*) which took effect on 22 January 1999 and 社會保險登記管理暫行辦法 (Interim Measures for the Administration of Social Insurance Registration*) which took effect on 19 March 1999. We are required to make contributions to the plans calculated based on a percentage of the monthly compensation of employees, subject to a certain ceiling, and are paid to the respective labour and social welfare authorities in accordance with the applicable PRC rules and regulations, such as 住房公積金管理條例 (Regulation on the Administration of Housing Accumulation Funds*). The local government is responsible for the planning, management and supervision of the scheme, including collecting and investing the contributions, and paying out the pension to the retired employees.

We participate in a provident fund scheme, registered under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for all of our employees in Hong Kong. Contributions from us are made based on a percentage of the employees' basic salaries. Further, a few of our employees in Hong Kong are members of the occupational retirement scheme.

PRC labour contract law

中華人民共和國勞動合同法 (PRC Labour Contract Law*), which took effect on 1 January 2008, stipulates certain requirements relation to, among others things, the signing of labour contracts between enterprises and employees, dissolving labour contracts, the payment of remuneration and compensation as well as the employee social insurance. In addition, 中華人民共和國勞動合同法 (PRC Labour Contract Law*) requires employers to provide remuneration packages which are not lower than the respective local minimum standards.

Our Directors consider that the implementation of 中華人民共和國勞動合同法 (PRC Labour Contract Law*) has not given rise to any material and adverse impact on the operations and businesses of our Group as the remuneration package we offered our staff is in general higher than the respective minimum standards prescribed by the local authorities and the terms of the labour contracts we entered into with our employees are on terms no less exacting than those prescribed by 中華人民共和國勞動合同法 (PRC Labour Contract Law*).

Our Directors confirm that we had complied with all requirements of the human resources management under 中華人民共和國勞動合同法 (PRC Labour Contract Law*) during the Track Record Period.

Share Option Scheme

We have conditionally adopted the Share Option Scheme whereby such selected classes of participants (as more particularly described in Appendix V to this prospectus) may be granted options to subscribe for Shares at the discretion of the Board. The principal terms of the Share Option Scheme are summarised under the paragraph headed "Share Option Scheme" in Appendix V to this prospectus.

COMPLIANCE ADVISER

We will appoint ICBC International as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise us in the following circumstances:

- before the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction, is contemplated including shares issues and shares repurchases;

- where we propose to use the proceeds of the Share Offer in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate, or other information in this prospectus; and

- where the Stock Exchange makes an inquiry of us regarding unusual movements in the price or trading volume of our Shares.

The term of the appointment shall commence on the Listing Date and end on the date on which we distribute our annual report in respect of our financial results for the first full financial year commencing after the Listing Date and such appointment may be subject to extension by mutual agreement.

INTEREST DISCLOSEABLE UNDER THE SFO AND SUSBSTANTIAL SHAREHOLDERS

So far as is known to our Directors, immediately following completion of the Share Offer and Capitalisation Issue (but without taking into account of any Shares which may be taken up under the Share Offer or any Shares which may be allotted and issued upon the exercise of the Over-allotment Option and the options to be granted under the Share Option Scheme), the following persons will have an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of our Group:

Name	Company/ Name of Group member	Capacity	Class and number of securities	Approximate percentage of shareholding
Mr. Shao *(Note 1)*	Our Company	Beneficial owner	300,000,000 Shares (L)	75%
ZHOU Shao-min (周少敏) *(Note 2)*	Our Company	Interest of spouse	300,000,000 Shares (L)	75%

Notes:

1. Subject to any borrowing arrangement which may be effected under the Stock Borrowing Agreement, 300,000,000 Shares will on the Listing Date be beneficially owned by Mr. Shao.

2. Madam Zhou Shao-min is the spouse of Mr. Shao and is accordingly deemed to be interested in all the Shares owned by Mr. Shao.

RESTRICTIONS ON DISPOSAL OF SHARES

Pursuant to Rule 10.07(1) of the Listing Rules, Mr. Shao has undertaken to our Company, the Stock Exchange, the Sponsor and the Lead Manager (for itself and on behalf of the Underwriters) that, save as pursuant to the Share Offer, they will not and will procure the relevant registered holder not to:

(i) except pursuant to the Stock Borrowing Agreement, in the period commencing from the date of this prospectus and ending on the date which is six months from the Listing Date (the "**First Six-Month Period**"), dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares (or any interest therein) in respect of which he is shown in this prospectus to be the beneficial owner immediately after completion of the Share Offer; and

(ii) in the period of six months commencing on the date falling the expiration of the First Six-Month Period, dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, the Shares (or any interest therein) in respect of which he is shown in this prospectus to be the beneficial owner if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, taken as a whole would cease to be a controlling Shareholder.

Mr. Shao has also undertaken to our Company and the Stock Exchange that, within the 12 months from the Listing Date, he will:

(i) when he or the registered owner pledges or charges any securities or interests in the securities of our Company beneficially owned by him, whether directly or indirectly, in favour of an authorised institution pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform our Company of such pledge or charge together with the number of securities so pledged or charged; and

(ii) when he receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged securities or interests in the securities of our Company will be disposed of, immediately inform our Company of such indications.

Our Company will inform the Stock Exchange as soon as practicable after it has been informed of the matters referred to in (i) or (ii) above by Mr. Shao and disclose such matters by way of an announcement in compliance with the Listing Rules.

SHARE CAPITAL

The following table is prepared on the basis that the Share Offer becomes unconditional. This table does not take into account Shares which may be issued upon the exercise of the Over-allotment Option and any options may be granted under the Share Option Scheme.

Authorised share capital:

		HK$
8,000 million	Shares	80 million

Shares in issue or to be issued, paid-up or credited as fully paid:

8 million	Shares in issue	80,000
292 million	Shares to be issued under the Capitalisation Issue	2,920,000
100 million	Shares to be issued pursuant to the Share Offer (before any exercise of the Over-allotment Option)	1,000,000
400 million	Shares (Note)	4,000,000

Note: If the Over-allotment Option is exercised in full, 15,000,000 additional Shares will be issued resulting in an aggregate of 415,000,000 Shares to be in issue.

Ranking

The New Shares will rank pari passu in all respects with all Shares in issue and/or to be allotted and issued and will qualify for all dividends or other distributions hereafter declared, paid or made on our Shares.

General mandate given to our Directors to issue new Shares

Subject to the Share Offer becoming unconditional, a general unconditional mandate has been granted to our Directors to allot, issue and deal with Shares with an aggregate nominal value of not more than the sum of:

- 20% of the aggregate nominal amount of the Shares in issue immediately following completion of the Share Offer (excluding the Shares which may be issued pursuant to the exercise of the Over-allotment Option or the exercise of options that may be granted under the Share Option Scheme), and

- the aggregate nominal amount of the Share repurchased by our Company under the authority referred to under the paragraph headed "General mandate given to our Directors to repurchase our Shares" in this section below.

This mandate does not apply to situations where our Directors allot, issue or deal with the Shares under a rights issue, scrip dividend schemes or similar arrangements providing for the allotment and issue of the Shares in lieu of whole or part of a dividend in accordance with the Articles or pursuant to the exercise of any subscription or conversion rights attaching to any warrants or any securities which are convertible into Shares or in issue prior to the date of the passing of the relevant resolution, or the Shares to be issued upon the exercise of options to be granted under the Share Option Scheme.

This mandate will expire:

- at the end of our Company's next annual general meeting; or
- at the end of the period within which our Company is required by any applicable laws or the Articles to hold its next annual general meeting; or
- when varied or revoked by an ordinary resolution of the Shareholders in general meeting,

whichever is the earliest.

Particulars of this general mandate are set forth under the paragraph headed "Resolutions in writing of the sole Shareholder passed on 24 August 2009" in Appendix V to this prospectus.

GENERAL MANDATE GIVEN TO OUR DIRECTORS TO REPURCHASE OUR SHARES

Subject to the Share Offer becoming unconditional, a general unconditional mandate has been granted to our Directors to exercise all the powers of our Company to repurchase Shares with an aggregate nominal value of up to 10% of the aggregate nominal amount of our Shares in issue immediately following completion of Share Offer (excluding the Shares which may be issued pursuant to the exercise of the Over-allotment Option or the exercise of options that may be granted under the Share Option Scheme).

This mandate only relates to repurchases made on the Main Board, or on any other stock exchange on which our Shares are listed (and which are recognised by the SFC and the Stock Exchange for this purpose), and which are in accordance with the Listing Rules. A summary of the relevant Listing Rules are set forth under the paragraph headed "Repurchase by the Company of its own securities" in Appendix V to this prospectus.

This mandate will expire:

- at the end of our Company's next annual general meeting; or
- at the end of the period within which our Company is required by any applicable laws or the Articles to hold its next annual general meeting; or
- when varied or revoked by an ordinary resolution of the Shareholders in general meeting,

whichever is the earliest.

Particulars of this general mandate are set forth under the paragraph headed "Resolutions in writing of the sole Shareholder passed on 24 August 2009" in Appendix V to this prospectus.

SELECTED FINANCIAL INFORMATION

The following tables present the selected financial information of our Group for the years/periods indicated. The selected combined income statements and combined cash flow statements of our Group for each of the three financial years ended 31 December 2008 and for each of the three months ended 31 March 2008 and 2009, and the selected combined balance sheet information of our Group as of 31 December 2006, 2007 and 2008 and 31 March 2009, have been extracted from the accountants' report on our Company, prepared in accordance with IFRSs issued by the International Accounting Standards Board throughout the Track Record Period, the text of which is set forth in Appendix I to this prospectus. Historical results are not necessarily indicative of results for any future period. For further information regarding the basis of presentation of our Group's selected financial information, please refer to the accountants' report set out in Appendix I to this prospectus.

TRADING RECORD DURING THE TRACK RECORD PERIOD

The following table summarises our combined results for the Track Record Period which are extracted from the accountants' report set out in Appendix I to this prospectus, and also illustrates certain items in our combined income statement expressed as a percentage of turnover for the Track Record Period:—

	Years ended 31 December						Three months ended 31 March			
	2006		2007		2008		2008		2009	
	RMB'000	*% of turnover*	*RMB'000*	*% of turnover*	*RMB'000*	*% of turnover*	*RMB'000* (Unaudited)	*% of turnover*	*RMB'000*	*% of turnover*
Turnover	231,302	100.0	281,085	100.0	347,825	100.0	65,105	100.0	60,022	100.0
Cost of sales	(107,114)	(46.3)	(117,443)	(41.8)	(142,839)	(41.1)	(30,596)	(47.0)	(36,325)	(60.5)
Gross profit	124,188	53.7	163,642	58.2	204,986	58.9	34,509	53.0	23,697	39.5
Other revenue	75	0.0	355	0.1	1,743	0.5	48	0.1	2,470	4.1
Other net income/(loss)	79	0.0	(135)	(0.0)	(514)	(0.1)	(125)	(0.2)	16	0.0
Selling and distribution expenses	(35,918)	(15.5)	(51,502)	(18.3)	(72,390)	(20.8)	(18,517)	(28.4)	(18,117)	(30.2)
Administrative and other operating expenses	(46,937)	(20.3)	(62,916)	(22.4)	(77,393)	(22.3)	(18,703)	(28.7)	(18,771)	(31.3)
Profit/(loss) from operations	41,487	17.9	49,444	17.6	56,432	16.2	(2,788)	(4.2)	(10,705)	(17.9)
Finance costs	(51)	(0.0)	—	0.0	—	—	—	0.0	(171)	(0.3)
Share of profit/(loss) of an associate	—	0.0	498	0.2	861	0.2	(654)	(1.0)	(57)	(0.1)
Share of loss of a jointly controlled entity	—	0.0	(382)	(0.1)	(290)	(0.1)	(196)	(0.3)	(26)	(0.0)

	Years ended 31 December						Three months ended 31 March			
	2006		2007		2008		2008		2009	
	RMB'000	*% of turnover*	*RMB'000*	*% of turnover*	*RMB'000*	*% of turnover*	*RMB'000* (*Unaudited*)	*% of turnover*	*RMB'000*	*% of turnover*
Profit/(loss) before taxation	41,436	17.9	49,560	17.7	57,003	16.3	(3,638)	(5.5)	(10,959)	(18.3)
Income tax	(5,486)	(2.4)	(7,760)	(2.8)	(11,985)	(3.4)	(294)	(0.5)	1,242	2.1
Profit/(loss) for the year/period	35,950	15.5	41,800	14.9	45,018	12.9	(3,932)	(6.0)	(9,717)	(16.2)
Profit/(loss) attributable to equity shareholders	35,950	15.5	41,800	14.9	45,018	12.9	(3,932)	(6.0)	(9,717)	(16.2)

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

You should read the following discussion and analysis of our Group's business, financial condition and results of operations in conjunction with our combined financial information as at and for each of the three financial years ended 31 December 2008 and each of the three months ended 31 March 2008 and 2009 and the accompanying notes thereto, the text of which is set forth in the accountants' report in Appendix I to this prospectus. The following discussion and analysis contains certain forward-looking statements and information that involve substantial risks and uncertainties. Our future results could differ materially from those stated in any forward-looking statements and information contained in this section and this prospectus. For additional information regarding these risks and uncertainties, please refer to the section headed "Risk factors" in this prospectus.

Overview

Our Group is a media company, aspiring to be a cultural and lifestyle media platform for the elites in the greater China region, and is principally engaged in the operation of the Magazines in Hong Kong and the PRC, including the publication of, and the sale of advertising spaces in, "號外" (City Magazine) in Hong Kong and the provision of content production, consultation, management, advertising and other supporting services to, marketing and distribution of, and the sale of advertising spaces in, the PRC Magazines in the PRC, to provide integrated marketing solutions to our advertising customers.

Currently, our Group publishes "號外" (City Magazine), a magazine with a publication history of over 30 years, in Hong Kong and through the PRC Operational Entities, operates seven magazines in the PRC, namely "週末畫報" (Modern Weekly), "優家畫報" (U+ Weekly), "新視綫" (The Outlook Magazine), "汽車生活" (Auto Life), "健康時尚" (LOHAS), "生活月刊" (Life Magazine) and "大都市" (Metropolis). Pursuant to the cooperation agreements entered into between Guangzhou Modern Information and the PRC Publishing Partners, we are responsible for providing content production, consultation, management, advertising and other supporting services, and in return we have obtained the exclusive rights for the sale of advertising spaces in and the distribution of the PRC Magazines. Among the Magazines, "週末畫報" (Modern Weekly) is the most successful publication in terms of the contribution of our advertising revenue and is one of a few leading nation-wide weekly magazines in the PRC. Our Group and the Magazines have obtained a number of awards and recognitions from recognised organisations. In 2009, Guangzhou Modern Information was awarded as one of the 2008－2009 年度中國十大最具投資合作價值傳媒產業公司 (Top 10 China Media Company Most Worth Investing in and Cooperating with in 2008 - 2009*) granted by 傳媒雜誌社 (Chuanmei Magazine Society*) at 2009 中國傳媒產業經營管理論壇 (China Media Product Operation and Management Forum 2009*). Details of awards and recognition please refer to the subsection headed "Major awards and recognition" under the section headed "Business" to this prospectus.

We consider that the Magazines have a wide spectrum of readers with the majority of them belonging to the growing middle class in the PRC and ranging from affluent entrepreneurs and corporate decision makers to educated elites with high purchasing power and disposable income. According to 中國國家統計局 (The National Bureau of Statistics of China*), domestic household income in the PRC has increased markedly in recent years. Per capita annual income of the middle income households of China has increased by 11.8% and 17.4% in 2006 and 2007 respectively while the per capita annual income of the highest income households has also increased by 11.5% and 14.9% in 2006 and 2007 respectively. Furthermore, population of college and higher education level in China has increased from approximately 55.5 million in 2002 to approximately 73.2 million in 2007, i.e., from approximately 4.7% of the total population in 2002 to approximately 6.6% of the total population in 2007. With such a niche readership who aspire to high quality living standards and our platform of multi-segmented magazines portfolio, we have successfully attracted a group of eminent advertising clientele comprising internationally renowned brands of leisure and luxurious products to place advertisements in the Magazines.

We pride ourselves in the provision of quality contents to an array of diversified lifestyle magazines with international vision that provides our advertising customers, which comprise mainly international advertising agencies and brand advertisers, a comprehensive advertising platform and marketing solutions with well-defined demographic segmentation through our close monitoring in content production, artwork and photographical design, quality of printing as well as designing various value-added advertising services. Our Directors consider that the success of our Group is attributable to, among other things, our distinctive business philosophy and corporate culture, experienced management team in innovative publication practices, dedicated and experienced execution teams contributing creative ideas for the production of the Magazines and the provision of value-added advertising services, well-established relationship with our advertising customers, wide distribution network and the effective marketing channels in promoting our integrated marketing solutions.

Leveraging on our established media platform in Hong Kong and the PRC, we believe that with our successful business operation model, dedication to high quality lifestyle magazines and differentiated advertising services, we are well-positioned to compete with other competitors and capture the market potential of the growing media market in the PRC. Our Group aims to strengthen our leading market position in the lifestyle magazine sector in the PRC by continuing the production of literary and culturally influential magazines in the PRC with creative and quality contents and international vision, and expand the portfolio of magazines we produce in the PRC by cooperation with additional PRC Publishing Partners in the future to expand our readership base and provide value-added advertising services and integrated marketing solutions to our advertising customers. Please refer to the paragraph headed "Business strategies" in the section headed "Business" in this prospectus, for details of the business strategies we aim to implement to maintain and consolidate our leading position.

Under the prevailing laws and regulations in the PRC, companies with foreign ownership are restricted from engaging in the publishing business in the PRC. As such, we rely on the PRC Operational Entities to conduct certain parts of our businesses in the PRC. Though none of the members in our Group have any direct equity holding in any of the PRC Operational Entities, we manage to maintain an effective control over the financial and operational policies of these PRC Operational Entities through the Contractual Arrangements (entered into among Zhuhai Technology, Mr. Shao, Modern Media (HK) (where applicable) and the PRC Operational Entities on 24 August 2009) which effectively transfer the economic benefits and pass the risks associated therewith of the PRC Operational Entities to our Company, and as a result, the PRC Operational Entities have been consolidated as subsidiaries of our Company from their respective dates of acquisition or establishment by Mr. Shao and/or entities controlled by him.

During the Track Record Period, the revenue generated from the PRC Operational Entities amounted to approximately RMB183.1 million, RMB230.4 million, RMB303.2 million for each of the three years ended 31 December 2008 and RMB56.9 million for the three months ended 31 March 2009 respectively, representing approximately 79.2%, 82.0%, 87.2% and 94.8% of our total revenue for the relevant periods, respectively. Furthermore, the net profit derived from the PRC Operational Entities amounted to approximately RMB34.9 million, RMB42.2 million and RMB46.1 million for each of the three years ended 31 December 2008, representing approximately 97.2%, 101.0% and 102.3% of our total net profit for the relevant period respectively. As some of our Group's equity-held subsidiaries recorded slight losses in 2007 and 2008, the net profit derived from the PRC Operational Entities was slightly more than the combined net profit of our Group for each of the two years ended 31 December 2008, which was approximately RMB41.8 million and RMB45.0 million respectively. For the three months ended 31 March 2009, the net loss derived from the PRC Operational Entities amounted to approximately RMB3.6 million, representing approximately 37.0% of our net loss for the three months ended 31 March 2009.

Impact of the recent global financial turmoil on our Group

The global financial turmoil at the end of 2008 has adversely affected the economy of the US, European countries and the PRC. Following the outburst of the global financial turmoil, our Directors observed that our advertising customers, including advertising agencies and brand advertisers, had temporarily scaled down their promotional activities and advertising spending substantially for the first quarter of 2009 compared with that of the first quarter of 2008 in view of the obscure economic conditions. Further aggregated by the advertisement patterns in the PRC as more particularly described under the paragraph headed "Seasonal trend of advertising expenditures of lifestyle magazines in the PRC" in this section, our Group recorded a declined turnover of approximately RMB60.0 million and a net loss of approximately RMB9.7 million for the three months ended 31 March 2009. Our Directors believe that the decrease in the promotional activities and advertising spending of our advertising customers was transient and will likely revert to the normal level in the second half of 2009 in view of the resurgent performance in the general economy, in particular the consumer market of the PRC and the economic stimulus plans implemented or to be carried out by the PRC government. According to an analysis dated 17 July 2009 concluded by The National Bureau of Statistics of China on 社會消費品零售總額 (The Total Retail Sales of Social Consumer Goods*), the total sales volume of the social consumer goods in the PRC recorded an amount of approximately RMB5,871.1 billion for the first half of the year 2009, which represented a growth of approximately 15.0% when compared with that for the same period of year 2008.

Basis of the preparation and presentation of financial information

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 8 March 2007. Prior to the Listing, our Group comprising our Company and all our subsidiaries and the PRC Operational Entities underwent the Reorganisation including the entering of all the agreements constituting the Contractual Arrangements. Details of the Reorganisation are set out under the paragraph headed "Reorganisation" in Appendix V to this prospectus.

As extracted from section A of the accountants' report set out in Appendix I to this prospectus, our combined income statements, combined statements of comprehensive income, combined statements of changes in equity and combined cash flow statements of our Group have been prepared on a combined basis and include the results of operations of the companies now comprising our Group for the Track Record Period (or where the companies were acquired/incorporated/established at a date later than 1 January 2006, for the period from the date of acquisition/incorporation/establishment to 31 March 2009) as if the current group structure had been in existence throughout the entire Track Record Period. The combined balance sheets of our Group as at each of 31 December 2006, 2007 and 2008 and 31 March 2009 have been prepared to present the state of affairs of the companies comprising our Group as at those dates as if the current group structure had been in existence as at those dates or since their respective dates of acquisition/incorporation/establishment where they did not exist at those dates. All material intra-group transactions and balances have been eliminated on combination.

Under the prevailing laws and regulations in the PRC, companies with foreign ownership are restricted from engaging in the publishing business in the PRC. As such, we rely on the PRC Operational Entities to conduct certain parts of our businesses in the PRC. Though none of the members in our Group have any direct equity holding in any of the PRC Operational Entities, we manage to maintain an effective control over the financial and operational policies of these PRC Operational Entities through the Contractual Arrangements (entered into among Zhuhai Technology, Mr. Shao, Modern Media (HK) (where applicable) and the PRC Operational Entities on 24 August 2009) which effectively transfer the economic benefits and pass the risks associated therewith of the PRC Operational Entities to our Company, and as a result, the PRC Operational Entities have been consolidated as subsidiaries of our Company from their respective dates of acquisition or establishment by Mr. Shao and/or entities controlled by him. Accordingly, the financial results and positions of the PRC Operational Entities have been combined into our Group since their respective dates of establishment.

Major factors affecting our Group's results of operations and financial condition

Our Group has recorded satisfactory results for the Track Record Period and our Directors believe that by implementing our business strategies as detailed under the paragraph headed "Business strategies" in the section headed "Business" in this prospectus, our Group will continue to be one of the leading media groups in the PRC by provision of an array of high quality Chinese-language lifestyle magazines with international vision that provides our advertising customers with a comprehensive advertising services platform and integrated marketing solutions with well-defined demographic segmentations. However, potential investors should be aware of the following factors which we consider may affect our results of operations and financial conditions and the period-to-period/year-to-year comparability of our results of operations.

Change of overall global economic conditions, particularly for the PRC and Hong Kong, which affect the advertising and marketing expenditure and budgets of our brand advertisers

Our major source of revenue is derived from the sale of advertising spaces in the Magazines, which accounted for approximately 94.7%, 94.4%, 94.1% and 90.5% of our Gross Revenue during the Track Record Period. As such, our Directors consider that the financial performance of our Group is largely driven by the overall economic conditions in the PRC and Hong Kong as reflected by its consumer spending, personal disposable income and household income. For instance, according to the National Bureau of Statistics of China, per capita annual income of the middle income households of China has increased by 11.8% and 17.4% in 2006 and 2007 respectively while the per capita annual income of the highest income households has also increased by 11.5% and 14.9% in 2006 and 2007 respectively. Due to the strong personal disposable income growth and the rising living standards in the PRC in the recent years, the demand for our brand advertisers' leisure and luxury products, such as fashions, gadgets, automotives, watches, branded accessories, is expected to continue to rise in the future and will eventually fuel the growth in estimated gross advertising expenditures on our target advertising platform for leisure and luxury products, including Chinese-language lifestyle magazines in the PRC.

Following the outburst of global economic downturn in the last quarter of the year 2008, the global financial market has experienced significant deterioration and volatility recently, which have had negative repercussions on the global economy. However, the economic turmoil did not have a material impact on our Group's financial results for the three financial years ended 31 December 2008 since, to the best knowledge of our Directors, most of our major advertising customers usually planned their annual budget for the purchase of advertising spaces at the beginning of each year and our Directors noted that there was no significant decrease in the orders from advertising customers during the last quarter of the year 2008. However, our Directors observed that our advertising customers temporarily scaled down their promotional activities and advertising spending for the three months ended 31 March 2009 because the first quarter of each year was the traditional slack season of the luxury and leisure consumer goods market in the PRC and coupled with the then obscure economic conditions. As such, we experienced a decrease in our advertising income from approximately RMB65.1 million for the three months ended 31 March 2008 to approximately RMB59.2 million for the three months ended 31 March 2009. In the meanwhile, the launching of "優家畫報" (U+ Weekly) in December 2008 had increased the capacities of our advertising spaces and diversified our readership and advertising customers. Our new revenue generated from "優家畫報" (U+ Weekly) had partially offset the aforementioned negative effects of the global financial turmoil. Our total number of advertising spaces sold decreased from approximately 1,300 pages for the three months ended 31 March 2008 to approximately 1,100 pages for the three months ended 31 March 2009.

As a strategy to attract our advertising customers to keep placing advertisements in our Magazines, we offered more incentive packages to our selected advertising customers during the first quarter of the year 2009 when compared with that for the same period of last year. As such, there was a slightly downward adjustment on the average unit selling price of our advertising spaces from approximately RMB55,000 per page for the year ended 31 December 2008 to approximately RMB54,000 per page for the three months ended 31 March 2009.

In response to the tough market conditions, our management has come up with certain cost restructuring activities such as restructuring our back office supporting functions and modifying the remuneration package of our senior management during the three months ended 31 March 2009. With these measures, we successfully maintained our selling and distribution expenses as well as the administrative and other operating expenses for the three months ended 31 March 2009 at a similar level as compared to that for the three months ended 31 March 2008, despite the fact that the scale of operation of our Group has been increased as we expanded the portfolio of our Magazines. However, as a result of the decrease in advertising income and stable operating costs, our Group recorded an increase in the net loss from approximately RMB3.9 million for the three months ended 31 March 2008 to approximately RMB9.7 million for the three months ended 31 March 2009.

In order to capture the anticipated recovery of consumer markets in the PRC, our Group further extended incentive packages to our selected advertising customers in the second quarter of the year 2009 with a view to enlarging our market share. Although there was a downward adjustment in our average selling price of advertising spaces from approximately RMB54,000 per page for the three months ended 31 March 2009 to approximately RMB49,000 per page for the three months ended 30 June 2009, we recorded an increase in the number of our advertising spaces sold from approximately 1,100 pages for the three months ended 31 March 2009 to approximately 1,600 pages for the three months ended 30 June 2009 and our unaudited advertising revenue for the three months ended 30 June 2009 increased to approximately RMB78.2 million when compared to that for the three months ended 31 March 2009 of approximately RMB59.2 million. In this connection, our Group recorded an improvement in operating results from net loss of approximately RMB9.7 million for the three months ended 31 March 2009 to the unaudited net loss of approximately RMB0.3 million for the three months ended 30 June 2009 which included a loss on disposal of an associate of approximately RMB1.5 million that was non-recurring in nature.

Apart from a decrease in the demand for leisure and luxury consumer goods, the global financial crisis also resulted in global credit tightening and the deteriorating situation exacerbated the liquidity and credit crunch. Our Directors believe that such liquidity and credit crunch has affected the availability of banking facilities and bank borrowings for the commercial sectors in the PRC. Our Directors confirm that our Group has not received any notification from our banker regarding early repayment of outstanding bank borrowings or request for placement of pledges for secured bank borrowings as a result of the economic downturn since the last quarter of the year 2008. Also, as of the Latest Practicable Date, our Group had neither encountered major difficulties in securing and/or borrowing bank loan, nor was charged an exceptionally high interest rate on the bank loan. However, in the event that there is a request for early repayment of our outstanding bank loans by our banker and our Group cannot arrange any alternative credit facility with other financial institutions on a timely basis, it may adversely affect our Group's cash-flow, business operation and profitability position.

Our Directors believe that, although the timing of general recovery of the global economy is still uncertain, with the continuing improvement in the overall economy of the PRC and Hong Kong and the gradual liberalisation of the PRC's publication industry as a result of the PRC's membership in the World Trade Organisation, it is expected that there will be an enormous growth potential for Chinese lifestyle magazine advertising market in the PRC and Hong Kong.

Our ability to provide our advertising customers with value-added advertising services and integrated marketing solutions

The diversified portfolio of weekly and monthly magazines currently promoted under our corporate brand "Modern Media" enable our Group, not only to cross-sell our advertising customers to incrementally place advertisements in the other magazines we currently operate, but also to provide value-added advertising services and integrated marketing solutions to our advertising customers such as creative content design services, event management and joint promotion events. Together with the international exposure of our management personnel, and provision of cross-selling platform, our Group is able to promptly identify differing market niche and to formulate tailor made advertising strategies that best suit the needs of our advertising customers.

Our Directors believe that we are able to take advantage of our brand recognition in promoting ourselves among our existing and perspective advertising customers, thereby boasting their confidence in our value-added advertising services and integrated marketing solutions which ultimately will fuel the growth of our revenue. During the three financial years ended 31 December 2008, our advertising income increased by approximately 22.8% and 24.4% from year 2006 to year 2007 and from year 2007 to year 2008 respectively. Such strong and solid business platform further enables our Group to leverage for future development of new business titles and advertising business in the first and second tier cities in the PRC.

Our pricing policy

The selling price for advertising spaces is charged according to the per unit price, which is mainly determined on the basis of the size and location of the advertisement spaces in the magazine booklet as set out in the rate card for each of the Magazines, and which will be reviewed and updated by our Group's management annually with reference to our competitors' pricing strategies, the market conditions and the growth of our readership base of the respective Magazines. As a general practice in the media industry in the PRC, we offer various discounts and incentives on the sale of advertising spaces to advertising customers based on a number of factors, including: (a) the length of business relationship between the relevant advertising customer and us; (b) the credit terms requested by the advertising customers; and (c) the frequency of the placement of advertisements in the Magazines. Such incentives, which mainly in the form of additional free advertising spaces offered to our selected advertising customers and effectively as an extra sales discount, are recognised in the income statement when they are used during the sales of advertising spaces and the value of which is determined on a contract-by-contract basis. During the Track Record Period, the average unit selling price of our advertising spaces sold increased from approximately RMB50,000 per page for the year ended 31 December 2006 to approximately RMB53,000 per page for the year ended 31 December 2007 and further increased to approximately RMB55,000 per page for the year ended 31 December 2008 and then downwardly adjusted to approximately RMB54,000 for the three months ended 31 March 2009 as a result of the global economic downturn. Our Directors consider that our Group's ability to charge our clients at rates favorable to us will also depend on our ability to continue to meet the needs of our advertising customers by providing value-added advertising services and integrated marketing solutions. Our ability to anticipate and respond to consumer tastes and preferences for advertising, which tend to change quickly and frequently, is vital to our Group for the provision of quality and value-added advertising services and integrated marketing solutions to our advertising customers which drive our revenue and affect our financial performance.

Our marketing effort

Our Directors believe that our corporate brand "Modern Media" and the Magazines are the most important elements in attracting more advertising customers to purchase our advertising spaces and advertising related services. During the Track Record Period, we focused our marketing efforts to arouse market awareness of our corporate brand "Modern Media" and the Magazines and to promote the influential effect of the Magazines in the high quality Chinese-Language lifestyle magazines market in the greater China region by means of placing mass media promotion, sending complimentary copies of the Magazines, holding marketing events including award ceremonies, seminars, forums and cultural exhibitions, and actively identifying and meeting with our major customers on a regular basis in order to maintain a good relationship and seek business opportunities in the future. Our advertising and promotion expenses incurred during the Track Record Period were approximately RMB13.5 million, RMB22.6 million, RMB37.2 million and RMB7.5 million respectively, representing approximately 37.6%, 43.8%, 51.4% and 41.5% of our sales and distribution expenses for the respective periods.

Our readership base

Our Directors believe that a loyal and well-segmented readership base is a critical factor in attracting our advertising customers to purchase advertising spaces of the Magazines. We believe our readership base has developed primarily through word-of-mouth as a result of pleasant and satisfying reading experience. Our Group has set up various readers' clubs for the Magazines to solicit comments and recommendations from the target readers, thereby improving the presentation of the Magazines and advertisements to be placed in the Magazines, and to keep track of the subscription and circulation records of the Magazines in order to identify their readership patterns including the amount of sales in various locations and the age range or educational background of the readers. The marketing team will then analyse such information and formulate appropriate marketing strategies for different target groups in order to promote our corporate brand "Modern Media" and the Magazines further. As a result, our Directors consider that if the Magazines cannot keep pace with the taste of readers, it will adversely affect the operations and financial results of our Group.

Market competition

Competition in the fast-growing Chinese-language lifestyle magazine market in the PRC will become more acute when more new Chinese-language lifestyle magazines enter the market and demand for advertisements becomes more balanced. According to the GAPP, there are a total of about 9,500 periodicals and 1,900 newspapers in issue in 2008. As competitive pressures increase, our Directors believe that the ability to compete on the basis of price, enhancement of our brand recognition and establishment of loyal readership base in the near future can further enhance our Group's competitiveness in the lifestyle magazine market in the PRC.

Our Directors believe that our Group's major competitors were media firms and their publication circulated in the PRC, and to lesser extent we also competed indirectly with other advertising platforms providers, such as internet advertising platform provider, newspapers and television channels, who targeted the similar customers segments of our Group. Our Directors believe that given our leading market position in the nation-wide lifestyle magazines sector in the PRC and effective implementation of the abovementioned policies in pricing, brand building and maintenance of readership during the Track Record Period, the extent of competition did not have a material adverse effect on our operating results for the Track Record Period. In addition, our Directors believe that competition increases as the generic growth of our existing competitors and increase in the number of competitors in the future. Our revenue and operating margin might be negatively affected as our existing and potential new competitors aggressively pursue their business plan.

Seasonal trend of advertising expenditures of lifestyle magazines in the PRC

To the knowledge of our Directors, advertising expenditures in the PRC traditionally demonstrated only a mild seasonal fluctuation, with generally higher demand for advertisements and hence more advertising expenditures in the second half of each year. This is mainly due to the fact that advertising customers tend to expand their advertising campaigns and increase advertising expenditures in the second half of each year to boost sales performance in order to meet their annual sales targets. Our Directors also consider that our circulation revenue and advertising revenue are sensitive to local customer spending pattern, as our advertising customers are likely to place advertisements according to such seasonal shopping or spending patterns. Also, the Chinese New Year holidays in the first half of each year are the traditional slack season for magazines industry as advertising customers tend to withhold and avoid launching large-scale printed advertisements in magazines as readers traditionally leave the cities in which they work and go back to their home towns for festival celebration. As a result, our Group generally records higher revenue in the second half as compared to the first half of each year. In general, our revenue generated in the first half of the year accounted for approximately 40% while the revenue generated in the second half of the year accounted for approximately 60% of our total revenue, respectively.

Our cost of sales

Our Group's major cost of sales component is the printing costs which included the fees payable to the printers for provision of printing services and paper supply for the printing of the Magazines. Printing costs accounted for approximately 54.4%, 48.9%, 50.4% and 51.0% of our Group's total cost of sales for each of the three years ended 31 December 2008 and for the three months ended 31 March 2009, respectively.

It is the policy of our Group to identify various potential printers according to the amount of publication estimated, and to communicate with those potential printers on our Group's publications, demands and printing criteria. Having negotiated with the target printers on the prices and terms of printing, our Group will enter into contracts with the selected printers for the upcoming printing services and the supply of the printing papers. Our Directors believe that the printers tend to have a stronger bargaining power in sourcing printing papers due to economy of scales. Currently, we engage two printers in the PRC and one in Hong Kong for the printing of the Magazines and we have entered into a two-year's agreement from 2008 to 2010 with the two printers in the PRC; and entered into a one-year's agreement from 2009 to 2010 with the printer in Hong Kong, in respect of the printing services and paper supply for the Magazines. Recognising the importance in controlling cost of sales, as well as the printing quality of the Magazines, we chose these printers based on various criteria, such as the printing quality, delivery time and pricing. Our Group's production team monitors the entire printing process to ensure that the printing quality is up to the standards required by us.

Level of income tax and preferential tax treatment

Prior to the Fifth Plenary Session of the Tenth National People's Congress passing the new EIT Law which became effective on 1 January 2008, EIT on enterprise established in the special economic zones in the Guangdong Province of the PRC shall be levied at the rate of 15%. Our Group's operations established in Zhuhai and Shenzhen were subject to EIT of 15% before 1 January 2008. Furthermore, as approved by 珠海市高新技術開發區國家税務局 (National Tax Bureau of High-Tech Development Zone of Zhuhai City*), Zhuhai Technology is also entitled to full exemption from EIT for the first two years and a 50% reduction in EIT for the next three years, commencing from its first profitable year (after deducting losses carried forward) in 2008.

However, after the implementation of the new EIT Law with effect from 1 January 2008, the standard rate of EIT on most domestic enterprises and foreign invested enterprises has been prescribed at 25% and enterprises which were established before 16 March 2007 and which had enjoyed a lower EIT rate according to the provisions of the tax laws and administrative regulations previously in force may continue to enjoy such preferential tax treatment for a period of five years following the effective date of the new EIT Law (i.e. 1 January 2008), but the rate of EIT will progressively increase to 18%, 20%, 22%, 24% and 25% in 2008, 2009, 2010, 2011 and 2012 respectively.

In addition, certain members of the PRC Operational Entities enjoyed certain tax benefits during the Track Record Period pursuant to the tax circular (94)財税字第001號《關於企業所得税若干優惠政策的通知》((94) Cai Shui Zi No. 001 regarding certain preferential EIT policies*): (i) Shanghai Gezhi was entitled to full exemption from EIT for two years from 1 January 2007 to 31 December 2008, (ii) Beijing Yage Zhimei was entitled to full exemption from EIT for one year from 1 January 2007 to 31 December 2007 and (iii) Shenzhen Yage Zhimei was entitled to full exemption from EIT for two years from 1 January 2005 to 31 December 2006. Please refer to Appendix I to this prospectus for the details of the tax benefits enjoyed by our subsidiaries in the PRC and the PRC Operational Entities and the EIT rates applicable to these entities during the Track Record Period.

If the PRC authorities further amend or promulgate new laws or regulations which prescribe a higher standard EIT rate or introduce any change to the tax preferential treatment which our Subsidiaries in the PRC and the PRC Operational Entities currently enjoy, our profit after taxation and financial position may be materially and adversely affected.

CRITICAL ACCOUNTING POLICIES AND PRACTICES

The discussion and analysis of our operating results and financial condition are based on our audited combined financial information, which have been prepared in accordance with IFRSs. Our operating results and financial condition are sensitive to the accounting methods, assumptions and estimates that underlie the preparation of the financial information. The assumptions and estimates are based on our industry experience and on various other factors, including our Directors' expectations of future events that they believe to be reasonable. Our management evaluates these estimates on an ongoing basis. Actual results may differ from these estimates as facts, circumstances and conditions change or as a result of different assumptions.

Our management considers the following factors in reviewing our combined financial information:

- the selection of critical accounting policies; and
- the estimates and other uncertainties affecting the application of those critical accounting policies.

The selection of critical accounting policies, the estimates and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing our audited combined financial information. Our significant accounting policies are summarised in note 1 of section C of the accountants' report set out in Appendix I to this prospectus. We believe the following critical accounting policies and practices do not involve a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. There is no change in our Group's accounting policies during the Track Record Period. It is our policy for our Directors to review and evaluate the basis of our Group's accounting policies regularly so as to determine whether the accounting policies are still applicable to the then business operations of our Group and update our Group's accounting policies if and when necessary.

Revenue recognition

Provided it is probable that the economic benefits will flow to our Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the profit or loss as follows:

(i) *Advertising income*

Revenue is measured at the fair value of considerations received or receivable. Revenue from advertising contracts, net of business tax and related surcharge, are recognised upon the publication of the Magazines in which the advertisement is placed.

(ii) *Circulation income*

Circulation income represents sales of the Magazines, which is recognised when the publication is delivered to the distributor at which point the risk and rewards of ownership has passed and return of magazines can be estimated reliably. No significant variance between the final outcome and our circulation income recognised was found in the past. The basis for the estimate or assumption has not been changed in the past and such estimate or assumption is not likely to change in the future.

(iii) *Sponsorship, event and service income*

Sponsorship, event and service income is recognised when the relevant services are provided.

(iv) *Interest income*

Interest income is recognised as it accrues using the effective interest method.

(v) *Government grants*

Government grants are recognised in the balance sheet initially when there is reasonable assurance that they will be received and that our Group will comply with the conditions attaching to them. Grants that compensate our Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate our Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by the way of reduced depreciation expenses.

Fixed Assets and depreciation

Fixed assets are stated in the balance sheets at cost less accumulated depreciation and impairment losses. Depreciation is calculated to write off the cost of fixed assets, less their estimated residual value, if any, on a straight-line method over their estimated useful lives as follows:

- — Leasehold improvements are depreciated over the shorter of their estimated useful lives, being 5 years from the date of completion, and the unexpired terms of the leases.
- — Land and buildings held for own use — 20 years
- — Office equipment — 3-5 years
- — Furnitures and fixtures — 3-5 years
- — Motor vehicles — 5-10 years

The useful lives and residual values are based on our Group's historical experience with similar assets.

Where parts of an item of fixed assets have different useful lives, the cost is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Gains or losses arising from the retirement or disposal of an item of fixed assets are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss on the date of retirement or disposal.

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date. No material variance between actual result and our Group's estimation was found in the past. The estimate or assumption has not been changed in the past and such estimate or assumption is not likely to change in the future.

Impairment of assets other than receivables

Our Group reviews the carrying amounts of assets at each balance sheet date to determine whether there is indication that the assets may be impaired based on our Group's historical experience with the similar assets. When an indication of impairment is identified, the assets' recoverable amount would be estimated. The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, management use estimated discounted future cashflow to assess the differences between the carrying amount and value in use and provided for impairment loss if necessary. Any change in the assumptions of the estimated discounted future cashflow would increase or decrease the provision of impairment loss and affect our Group's net asset value.

An increase or a decrease in the above impairment loss would affect the net profit in future years.

No significant variance between the final outcome and our Group's impairment loss on assets recognised was found in the past. The basis for the estimate or assumption has not been changed in the past and such estimate or assumption is not likely to change in the future.

Receivables

Receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

Allowance for impairment of doubtful debts is assessed and provided based on our Directors' regular review of ageing analysis and evaluation of collectibility. A considerable level of judgement is exercised by our Directors when assessing the credit worthiness and collection history of each individual customer.

During the Track Record Period, our Group recognised impairment loss of trade receivables of approximately RMB92,000, RMB690,000, RMB428,000 and RMB364,000 respectively. Our Group also recognised reversal of impairment loss of trade receivables of RMB432,000 and RMB180,000 for the year ended 31 December 2008 and the three months ended 31 March 2009. The basis for estimate or assumption has not been changed in the past and is not likely to change in the future. Although reversal of impairment loss of trade receivable was recorded in the year ended 31 December 2008 and the three months ended 31 March 2009, our Directors believe the current policies of impairment and credit controls are effective, as the actual uncollectible debts written off during the Track Record Period only represented approximately 0.1%, 0.3%, 0.0% and 0.5% of trade receivables as at the respective balance sheet dates.

Payables

Payables are initially recognised at fair value and are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

Income taxes

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. Our Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation.

Deferred tax assets are recognised for deductible temporary differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised, management's judgement is required to assess the probability of future taxable profits. Our management's assessment is constantly reviewed by our Directors and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

The basis for the estimate or assumption has not been changed in the past and such estimate or assumption is not likely to change in the future.

DESCRIPTION OF CERTAIN INCOME STATEMENT COMPONENTS

Turnover

Majority of our Group's revenues were contributed by our business operations in the PRC during the Track Record Period, with the Gross Revenue derived from our operations in the PRC represented approximately 94.4%, 94.6%, 96.5% and 97.7% of our total Gross Revenue during the Track Record Period. The following table sets forth the income type by geographical locations of our Gross Revenue and revenue, which is Gross Revenue less applicable sales taxes and other surcharges, the components of Gross Revenue and their respective percentage of our Gross Revenue for the respective years as indicated:

	For the year ended 31 December												For the three months ended 31 March							
	2006				2007				2008				2008				2009			
	HK *RMB'000*	PRC *RMB'000*	**Total** ***RMB'000***	*% of gross revenue*	HK *RMB'000*	PRC *RMB'000*	**Total** ***RMB'000***	*% of gross revenue*	HK *RMB'000*	PRC *RMB'000*	**Total** ***RMB'000***	*% of gross revenue*	HK *RMB'000*	PRC *RMB'000*	**Total** ***RMB'000*** *(Unaudited)*	*% of gross revenue*	HK *RMB'000*	PRC *RMB'000*	**Total** ***RMB'000***	*% of gross revenue*
Advertising income	11,999	223,388	**235,387**	94.7	15,384	273,656	**289,040**	94.4	11,693	347,768	**359,461**	94.1	2,739	62,330	**65,069**	92.1	1,325	57,885	**59,210**	90.5
Circulation income	1,182	9,699	**10,881**	4.4	803	8,919	**9,722**	3.2	505	13,109	**13,614**	3.6	190	2,599	**2,789**	4.0	93	3,802	**3,895**	6.0
Sponsorship, event and service income	690	1,711	**2,401**	0.9	293	7,003	**7,296**	2.4	1,225	7,569	**8,794**	2.3	138	2,627	**2,765**	3.9	94	2,217	**2,311**	3.5
Gross Revenue	13,871	234,798	**248,669**	100.0	16,480	289,578	**306,058**	100.00	13,423	368,446	**381,869**	100.00	3,067	67,556	**70,623**	100.0	1,512	63,904	**65,416**	100.0
Less: Sales taxes and other surcharges	–	(17,367)	**(17,367)**		–	(24,973)	**(24,973)**		–	(34,044)	**(34,044)**		–	(5,518)	**(5,518)**		–	(5,394)	**(5,394)**	
Revenue	13,871	217,431	**231,302**		16,480	264,605	**281,085**		13,423	334,402	**347,825**		3,067	62,038	**65,105**		1,512	58,510	**60,022**	

Advertising income — We derive a substantial portion of our revenue from the sale of advertising spaces in the Magazines in Hong Kong and the PRC. Revenue from the sale of advertising spaces pursuant to the advertising contracts entered into between our Group and our advertising customers, net of business tax and related surcharge, are recognised upon the publication of the Magazines available to public in which the respective advertisement is placed. During the Track Record Period, advertising income remained our Group's largest revenue source which accounted for approximately 94.7%, 94.4%, 94.1% and 90.5% of our Group's Gross Revenue for each of the three years ended 31 December 2008 and the three months ended 31 March 2009. We believe that the high and stable demand for the advertising spaces in our flagship magazine, namely "週末畫報" (Modern Weekly), primarily accounts for our advertising turnover and is thus the most predominant factor in our revenue history during the Track Record Period.

Our sales efforts primarily focus on the sale of advertising spaces in the Magazines to our advertising customers through their respective advertising agencies in Hong Kong and the PRC or directly to our brand advertisers. Our advertising customers place advertisements with the Magazines on differing bases, ranging from issue by issue to annually. The selling price for advertising spaces is charged according to the per unit price, which is mainly determined on the basis of the size and location of the advertisement spaces in the magazine booklet as set out in the rate card for each of the Magazines. Leveraging on our multi-segmented magazines and media platform or "Mag-Form", we have adopted, and will continue to implement, the strategy to cross-sell our advertising customers to incrementally place advertisements in the other magazines we currently operate. For more details, please refer to the paragraph headed "Business Strategies" in the section headed "Business" in this prospectus.

Circulation income — The circulation income was mainly derived from the actual sales of copies of the Magazines through independent wholesale distributors in Hong Kong and the PRC which accounted for approximately 4.4%, 3.2%, 3.6% and 6.0% of our Gross Revenue for each of the three years ended 31 December 2008 and the three months ended 31 March 2009. Over the years, we have established an extensive magazine distribution network in Hong Kong and the PRC for the sales of our Magazines. Our Directors believe that an efficient and effective distribution and circulation network is an essential element in the constitution of our Mag-Form. To a lesser extent, the sales of the Magazines are also conducted through direct subscription by the readers. The selling prices of the Magazines are set at the market prices and will be regularly reviewed by the sales team and our management team and will be adjusted in order to reflect the prevailing market conditions.

Sponsorship, event and service income — We also derived our income, to a lesser extent, from sponsorship and event management, advertising production and other services income, which accounted for approximately 0.9%, 2.4%, 2.3% and 3.5% of our Gross Revenue for each of the three years ended 31 December 2008 and the three months ended 31 March 2009. The distinctive features and readerships amongst the Magazines enable us to build our Mag-Form for specific advertising customers to choose and place advertisements in the relevant magazine that accomplish their advertising needs. As such, in addition to the sales of advertising spaces, we also provide value-added advertising services and integrated marketing solutions to our advertising customers which mainly include (a) organising marketing events including award ceremonies, seminars, forums and cultural exhibitions, for or jointly with the advertising customers; and (b) arranging specific topics and columns to be included in the contents of the Magazines. For more details, please refer to the paragraph headed "Sales and Marketing" in the section headed "Business" in this prospectus.

Sales taxes and other surcharges — Sales taxes and surcharges represented business tax and other surcharges on our advertising income, sponsorship, event and service income, which are payable to various local government tax authorities. During the Track Record Period, the sales tax and other surcharges accounted for approximately 7.3%, 8.4%, 9.2% and 8.8% of our advertising income and sponsorship, event and service income, respectively. The applicable percentage varies depending on the location of the source of our revenue and generally ranges from 5% to 17%.

Cost of Sales

During the Track Record Period, the components of the cost of sales by nature and by geographical locations and their respective percentage of the cost of sales of our Group is summarised as below:

	For year ended 31 December												For the three months ended 31 March							
	2006				2007				2008				2008				2009			
	HK *RMB'000*	PRC *RMB'000*	**Total** ***RMB'000***	*% of total cost of sales*	HK *RMB'000*	PRC *RMB'000*	**Total** ***RMB'000***	*% of total cost of sales*	HK *RMB'000*	PRC *RMB'000*	**Total** ***RMB'000***	*% of total cost of sales*	HK *RMB'000*	PRC *RMB'000*	**Total** ***RMB'000*** ***(Unaudited)***	*% of total cost of sales*	HK *RMB'000*	PRC *RMB'000*	**Total** ***RMB'000***	*% of total cost of sales*
Printing costs	4,137	54,180	**58,317**	54.4	3,636	53,802	**57,438**	48.9	3,464	68,553	**72,017**	50.4	687	13,546	**14,233**	46.5	440	18,074	**18,514**	51.0
Content Production and related costs	947	13,757	**14,704**	13.7	1,038	21,609	**22,647**	19.3	1,271	23,131	**24,402**	17.1	291	5,261	**5,552**	18.2	275	6,007	**6,282**	17.3
Staff costs	6,687	21,126	**27,813**	26.0	7,213	26,576	**33,789**	28.8	3,143	38,543	**41,686**	29.2	1,057	8,577	**9,634**	31.5	920	10,144	**11,064**	30.5
Others	965	5,315	**6,280**	5.9	806	2,763	**3,569**	3.0	1,958	2,776	**4,734**	3.3	264	913	**1,177**	3.8	19	446	**465**	1.2
Total cost of sales	12,736	94,378	**107,114**	100.0	12,693	104,750	**117,443**	100.0	9,836	133,003	**142,839**	100.0	2,299	28,297	**30,596**	100.0	1,654	34,671	**36,325**	100.0

Printing costs — Printing costs mainly represent fees payable to the independent printers in the PRC and Hong Kong for the provision of printing services and paper supply for the printing of the Magazines. During the Track Record Period, printing costs accounted for a substantial portion or approximately half of our cost of sales. In view of the significance of this cost component, it is the policy of our Group to identify various potential printers according to the volume of publication estimated and to communicate with those potential printers on our Group's publications, demands and printing criteria. Having negotiated with the target printers on the prices and terms of printing, our Group will enter into contract with the respective printers in respect of the printing services and paper supply for the Magazines.

Content production and related costs — During the Track Record Period, content production and related costs accounted for approximately 13.7%, 19.3%, 17.1% and 17.3% of our total cost of sales. Content production and related costs mainly represent (i) photographic expenses incurred for the purchase of photos from independent photographers and international news agencies which were contained in the Magazines from time to time; (ii) content production and other expenses incurred for the production of contents in the Magazines; (iii) film making expenses incurred for the preparation of color separation films for printing which our Group outsourced to independent service providers; and (iv) fee payable to the PRC Publishing Partners pursuant to the respective exclusive cooperation agreements entered into between our Group and the respective PRC Publishing Partners. In order to have a better cost control, our Group has gradually utilised digitalisation techniques to replace the traditional use of color separation films for our printing. Our Directors consider that such adoption of latest technology will eventually allow us to eliminate the needs and hence the costs incurred to use color separation films for printing.

Staff costs — Staff costs mainly represent salaries and benefits, including pensions and social security benefits, paid to our content production staff. During the Track Record Period, staff costs accounted for a significant portion or approximately 26.0%, 28.8%, 29.2% and 30.5% of our total cost of sales.

Gross profit and gross profit margin

During the Track Record Period, the gross profit and the gross profit margin by geographical locations are summarised as below:

	For the year ended 31 December									For the three months ended 31 March					
	2006			2007			2008			2008			2009		
	HK	PRC	**Total**	HK	PRC	**Total**	HK	PRC	**Total**	HK	PRC	**Total**	HK	PRC	**Total**
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	*RMB'000*	***RMB'000***	*RMB'000*	*RMB'000*	***RMB'000***	*RMB'000*	*RMB'000*	***RMB'000***	*RMB'000*	*RMB'000*	***RMB'000***
												(Unaudited)			
Revenue	13,871	217,431	**231,302**	16,480	264,605	**281,085**	13,423	334,402	**347,825**	3,067	62,038	**65,105**	1,512	58,510	**60,022**
Cost of Sales	12,736	94,378	**107,114**	12,693	104,750	**117,443**	9,836	133,003	**142,839**	2,299	28,297	**30,596**	1,654	34,671	**36,325**
Gross Profit	1,135	123,053	**124,188**	3,787	159,855	**163,642**	3,587	201,399	**204,986**	768	33,741	**34,509**	(142)	23,839	**23,697**
Gross Profit Margin	8.2%	56.6%	**53.7%**	23.0%	60.4%	**58.2%**	26.7%	60.2%	**58.9%**	25.0%	54.4%	**53.0%**	(9.4)%	40.7%	**39.5%**

Our gross profit for each of the three financial years ended 31 December 2008 and the three months ended 31 March 2009 was approximately RMB124.2 million, RMB163.6 million, RMB205.0 million, and RMB23.7 million respectively. Our gross profit margin for each of the three financial years ended 31 December 2008 and the three months ended 31 March 2009 was approximately 53.7%, 58.2%, 58.9% and 39.5% respectively.

Other revenue and other net income/(loss)

Other revenue and other net income/(loss) mainly represented interest income from bank deposits, government incentives received by us during the Track Record Period, net foreign exchange gain/(loss), and gain/(loss) on disposal of fixed assets. For details of the nature of government incentives, please refer to the paragraph headed "Comparison between the three months ended 31 March 2009 and the three months ended 31 March 2008" below in this section.

Selling and distribution expenses

During the Track Record Period, the components of the selling and distribution expenses and their respective percentage of its total are summarised as below:

	For the year ended 31 December						For the three months ended 31 March			
	2006		2007		2008		2008		2009	
	RMB'000	*% of total*	*RMB'000*	*% of total*	*RMB'000*	*% of total*	*RMB'000*	*% of total*	*RMB'000*	*% of total*
							(Unaudited)			
Staff costs	17,744	49.4	22,900	44.5	27,196	37.6	6,887	37.2	7,533	41.6
Advertising and promotion	13,515	37.6	22,583	43.8	37,244	51.4	10,292	55.6	7,524	41.5
Travelling and related costs	921	2.6	944	1.8	1,349	1.9	209	1.1	519	2.9
Distribution and delivery costs	2,557	7.1	2,349	4.6	4,274	5.9	760	4.1	1,514	8.3
Others	1,181	3.3	2,726	5.3	2,327	3.2	369	2.0	1,027	5.7
	35,918	100.0	51,502	100.0	72,390	100.0	18,517	100.0	18,117	100.0

During the Track Record Period, our selling and distribution expenses primarily represented (i) staff costs for our sales and marketing staff, (ii) advertising and promotion expenses, (iii) travelling and related costs, and (iv) distribution and delivery costs, in connection with the promotion activities of our corporate brand "Modern Media" and the Magazines.

Staff costs — Staff costs mainly represented the salaries, benefits and year-end bonus payable to our sales and marketing staff which accounted for approximately 49.4%, 44.5%, 37.6% and 41.6% of our selling and distribution expenses for each of the three financial years ended 31 December 2008 and for the three months ended 31 March 2009.

Advertising and promotion expenses — During the Track Record Period, we engaged in substantial promotion and advertising activities with a view to develop consumer awareness of our corporate brand "Modern Media" as well as increasing our market share. We focused on particular mass media promotion such as outdoor advertisements featuring our corporate brand "Modern Media" and the Magazines cover pages on mass billboards of the railway station. In addition, we organised special marketing events such as seminars, forum, cultural exhibition and awards ceremonies, for or jointly with our advertising customers and/or advertisers in order to develop and maintain a good business relationship with them. Furthermore, our sales and marketing teams worked aggressively in approaching our advertising customers on a regular basis in order to identify their changing needs from time to time. Our advertising and promotion expenses accounted for approximately 37.6%, 43.8%, 51.4% and 41.5% of our sales and distribution expenses for the three financial years ended 31 December 2008 and for the three months ended 31 March 2009.

Travelling and related costs — Travelling and related costs mainly represented the travelling and related expenses of our sales and marketing staff incurred in our Group's marketing and promotion activities during the Track Record Period.

Distribution and delivery costs — Distribution and delivery costs mainly represented the costs incurred in the delivering of our Magazines by independent logistics companies in Hong Kong and the PRC during the Track Record Period.

Administrative and other operating expenses

During the Track Record Period, the components of the administrative and operating expenses and their respective percentage of its total are summarised as below:

	For the year ended 31 December						For the three months ended 31 March			
	2006		2007		2008		2008		2009	
	RMB'000	*% of total*	*RMB'000*	*% of total*	*RMB'000*	*% of total*	*RMB'000* *(unaudited)*	*% of total*	*RMB'000*	*% of total*
Staff costs	11,285	24.1	18,349	29.2	22,340	28.9	6,959	37.2	5,531	29.5
Depreciation charges	3,057	6.5	2,989	4.8	8,521	11.0	2,052	11.0	2,596	13.8
Operating lease charges in respect of property	10,066	21.4	11,684	18.6	12,649	16.3	2,934	15.7	2,704	14.4
Travelling and related expenses	9,487	20.2	9,470	15.0	12,278	15.9	2,707	14.5	3,952	21.0
Office expenses	9,308	19.8	13,273	21.1	19,199	24.8	3,537	18.9	3,319	17.7
Others	3,734	8.0	7,151	11.3	2,406	3.1	514	2.7	669	3.6
	46,937	100.0	62,916	100.0	77,393	100.0	18,703	100.0	18,771	100.0

Our administrative and other operating expenses primarily consist of (i) staff costs, (ii) depreciation charges, (iii) operating lease charges in respect of our leasehold properties, (iv) travelling and related expenses for our administrative staff, and (v) other office expenses.

Staff costs — Staff costs mainly represented the salaries, benefits and the year-end bonus payable to our administrative staff which accounted for approximately 24.1%, 29.2%, 28.9% and 29.5% of our total administrative and other operating expenses for each of the three financial years ended 31 December 2008 and for the three months ended 31 March 2009.

Depreciation charges — Depreciation charges were mainly related to the depreciation charges of our office equipment and properties in Beijing which accounted for approximately 6.5%, 4.8%, 11.0% and 13.8% of our total administrative and other operating expenses for each of the three financial years ended 31 December 2008 and for the three months ended 31 March 2009.

Operating lease charges in respect of properties — Operating lease charges in respect of properties mainly represented the rental expenses for our offices located in Hong Kong, Shenzhen, Guangzhou, Shanghai and Beijing which accounted for approximately 21.4%, 18.6%, 16.3% and 14.4% of our total administrative and other operating expenses for each of the three financial years ended 31 December 2008 and for the three months ended 31 March 2009. Except for the properties acquired on 21 July 2007 in Beijing for a consideration of approximately RMB38.4 million, we did not own any other property in the PRC and Hong Kong during the Track Record Period and the number of leased properties as at the end of each of the three financial years ended 31 December 2008 and as at 31 March 2009 was approximately 14, 17, 20 and 21 respectively.

Travelling and related expenses — Travelling and related expenses mainly represented the costs incurred in the business trips of our senior management staff which accounted for approximately 20.2%, 15.0%, 15.9% and 21.0% of our total administrative and other operating expenses for each of the three financial years ended 31 December 2008 and for the three months ended 31 March 2009.

Other office expenses — Other office expenses mainly included utilities, telephone expenses, property management fees, repair and maintenance and other office related expenses.

Finance costs

During the Track Record Period, finance costs represented interest on bank loans.

Share of profit/(loss) of an associate

During the Track Record Period, share of profit or loss of an associate represented the share of profit or loss from Tianjin Holiday which was 20% owned by our Group during the years ended 31 December 2007 and 2008 and the three months ended 31 March 2009.

Share of loss of a jointly controlled entity

During the Track Record Period, share of loss of a jointly controlled entity mainly represented the share of loss from Sichuan Shangdu which was 50% owned by our Group during the years ended 31 December 2007 and 2008 and the three months ended 31 March 2009.

Income tax

During the Track Record period, our Group was mainly subject to the EIT which was the expected tax payable on the taxable income for the year/period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Pursuant to the rules and regulations of the Cayman Islands, our Group is not subject to any income tax in the Cayman Islands.

The provisions for Hong Kong profits tax for the years ended 31 December 2006 and 2007 were calculated at 17.5% of the estimated assessable profits for the respective years.

In February 2008, the Hong Kong Government announced a decrease in the profits tax rate from 17.5% to 16.5% applicable to our Group's operations in Hong Kong as from the year ended 31 December 2008. Accordingly, the provision for Hong Kong Profits Tax for the year ended 31 December 2008 and the three months ended 31 March 2009 were calculated at 16.5% of the estimated assessable profits for the year/period.

Prior to 1 January 2008, PRC entities were, in general, subject to the statutory income tax rate of 33%, consisting of 30% state tax and 3% local tax, on their assessable profits. Our Group's operations in Shenzhen and Zhuhai, in accordance with *廣東省經濟特區條例 (The Regulations on the Special Economic Zones in Guangdong Province*)* being enterprises located in the designated Special Economic Zones, were entitled to a reduced income tax rate of 15%. Zhuhai Technology, being a production-oriented foreign investment enterprise under the Foreign Enterprise Income Tax law and its implementation rules, was entitled to a tax holiday of a two-year full exemption followed by a three-year 50% exemption commencing from the first profit-making year after offsetting accumulated tax losses ("2+3 Tax Holiday"). In addition, according to *(94)財稅字第001號《關於企業所得稅若干優惠政策的通知》* (the tax circular *(94) CaiShuiZi No. 001 regarding certain preferential income tax policies*)*, certain of our Group's operations in the PRC were granted two-year full exemption tax holidays ("**2-year Tax Holiday**"), primarily as a result of being registered as newly established consulting services entities starting from their respective dates of establishment. Furthermore, Guangzhou Yage was subject to PRC income tax at 18% on the deemed profits calculated as 10% of turnover pursuant to the local tax practice.

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the new EIT Law, which unified the income tax rate to 25% for all enterprises. The new Tax Law was effective on 1 January 2008. The new Tax Law, its implementation rules and the State Council Notice, *國發〔2007〕39號《國務院關於實施企業所得稅過渡優惠政策的通知》 (GuoFa [2007] No. 39 Notice on the Implementation of the Transitional Preferential Corporate Income Tax Policies*)* ("**Circular 39**"), provide a five-year transitional period effective from 1 January 2008 for those enterprises which were established before 16 March 2007 and which were entitled to a preferential lower tax rate under the then effective tax laws and regulations. The transitional tax rates are 18%, 20%, 22%, 24% and 25% for 2008, 2009, 2010, 2011 and 2012 onwards, respectively. The new EIT Law, its implementation rules and Circular 39 also provide grandfathering on the 2+3 Tax Holiday and require such tax exemption period to begin on 1 January 2008 should it be not started prior to 1 January 2008. The 2-year Tax Holiday is not grandfathered under the new EIT Law.

Based on the above, our Group's PRC operations are subject to the following income tax rates:

- Zhuhai Modern Zhimei and Zhuhai Yinhu are subject to income tax at 15%, 18%, 20%, 22%, 24% and 25% for 2007, 2008, 2009, 2010, 2011 and 2012 onwards, respectively.

- Zhuhai Technology was in a tax loss position for 2007. It commenced its 2+3 Tax Holiday in 2008 and is subject to income tax at 0% for 2008 and 2009, at 12.5% from 2010 to 2012 and at 25% thereafter.

- Shenzhen Yage Zhimei commenced its 2-year Tax Holiday in 2005 and is subject to income tax at 0%, 15%, 18%, 20%, 22%, 24% and 25% for 2006, 2007, 2008, 2009, 2010, 2011 and 2012 onwards, respectively.

- Shanghai Gezhi deferred the commencement of its 2-year Tax Holiday to 2007. It is subject to income tax at 33%, 0%, 18%, 20%, 22%, 24% and 25% for 2006, 2007, 2008, 2009, 2010, 2011 and 2012 onwards, respectively.

- Beijing Yage Zhimei was granted a 1-year Tax Holiday in 2007 and is subject to income tax at 25% from 2008 onwards.

- Shenzhen Yazhimei is subject to income tax at 15% for 2007 and 25% from 2008 onwards.

- Guangzhou Yage would have been subject to income tax at 18% on the deemed profits calculated as 10% of turnover for 2006 and 2007 pursuant to the 天七國稅鑒通字[2006]第001011號《企業所得稅徵收方式鑒定通知書》(Tian Qi Guo Shui Jian Tong Ji [2006] no. 001011, the notice of enterprise income tax levying method*), 穗天國稅七通[2007]81號《廣州市天河區國家稅務局稅務事項通知書》(Sui Tian Guo Shui Qi Tong [2007] no. 81, the taxation matters notice from the Tianhe district office of Guangzhou municipal office of the State Tax Bureau*) and subject to income tax at 25%

on the deemed profits calculated as 10% of turnover for the year 2008 pursuant to the EIT assessment for the year 2008 dated 15 May 2009. However, no EIT has ever been levied according to this deemed profits method as Guangzhou Yage was inactive since its incorporation in 2004 and no turnover has been recorded and Guangzhou Yage was loss making for the three years ended 31 December 2008 and thus, Guangzhou Yage has not applied such deemed profits method for the year 2006, 2007 and 2008. From 2009 onward, Guangzhou Yage is subject to income tax at 25%.

- Guangzhou Modern Information, Shanghai Yage, Beijing Yage and Guangzhou Modern Books are subject to income tax at 33% for 2006 and 2007 and at 25% from 2008 onwards.

The new EIT Law also imposes a withholding tax at 10%, unless reduced by a treaty or agreement, for dividends distributed by a PRC-resident enterprise to its immediate holding company outside mainland China for earnings generated beginning on 1 January 2008 and undistributed earnings generated prior to 1 January 2008 are exempt from such withholding tax. As of 31 March 2009, our Group had not provided for income taxes on accumulated earnings generated by its PRC operational entities for the year ended 31 December 2008 and the three months ended 31 March 2009 since it is probable that they will not be distributed to company outside mainland China in the foreseeable future. It is not practicable to estimate the amount of additional taxes that might be payable on such undistributed earnings.

Our Directors confirm that our Group has made all the required tax filings under relevant tax laws and regulations in all the jurisdictions where our Group operates and has paid all outstanding tax liabilities. To the best knowledge of our Directors, our Group had not been subject to any dispute raised by the tax authorities as at the Latest Practicable Date.

Moreover, our PRC legal adviser has confirmed with us that the tax authorities granting the preferential tax treatments in the PRC as discussed above are the competent authorities.

Reconciliation between tax expense/(credit) and accounting profit/(loss) before taxation of applicable tax rates

	Years ended 31 December			Three months ended 31 March	
	2006	**2007**	**2008**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Profit/(loss) before taxation	41,436	49,560	57,003	(3,638)	(10,959)
Notional tax on profit/(loss) before taxation, calculated at the rate of 25% (2006 and 2007: 33%)	13,674	16,355	14,251	(910)	(2,740)
Effect of differential tax rate on income	(8,601)	(10,487)	(2,590)	(410)	(954)
Tax effect of non-deductible expenses *(Note 1)*	10,685	18,300	1,478	1,622	1,012
Tax effect of non-taxable revenue	—	(274)	(587)	(55)	(46)
Tax effect of temporary differences not recognised	—	30	(279)	5	19
Tax effect of prior years' unrecognised tax losses utilised this year/period	(609)	(225)	—	—	—
Tax effect of unused tax losses not recognised	1,933	—	289	72	1,467
Effect of tax concessions obtained *(Note 2)*	(11,648)	(15,917)	—	—	—
Others	52	(22)	(577)	(30)	—
Actual tax expense/(credit)	5,486	7,760	11,985	294	(1,242)

Notes:

1. Non-deductible expenses mainly comprise non-deductible entertainment expenses and staff costs incurred by the PRC Operational Entities for EIT purpose.

2. The effect of tax concessions obtained represented the exemption of enterprise income tax for certain subsidiaries comprising our Group including Shenzhen Yage Yazhimei for the year ended 31 December 2006 and Shanghai Gezhi and Beijing Yage Zhimei for the year ended 31 December 2007.

Period-to-period analysis of our trading record

Comparison between the three months ended 31 March 2009 and the three months ended 31 March 2008

Turnover

According to the ZenithOptimedia Report, global advertising expenditure had been contracting since the third quarter of 2008 as a result of the global economic downturn and further accelerated in the fourth quarter of 2008 and the first quarter of 2009. ZenithOptiamedia forecasted that the advertising expenditures growth in China will slow to just approximately 5.4% in 2009 compared to the growth rate of approximately 18.8% in 2008. Despite the market uncertainty during the three months ended 31 March 2009 had led to delay and reduction of advertising spending from some of our advertising customers which primarily represented the designated advertising agencies and brand advertisers in the leisure, luxury and consumer goods markets, our Directors believe that our Group's leading market position in the Chinese-language lifestyle magazine sector in the PRC enable our Group to achieve better than market-average performance during the three months ended 31 March 2009. Our turnover decreased by approximately 7.8% from approximately RMB 65.1 million for the three months ended 31 March 2008 to approximately RMB 60.0 million for the three months ended 31 March 2009. In particular, our advertising income decreased by approximately 9.1% from approximately RMB 65.1 million for the three months ended 31 March 2008 to approximately RMB 59.2 million for the three months ended 31 March 2009.

Our Directors observed that our advertising customers temporarily scaled down their promotional activities and advertising spending for the three months ended 31 March 2009 because the first quarter of each year was the traditional slack season of luxury and leisure consumer goods market in the PRC and coupled with the then obscure economic conditions. As such we experienced decrease in the number of our advertising spaces sold from approximately 1,300 pages for the three months ended 31 March 2008 to approximately 1,100 pages for the three months ended 31 March 2009 and our Directors believe that our advertising customers will eventually increase their advertising spending from the second half of 2009 in view of the outperformance consumer market in the PRC. According to an analysis dated 17 July 2009 concluded by the National Bureau of Statistics of China on the Total Retail Sales of Social Consumer Goods, the market volume recorded an amount of approximately RMB5,871.1 billion for the first half of the year 2009, which represented a growth of approximately 15.0% when compared with the same period of year 2008. Consequently, our Directors believe that our seasonal revenue trend of 2009 will return to the traditional pattern of approximately 40% incurring in the first half of the year and approximately 60% incurring in the second half of the year.

In addition, the decrease in demand for our advertising spaces and services was also reflected in the decrease in the number of our advertising customers from approximately 247 for the three months ended 31 March 2008 to approximately 225 for the three months ended 31 March 2009. We recorded a slight decrease in the revenue per advertising customer from approximately RMB263,600 for the three months ended 31 March 2008 to approximately RMB263,100 for the three months ended 31 March 2009. In order to stimulate customer spending, our Group had offered special incentive packages to our selected advertising customers during the three months ended 31 March 2009. As the result, we recorded a mild downward adjustment on our average unit selling price of our advertising spaces from approximately RMB55,000 per page for the year ended 31 December 2008 to approximately RMB 54,000 per page for the three months ended 31 March 2009.

On the other hand, we recorded an increase in our circulation income by approximately 39.3% from approximately RMB2.8 million for the three months ended 31 March 2008 to approximately RMB3.9 million for the three months ended 31 March 2009. The increase was mainly attributable to the generic growth of our flagship magazine, "週末畫報"(Modern Weekly) and the launching of "優家畫報" (U+ Weekly) which commenced its issue in December 2008. There was no change in the retail selling price of the Magazines during the Track Record Period.

Cost of sales

Our cost of sales increased by approximately 18.6% from approximately RMB30.6 million for the three months ended 31 March 2008 to approximately RMB36.3 million for the three months ended 31 March 2009. The increase was mainly attributable to (i) the increase in our printing costs from approximately RMB14.2 million for the three months ended 31 March 2008 to approximately RMB18.5 million for the three months ended 31 March 2009 as a result of the launching of "優家畫報" (U+ Weekly) which commenced its issue in December 2008 and led to the increase in the total number of printing copies from approximately 1.2 million for the three months ended 31 March 2008 to approximately 2.2 million for the three months ended 31 March 2009. Our printing costs per copy decreased from approximately RMB11.8 for the three months ended 31 March 2008 to approximately RMB8.4 for the three months ended 31 March 2009 was mainly attributable to the launch of a weekly magazine, "優家畫報" (U+ Weekly), in December 2008. Since in general, the printing costs per copy of weekly magazines was lower than the monthly magazines, therefore the increase in printing of our weekly magazines brought about by the launching of "優家畫報" (U+ Weekly) contributed to the drop in printing costs per copy when compared with the same for the three months ended 31 March 2008; and (ii) increase in staff costs of our content production staff by approximately 15.6% from approximately RMB9.6 million for the three months ended 31 March 2008 to approximately RMB11.1 million for the three months ended 31 March 2009 as a result of the expansion of our content production teams for "優家畫報" (U+ Weekly). The average monthly headcount of our content production staff increased from approximately 258 for the three months ended 31 March 2008 to approximately 309 for the three months ended 31 March 2009.

Gross profit and gross profit margin

Our gross profit decreased by approximately 31.3% from approximately RMB34.5 million for the three months ended 31 March 2008 to approximately RMB23.7 million for the three months ended 31 March 2009, which was in line with the change of 'Turnover' and 'Cost of sales' for the three months ended 31 March 2008 and 2009. Thus, our gross profit margin also decreased from approximately 53.0% and 39.5% for the three months ended 31 March 2008 and 2009, respectively.

Other revenue

Our other revenue increased by approximately 5,108.3% from approximately RMB48,000 for the three months ended 31 March 2008 to approximately RMB2.5 million for the three months ended 31 March 2009 was mainly attributable to the receipt of recurring PRC government incentive for the period from 1 January 2008 to 31 December 2008 in the amount of approximately RMB2.4 million granted to Shanghai Gezhi in January 2009. Pursuant to the development agreements between Shanghai Gezhi and 洋涇街道辦事處經濟科 (Economic Division of Yangjing Local Government Bureau*) ("Yangjing Bureau") dated 5 March 2007, the government incentives granted were to assist the development of Shanghai Gezhi. Pursuant to the abovementioned agreement, our Group is entitled to such government incentives for a specific period as Shanghai Gezhi is one of the selected registered taxpayers with valid business licence in the governing area of Yangjing Bureau. The salient terms of the abovementioned agreement are as follows:

Effective period: 1 January 2006 to 31 December 2010

Basis for incentive: The incentive is computed based on a specific percentage of EIT, value-added tax, business tax, city development tax, individual income paid and the amount of business tax paid in the previous year.

Terms of Termination: During the effective period, if Shanghai Gezhi cannot pass the annual inspection for the renewal of its business license with the local Industry and Commerce Bureau or the registered address is located outside the administration area of Yangjing Local Government Bureau, the agreement will be terminated immediately. Shanghai Gezhi had passed the annual inspection for the renewal of its business licence for the year 2007 and 2008.

The increase in the PRC government incentives was mainly due to the increase in the business tax paid by Shanghai Gezhi for the year 2008 when compared to that with the year 2007 as Shanghai Gezhi was setup on 16 January 2006 and only started its full operation during the year 2008 and the earlier entitlement of the PRC government incentives in January 2009 when compared with May 2008 for the year 2007 government incentive.

In addition, to the best knowledge of our Directors and pursuant to the abovementioned agreement, there is no specific restriction on the usage of such government incentives. Our Directors believe that the incentives are generally available to other qualified companies in the same district.

Government incentives are recognised in our Group's profit or loss when there is reasonable assurance that they will be received and that our Group will comply with the conditions attaching to them. Grants that compensate our Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

Other net (loss)/income

We recorded other net loss of approximately RMB125,000 for the three months ended 31 March 2008 as compared to other net income of approximately RMB16,000 for the three months ended 31 March 2009 which was mainly attributable to exchange gain derived from our other loan, which denominated in US$, from our then business partner and the appreciation of RMB against US$ during three months ended 31 March 2009.

Selling and distribution expenses

Our selling and distribution expenses decreased by approximately 2.2% from approximately RMB18.5 million for the three months ended 31 March 2008 to approximately RMB18.1 million for the three months ended 31 March 2009 was mainly attributable to the combined effect of (i) increase in distribution and delivery costs, due to the launching of weekly magazine, "優家畫報" (U+ Weekly), (ii) increase in our staff costs of sales, marketing and distribution team, and (iii) rescheduling most of our marketing and promotional activities to the second half of the year 2009 in order to have a more precise resources allocation to cope with the peak season of our customers' advertising spending.

As discussed under the paragraph headed 'Turnover' above, we launched a new weekly magazine, namely "優家畫報" (U+ Weekly), which commenced its issue in December 2008. Thus, the increase in the number of our magazines led to an increase in our distribution and delivery costs by approximately 87.5% from approximately RMB0.8 million for the three months ended 31 March 2008 to approximately RMB1.5 million for the three months ended 31 March 2009.

Our staff costs of the sales, marketing and distribution teams increased by approximately 8.7% from RMB6.9 million for the three months ended 31 March 2008 to approximately RMB7.5 million for the three months ended 31 March 2009 was mainly attributable to the increase in the average monthly headcount of sales, marketing and distribution teams from approximately 189 for the three months ended 31 March 2008 to approximately 271 for the three months ended 31 March 2009 for the expansion of advertising and promotional activities and the expansion of our distribution network during the second half of the year 2008.

However, as a result of the outburst of the global financial turmoil during the last quarter of the year 2008, our advertising income for the three months ended 31 March 2009 decreased accordingly as stated under the paragraph headed 'Turnover' in this subsection. In response to the economic turbulence, our management decided to concentrate our resources on the marketing and promotional activities in the second half of the year 2009 in order to cope with the seasonal trend of our advertising income. Hence, our advertising and promotion expenses decreased by approximately 27.2% from approximately RMB10.3 million for the three months ended 31 March 2008 to approximately RMB7.5 million for the three months ended 31 March 2009.

Administrative and other operating expenses

Our administrative and other operating expenses slightly increased by approximately 0.5% from approximately RMB18.7 million for the three months ended 31 March 2008 to approximately RMB18.8 million for the three months ended 31 March 2009. The increase was mainly attributable to the combined effect of (i) increase in depreciation charges, (ii) increase in the travelling and related expenses, and (iii) decrease in the staff costs of our administrative staff.

Firstly, our depreciation charges increased by approximately 23.8% from approximately RMB2.1 million for the three months ended 31 March 2008 to approximately RMB2.6 million for the three months ended 31 March 2009 was mainly attributable to the acquisition of office premises in Beijing from an Independent Third Party at a total consideration of approximately RMB38.4 million during the fourth quarter of the year 2007 which commenced to be used since 2008.

Secondly, our travelling and related costs increased by approximately 48.1% from approximately RMB2.7 million for the three months ended 31 March 2008 to approximately RMB4.0 million for the three months ended 31 March 2009. This increase was mainly due to the fact that since the outburst of global financial turmoil, our senior management increased their frequency of intra-office travelling in order to provide more close-to-market managerial supports to the local operational teams in the fast-changing market environment.

Lastly, in response to the operational challenges caused by the global economic financial crisis, our Group had restructured the back-office supporting functions and re-designed our management incentive scheme since the first quarter of the year 2009. As the result, our staff costs of administrative staff decreased by approximately 21.4% from approximately RMB 7.0 million for the three months ended 31 March 2008 to approximately RMB 5.5 million for the three months ended 31 March 2009.

Share of loss of an associate

Share of loss from Tianjin Holiday decreased by approximately 91.3% from approximately RMB654,000 for the three months ended 31 March 2008 to approximately RMB57,000 for the three months ended 31 March 2009 was mainly resulted from improvement of the cost efficiency of the associate during the first quarter of the year 2009 when compared with the same period of last year.

Share of loss from a jointly controlled entity

Share of loss from Sichuan Shangdu decreased by approximately 86.7% from approximately RMB196,000 for the three months ended 31 March 2008 to approximately RMB26,000 for the three months ended 31 March 2009. Since 1 January 2009, the operation of Sichuan Shangdu had been suspended because the performance of Sichuan Shangdu could not meet the expectation of the shareholders. The share of loss from a jointly controlled entity for the three months ended 31 March 2009 mainly represented several maintenance costs of Sichuan Shangdu incurred in that period.

Income tax

The outburst of the global financial turmoil at the end of the year 2008 led to the decrease in our advertising income, gross profit and further led to an increase in loss from operation of our Group for the three months ended 31 March 2009 when compared with the same period of the previous year. The tax credit in amount of approximately RMB1.2 million for the three months ended 31 March 2009 mainly represented the recognition of deferred tax assets in relation to the tax loss derived from our PRC operations.

Loss for the period

To the best knowledge and the past experiences of our Directors, our advertising customers principally tended to focus their advertisement effort and to allocate a relative larger proportion of their annual budgeted advertising expenditures in the second half of each year in order to boost up their sales and meet their annual sales targets. It has been the historical trend of our Group's advertising revenues to be mainly generated in the second half of the year. As a result, our Group was loss making during each of the first quarter of the year 2008 and 2009. The net loss of our Group increased from approximately RMB3.9 million for the three months ended 31 March 2008 to approximately RMB9.7 million for the three months ended 31 March 2009 was primarily attributable to the decrease in our advertising income from approximately RMB65.1 million for the three months ended 31 March 2008 to approximately RMB59.2 million for the three months ended 31 March 2009 as discussed under the paragraph headed 'Turnover' in this subsection.

Year-to-year analysis of our trading record

Comparison between the financial year ended 31 December 2008 and the financial year ended 31 December 2007

Turnover

Our turnover increased by approximately 23.7% from approximately RMB281.1 million for the year ended 31 December 2007 to approximately RMB347.8 million for the year ended 31 December 2008. In particular, our advertising income increased by approximately 24.4% from approximately RMB289.0 million for the year ended 31 December 2007 to approximately RMB359.5 million for the year ended 31 December 2008.

The increase of our advertising income was mainly attributable to the general growth of the PRC economy which induced the increase in our customers' advertising expenditures on the Magazines for the year 2008. Our advertising customers primarily represented the designated advertising agencies and brand advertisers in the leisure, luxury and consumer goods markets. Our Directors believe that the scale of our advertising customers' advertising expenditures in the PRC would be positively correlated to the general economy of the PRC as it would effect the activeness of the consumer markets especially for the leisure and luxury products. According to the National Bureau of Statistic of China, there was a general growth of the PRC economy and the real GDP of the PRC was recorded a growth of approximately 9.0% for the year 2008. We recorded an increase in the advertising revenue which were mainly driven by the growth of our flagship magazine in the PRC, "週末畫報" (Modern Weekly). At the same time, the total number of our advertising customers maintained stable at approximately 592 for the year ended 31 December 2007 and approximately 591 for the year ended 31 December 2008.

In addition, leveraging on our 'Mag-Form', we continuously adopted the strategy of cross-selling our advertising customers to place advertisements in different magazines of our Group. We tried to induce them to place additional advertisements by providing value-added advertising services and integrated marketing solution such as issuing supplements tailored for our customers' advertisements. The number of supplementary issues increased from approximately 69 for the year 2007 to approximately 81 for the year 2008. We also recorded an increase in the revenue per advertising customer from approximately RMB488,000 for the year ended 31 December 2007 to approximately RMB608,000 for the year ended 31 December 2008.

In the meanwhile, we have also launched two magazines, "健康時尚" (LOHAS) and "優家畫報" (U+ Weekly) since January 2008 and December 2008, respectively. The launching of these two magazines increased the available number of advertising spaces for our advertising customers for the year 2008 when compared to that of the year 2007. Due to the combined effect of the increase in sales orders from our advertising customers, the increase in number of supplements, the launching of new magazines and the generic growth of our then existing magazines, total number of advertising spaces sold increased from approximately 5,500 pages for the year ended 31 December 2007 to approximately 6,500 pages for the year ended 31 December 2008. Furthermore, the average unit selling price of our advertising spaces increased from approximately RMB53,000 per page for the year ended 31 December 2007 to approximately RMB55,000 per page for the year ended 31 December 2008.

On the other hand, we also recorded an increase in our circulation income by approximately 40.2% from approximately RMB9.7 million for the year ended 31 December 2007 to approximately RMB13.6 million for the year ended 31 December 2008. During the year 2008, we continued our efforts to expand our distribution network in the PRC, especially into a number of second-tier PRC cities such as Changsha. During the year, we appraised the performance of our distributors with a view to concentrating our internal resources for the cooperation with those distributors which had outstanding performance. Accordingly, we had consolidated and decreased in the number of our distributors from approximately 270 in 2007 to approximately 230 in 2008. In the meanwhile, the launching of two magazines, "健康時尚" (LOHAS) and "優家畫報" (U+ Weekly) since January 2008 and December 2008, respectively, also contributed to the increase in our circulation income for the year 2008. In the meanwhile, there was no change in the retail selling price of the Magazines during the Track Record Period.

Cost of sales

Our cost of sales increased by approximately 21.6% from approximately RMB117.4 million for the year ended 31 December 2007 to approximately RMB142.8 million for the year ended 31 December 2008. The increase was mainly attributable to (i) the increase in our printing costs from approximately RMB57.4 million for the year ended 31 December 2007 to approximately RMB72.0 million for the year ended 31 December 2008 as a result of the launching of "健康時尚" (LOHAS) and "優家畫報" (U+ Weekly) since January 2008 and December 2008, respectively, which led to the increase in the total number of printing copies from approximately 4.7 million for the year ended 31 December 2007 to approximately 5.8 million for the year ended 31 December 2008 and also the increase in the printing cost per copy increased from approximately RMB12.2 for the year ended 31 December 2007 to approximately RMB12.4 for the year ended 31 December 2008; and (ii) the increase in staff costs of our content production staff by approximately 23.4% from approximately RMB33.8 million for the year ended 31 December 2007 to approximately RMB41.7 million for the year ended 31 December 2008 as a result of the expansion of our content production teams for "健康時尚" (LOHAS) and "優家畫報" (U+ Weekly). The average monthly headcount of our content production staff increased from approximately 230 for the year ended 31 December 2007 to approximately 285 for the year ended 31 December 2008. In addition, the increase in the staff cost of our content production team has also contributed to the effective salary increment of approximately 5% for the year ended 31 December 2008.

Gross profit and gross profit margin

Our gross profit improved by approximately 25.3% from approximately RMB163.6 million for the year ended 31 December 2007 to approximately RMB205.0 million for the year ended 31 December 2008, which was in line with the change of 'Turnover' and 'Cost of sales' for the year ended 31 December 2007 and 2008. Our gross profit margin maintained at a stable level at approximately 58.2% and 58.9% for the year ended 31 December 2007 and 2008, respectively.

Other revenue

Our other revenue increased by approximately 325.0% from approximately RMB0.4 million for the year ended 31 December 2007 to approximately RMB1.7 million for the year ended 31 December 2008 was mainly attributable to the receipt of recurring PRC government incentive in May 2008 for the period from 1 January 2007 to 31 December 2007 in the amount of approximately RMB1.4 million granted to Shanghai Gezhi. For details of the government incentives, please refer to the paragraph headed "Comparison between the three months ended 31 March 2009 and the three months ended 31 March 2008."

The increase in the PRC government incentives was mainly due to the increase in the business tax paid by Shanghai Gezhi for the year 2007 when compared to that of the year 2006 as Shanghai Gezhi was setup on 16 January 2006 and only started its full operation during the year 2007.

Other net loss

Our other net loss increased by approximately 280.7% from approximately RMB135,000 for the year ended 31 December 2007 to approximately RMB514,000 for the year ended 31 December 2008 was mainly attributable to the increase in loss on disposal of fixed assets from approximately RMB22,000 for the year ended 31 December 2007 to approximately RMB310,000 for the year ended 31 December 2008 as a result of disposal of motor vehicles during the year 2008.

Selling and distribution expenses

Our selling and distribution expenses increased by approximately 40.6% from approximately RMB51.5 million for the year ended 31 December 2007 to approximately RMB72.4 million for the year ended 31 December 2008 was mainly attributable to (i) the increase in our advertising and promotion expenses and (ii) the increase in our staff costs of the sales, marketing and distribution teams during the year.

As discussed under the paragraph headed 'Turnover' above, we launched two magazines, namely "健康時尚" (LOHAS) and "優家畫報" (U+ Weekly) since January 2008 and December 2008, respectively, of which the target readership was mainly the well-educated white-collar women. In promoting the new magazines and upkeeping our corporate brand name 'Modern Media' and our other magazines including our flagship magazine, "週末畫報" (Modern Weekly), we had additionally launched a series of advertising activities in the PRC such as promotional press conference and issue promotional items such as posters and umbrellas to our wholesale distributors during the year 2008. In addition, we had also expanded our distribution network to several second-tier cities such as Changsha during the year 2008 which led to an increase in our expenses for the promotional items displayed in the retail point of sales accordingly. As a result, our advertising and promotion expenses increased by approximately 64.6% from approximately RMB22.6 million for the year ended 31 December 2007 to approximately RMB37.2 million for the year ended 31 December 2008.

Our staff costs of the sales, marketing and distribution teams increased by approximately 18.8% from RMB22.9 million for the year ended 31 December 2007 to approximately RMB27.2 million for the year ended 31 December 2008 was mainly attributable to the combined effect of (i) the increase in the average monthly headcount of sales, marketing and distribution teams from approximately 190 for the year ended 31 December 2007 to approximately 210 for the year ended 31 December 2008 for the expansion of advertising and promotional activities, (ii) the effective salary increment of approximately 5% during the year ended 31 December 2008, and (iii) partially offset by the management's decision in cutting the year-end staff bonus as a result of the global economic downturn in the last quarter of the year 2008.

Administrative and other operating expenses

Our administrative and other operating expenses increased by approximately 23.1% from approximately RMB62.9 million for the year ended 31 December 2007 to approximately RMB77.4 million for the year ended 31 December 2008. The increase was mainly attributable to (i) the increase in depreciation charges; (ii) increase in the operating lease charges in respect of our leasehold properties; and (iii) increase in our office expenses.

Firstly, our depreciation charges increased by approximately 183.3% from approximately RMB3.0 million for the year ended 31 December 2007 to approximately RMB8.5 million for the year ended 31 December 2008 was mainly attributable to the acquisition of office premises in Beijing from an Independent Third Party at a total consideration of approximately RMB38.4 million during the fourth quarter of the year 2007 which was then commenced into use since 2008.

Secondly, our operating lease charges in respect of our leasehold properties increased by approximately 7.7% from approximately RMB11.7 million for the year ended 31 December 2007 to approximately RMB 12.6 million for the year ended 31 December 2008. During the year 2008, we have leased new office premises in Beijing, Harbin and Tianjin in order to facilitate our sales and marketing activities with the advertising customers in respective areas. The number of our Group's leased properties increased from approximately 17 in 2007 to approximately 20 in 2008.

Lastly, our office expenses increased by approximately 44.4% from approximately RMB13.3 million for the year ended 31 December 2007 to approximately RMB19.2 million for the year ended 31 December 2008 was mainly attributable to the purchase of office premises in Beijing during the fourth quarter of the year 2007 and increase in the number of leased properties as discussed above, which led to increase in several office expenses such as property management fees, utilities, telephone, reinstatement and relocation costs and other office expenses for the year ended 31 December 2008 when compared with that for the year ended 31 December 2007.

Share of profit of an associate

Share of profit from Tianjin Holiday increased by approximately 72.9% from approximately RMB498,000 for the year ended 31 December 2007 to approximately RMB861,000 for the year ended 31 December 2008 was mainly resulted from the business expansion of an associate in the year 2008.

Share of loss from a joint controlled entity

Share of loss from Sichuan Shangdu decreased by approximately 24.1% from approximately RMB382,000 for the year ended 31 December 2007 to approximately RMB290,000 for the year ended 31 December 2008 was mainly attributable to the temporary suspension of the operation of Sichuan Shangdu in the middle of the year 2008 as a result of the Sichuan earthquake on 12 May 2008. Accordingly, operating loss generated by Sichuan Shangdu decreased during the year 2008 and led to a decrease in our Group's share of losses of Sichuan Shangdu for the year ended 31 December 2008.

Income tax

For the year ended 31 December 2007, two of our subsidiaries, Shanghai Gezhi and Beijing Yage Zhimei, were entitled to full exemption from PRC EIT pursuant to the approvals granted by the local tax bureaus. For the year ended 31 December 2008, the applicable tax rate for the above subsidiaries were 18% and 25% respectively. As a result, our income tax increased by approximately 53.8% from approximately RMB7.8 million for the year ended 31 December 2007 to approximately RMB12.0 million for the year ended 31 December 2008 and the effective income tax rate increased from approximately 15.7% for the year ended 31 December 2007 to approximately 21.0% for the year ended 31 December 2008.

Profit for the year and net profit margin

Our Group's profit for the year increased by approximately 7.7% from approximately RMB41.8 million for the year ended 31 December 2007 to approximately RMB45.0 million for the year ended 31 December 2008 and the net profit margin decreased from approximately 14.9% for the year ended 31 December 2007 to approximately 12.9% for the year ended 31 December 2008. The decrease in net profit margin was mainly attributable to the combined effect of (i) the increase in our gross profit and gross profit margin from approximately RMB163.6 million and 58.2% for the year ended 31 December 2007, respectively to approximately RMB205.0 million and 58.9% for the year ended 31 December

2008, respectively as a result of increase in our turnover; (ii) the increase in the portion of our selling and distribution expenses from approximately 18.3% of our total revenue for the year ended 31 December 2007 to approximately 20.8% for the year ended 31 December 2008 as a result of the increase in our advertising and promotion activities; and (iii) the increase in our income tax expenses and effective tax rates from approximately RMB7.8 million and 15.7% for the year ended 31 December 2007, respectively, to approximately RMB12.0 million and 21.0% for the year ended 31 December 2008, respectively.

Comparison between the financial year ended 31 December 2007 and the financial year ended 31 December 2006

Turnover

Our turnover increased by approximately 21.5% from approximately RMB231.3 million for the year ended 31 December 2006 to approximately RMB281.1 million for the year ended 31 December 2007. In particular, our advertising income increased by approximately 22.8% from approximately RMB235.4 million for the year ended 31 December 2006 to approximately RMB289.0 million for the year ended 31 December 2007.

As discussed under the paragraph headed 'Turnover' under the sub-section of 'Comparison between the financial year ended 31 December 2008 and the financial year ended 31 December 2007', the advertising income of our Group was mainly driven by our customers' advertising expenditures budget which was positively correlated to the general economy as well as the consumer goods markets of the PRC. According to the National Bureau of Statistic of China, there was a general growth of the PRC economy and the real GDP of the PRC recorded a growth of approximately 13.0% for the year 2007. We recorded an increase in our advertising income that was mainly driven by the growth of our flagship magazine "週末畫報" (Modern Weekly) in the PRC. The total number of our Group's advertising customers recorded a net increment from approximately 547 for the year ended 31 December 2006 to approximately 592 for the year ended 31 December 2007.

In addition, leveraging on our 'Mag-Form', we continuously adopted the strategy of cross-selling our advertising customers to place advertisements in different magazines of our Group and we tried to induce them to place additional advertisements by providing value-added advertising services and integrated marketing solutions such as issuing supplements tailored for our customers' advertisements of which the number increased from approximately 58 for the year 2006 to approximately 69 for the year 2007. We also recorded an increase in the revenue per advertising customers from approximately RMB430,000 for the year ended 31 December 2006 to approximately RMB488,000 for the year ended 31 December 2007.

We launched our magazine, "汽車生活" (Auto Life), since February 2007. The launching of "汽車生活" (Auto Life) increased the number of available advertising spaces for our advertising customers during the year 2007 when compared to that of the year 2006. Due to the combined effects of the increase in sales orders from our advertising customers, the increase in number of supplements, the launching of "汽車生活" (Auto Life) and the generic growth of our then existing magazines, the total number of advertising spaces sold increased from approximately 4,700 pages for the year ended 31 December 2006 to approximately 5,500 pages for the year ended 31 December 2007. Furthermore, the average unit selling price of our advertising space was increased from approximately RMB50,000 per page for the year ended 31 December 2006 to approximately RMB53,000 per page for the year ended 31 December 2007.

On the other hand, we recorded a gentle decrease in our circulation income by approximately 11.0% from approximately RMB10.9 million for the year ended 31 December 2006 to approximately RMB9.7 million for the year ended 31 December 2007. During the year 2007, we changed the circulation strategy of "生活月刊" (Life Magazine) to which the distribution network would be more focusing on the top-tier cities, such as Beijing and Shanghai, and decrease its distribution in the second tier cities. As a result, it contributed to the decrease in circulation income for the year 2007. The effect of "生活月刊" (Life Magazine) as discussed above was partially offset by the generic growth of other Group's magazines such as "週末畫報" (Modern Weekly) for the year 2007, the launching of "汽車生活" (Auto Life) since February 2007 and expanded our distribution network in the PRC, especially into a number of second-tier PRC cities such as Ningbo and Hefei and we had an increase in the number of our distributors from approximately 198 in 2006 to 273 in 2007. In the meanwhile, there is no change in the retail selling price of the Magazines during the Track Record Period.

Cost of sales

Our cost of sales increased by approximately 9.6% from approximately RMB107.1 million for the year ended 31 December 2006 to approximately RMB117.4 million for the year ended 31 December 2007. The increase was mainly attributable to the combined effect of (i) the increase in our staff cost of our content production staff by approximately 21.6% from approximately RMB27.8 million for the year ended 31 December 2006 to approximately RMB33.8 million for the year ended 31 December 2007 as a result of the expansion of our content production teams for our existing magazines and "汽車生活" (Auto Life) which commenced its issue since February 2007. The average monthly headcount of our content production staff increased from approximately 194 for the year ended 31 December 2006 to approximately 230 for the year ended 31 December 2007 and the effective salary increment of approximately 8% for the year ended 31 December 2007; (ii) the increase in our content production and related costs by approximately 53.7% from approximately RMB14.7 million for the year ended 31 December 2006 to approximately RMB22.6 million for the year ended 31 December 2007 since our management had increased the content production costs budget for the year 2007 in order to improve and enhance the quality of the Magazines such as increase in expenditure for the subscription of photos and pictures provided by various Independent Third Parties including international news agencies; and (iii) the increase was partially offset by the decrease in printing costs from approximately RMB58.3 million for the year ended 31 December 2006 to approximately RMB57.4 million for the year ended 31 December 2007 because we shifted all of our printing orders from our then largest printer for the year 2006 to C&C Joint Printing Company ("C&C") during the year 2007 since C&C offered relatively lower printing costs. The total number of printing copies was increased from approximately 4.0 million for the year ended 31 December 2006 to approximately 4.7 million for the year ended 31 December 2007, however, the printing cost per copy decreased from approximately RMB14.6 for the year ended 31 December 2006 to approximately RMB12.2 for the year ended 31 December 2007.

Gross profit and gross profit margin

Our gross profit increased by approximately 31.7% from approximately RMB124.2 million for the year ended 31 December 2006 to approximately RMB163.6 million for the year ended 31 December 2007 and our gross profit margin increased from approximately 53.7% for the year ended 31 December 2006 to approximately 58.2% for the year ended 31 December 2007, which was in line with the changes of 'Turnover' and 'Cost of sales' for the years ended 31 December 2006 and 2007.

Other revenue

Our other revenue increased by approximately 373.3% from approximately RMB75,000 for the year ended 31 December 2006 to approximately RMB355,000 for the year ended 31 December 2007 was mainly attributable to an increase in interest income from bank deposits as a result of the receipt from other loan in an amount of approximately US$4.0 million (equivalent to approximately HK$31.2 million or RMB27.5 million) in August 2007 which led to an increase in the average monthly balance of bank deposit for the year ended 31 December 2007. For details of 'other loan', please refer to the paragraph headed "Other loan" in this section.

Other net income/(loss)

We had other net income of approximately RMB79,000 for the year ended 31 December 2006 as compared to other net loss of approximately RMB135,000 for the year ended 31 December 2007. Such change was mainly attributable to the increase in net foreign exchange loss from approximately RMB5,000 for the year ended 31 December 2006 to approximately RMB113,000 for the year ended 31 December 2007 as a result of appreciation of RMB against HK$ and the average exchange rate adopted by our Group increased from approximately HK$1: RMB1.03 for the year ended 31 December 2006 to an average rate of approximately HK$1: RMB0.97 for the year ended 31 December 2007.

Selling and distribution expenses

Our selling and distribution expenses increased by approximately 43.5% from approximately RMB35.9 million for the year ended 31 December 2006 to approximately RMB51.5 million for the year ended 31 December 2007 was mainly attributable to (i) an increase in our advertising and promotion expenses and (ii) an increase in our staff costs of the sales, marketing and distribution teams during the year 2007.

As discussed under the paragraph headed 'Turnover' above, we launched a lifestyle magazine "汽車生活" (Auto Life) since February 2007. We had additionally carried out a series of advertising activities in the PRC in order to upkeep the corporate brand name 'Modern Media' such as promotional press conference and issue of other promotional items such as posters and umbrellas for the year ended 31 December 2007 when compared to that of the year 2006. In addition, we had also expanded our distribution network to several second-tier cities such as Ningbo and Hefei during the year 2007 which led to an increase in our expenses for the promotional items displayed in the retail point of sales of our distributors accordingly. As a result, our advertising and promotion expenses increased by approximately 67.4% from approximately RMB13.5 million for the year ended 31 December 2006 to approximately RMB22.6 million for the year ended 31 December 2007.

Our staff costs of the sales, marketing and distribution teams increased by approximately 29.4% from RMB17.7 million for the year ended 31 December 2006 to approximately RMB22.9 million for the year ended 31 December 2007 was mainly attributable to (i) the increase in the average monthly headcount of sales team from approximately 152 for the year ended 31 December 2006 to approximately 190 for the year ended 31 December 2007 for our expanding advertising and promotional activities and (ii) the effective salary increment of approximately 8% for the year ended 31 December 2007.

Administrative and other operating expenses

Our administrative and other operating expenses increased by approximately 34.1% from approximately RMB46.9 million for the year ended 31 December 2006 to approximately RMB62.9 million for the year ended 31 December 2007. The increase was mainly attributable to (i) an increase in the staff costs of the administrative staff; (ii) an increase in operating lease charges in respect of our leasehold properties; and (iii) an increase in our office expenses.

Firstly, our staff costs of administrative staff increased by approximately 61.9% from approximately RMB11.3 million for the year ended 31 December 2006 to approximately RMB18.3 million for the year ended 31 December 2007 was mainly attributable to the combined effect of the increase in our monthly average of administrative staff from approximately 82 for the year ended 31 December 2006 to approximately 103 for the year ended 31 December 2007 as a result of the expansion of our Information Technology and Network team for the establishment of our MMS and update and maintenance of our magazines' websites since the second half of the year 2007 and the effective salary increment of 8% during the year 2007.

Secondly, our operating lease charges in respect of our leasehold properties increased by approximately 16.8% from approximately RMB10.1 million for the year ended 31 December 2006 to approximately RMB11.8 million for the year ended 31 December 2007 was mainly attributable to the increase in the number of leased properties from approximately 14 for the year ended 31 December 2006 to approximately 17 for the year ended 31 December 2007 as a result of additional office space leased in Shanghai, Beijing and Guangzhou during 2007 which was primarily for the expansion of our sales operation in these cities.

Lastly, our office expenses increased by approximately 43.0% from approximately RMB9.3 million for the year ended 31 December 2006 to approximately RMB13.3 million for the year ended 31 December 2007 was mainly attributable to the expansion of office premises in Beijing and Guangzhou which led to an increase in expenses such as property management fees, utilities, telephone and other office expenses for the year ended 31 December 2007 when compared with that for the year ended 31 December 2006.

Share of profit of an associate

Share of profit of an associate represented the share of profit from Tianjin Holiday which was acquired in July 2007 as to 20% owned by our Group. Thus, there was no share of profit of an associate for the year ended 31 December 2006.

Share of loss of a jointly controlled entity

Share of loss of a jointly controlled entity represented the share of loss from Sichuan Shangdu which was acquired in April 2007 as to 50% owned by our Group. Thus, there was no share of loss of a joint controlled entity for the year ended 31 December 2006.

Finance costs

Finance costs represented interest charged for a bank loan which was borrowed in 2005 and fully settled during the year 2006.

Income tax

Our income tax increased by approximately 41.8% from approximately RMB5.5 million for the year ended 31 December 2006 to approximately RMB7.8 million for the year ended 31 December 2007 and the effective tax rate increased from approximately 13.2% for the year ended 31 December 2006 to approximately 15.7% for the year ended 31 December 2007. This was mainly attributable to the increase in our taxable profits in the PRC since the profit tax rate applicable to our Group's operations in Hong Kong was 17.5% for the year 2006 and 2007, which was lower than that applicable to our Group's PRC operations ranging from generally 15% to 33% for the year 2006 and 2007. Moreover, our provision for Hong Kong Profits Tax decreased from approximately RMB1.3 million for the year ended 31 December 2006 to approximately RMB40,000 for the year ended 31 December 2007, which was mainly attributable to the decrease in our Group's Hong Kong operating result as a result of keen competition of the Chinese-language lifestyle magazine market in Hong Kong.

Profit for the year and net profit margin

Our Group's profit for the year increased by approximately 16.1% from approximately RMB36.0 million for the year ended 31 December 2006 to approximately RMB41.8 million for the year ended 31 December 2007 and the net profit margin decreased from approximately 15.5% for the year ended 31 December 2006 to approximately 14.9% for the year ended 31 December 2007. The decrease in net profit margin was mainly attributable to the combined effect of (i) the increased in our gross profit and gross profit margin from approximately RMB124.2 million and 53.7% for the year ended 31 December 2006, respectively, to approximately RMB163.6 million and 58.2% for the year ended 31 December 2007 as a result of increase in our turnover; (ii) the increase in the portion of our selling and distribution expenses, and administrative and other operating expenses from approximately 15.5% and 20.3% of our revenue for the year ended 31 December 2006, respectively, to approximately 18.3% and 22.4% for the year ended 31 December 2007, respectively as a result of the expansion of business operations of our Group; and (iii) the increase in our income tax expenses and effective tax rates from approximately RMB5.5 million and 13.2% for the year ended 31 December 2006, respectively, to approximately RMB7.8 million and 15.7% for the year ended 31 December 2007, respectively.

COMBINED BALANCE SHEETS

	As at 31 December			As at 31 March
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets				
Fixed assets	11,992	12,545	67,042	66,279
Prepaid deposits for properties	—	16,998	—	—
Interest in an associate	—	8,599	9,460	9,403
Interest in a jointly controlled entity	—	1,035	328	302
Deferred tax assets	—	—	—	1,732
	11,992	39,177	76,830	77,716
Current assets				
Trade receivables	75,590	71,954	94,187	72,983
Other receivables, deposits and prepayments	8,072	28,298	26,817	22,471
Amounts due from related parties	32,690	43,450	65,769	72,445
Taxation recoverable	—	566	535	535
Cash and cash equivalents	17,815	46,379	37,291	11,610
	134,167	190,647	224,599	180,044
Current liabilities				
Trade payables	21,404	23,086	28,195	22,077
Other payables and accruals	36,038	41,378	56,380	33,528
Bank loan	—	—	—	781
Other loan	—	29,028	27,596	13,779
Taxation payable	7,774	13,305	24,182	22,485
	65,216	106,797	136,353	92,650
Net current assets	68,951	83,850	88,246	87,394
Total assets less current liabilities	80,943	123,027	165,076	165,110
Non-current liability				
Bank loan	—	—	—	9,637
Net assets	80,943	123,027	165,076	155,473
Capital and reserves				
Share capital	6,680	6,172	4,672	4,672
Reserves	74,263	116,855	160,404	150,801
Total equity	80,943	123,027	165,076	155,473

KEY FINANCIAL RATIOS

	Notes	For the years ended/as at 31 December 2006	2007	2008	For the three months ended/as at 31 March 2009
Gross profit margin	1	53.7%	58.2%	58.9%	39.5%
Net profit margin	2	15.5%	14.9%	12.9%	N/A
Current ratio	3	2.1	1.8	1.6	1.9
Gearing ratio	4	0.0%	12.6%	13.0%	9.4%
Debtors' turnover days	5	92 days	88 days	79 days	115 days
Creditors' turnover days	6	110 days	141 days	130 days	122 days

Notes:

1. Gross profit margin is calculated based on the gross profit divided by turnover for the year/period and multiplied by 100%.

2. Net profit margin is calculated based on the profit for the year divided by turnover for the year/period and multiplied by 100%.

3. Current ratio is calculated based on the total current assets divided by the total current liabilities at the end of the year/period.

4. Gearing ratio is calculated based on the total debts divided by total assets at the end of the year/period and multiplied by 100%.

5. Debtors' turnover days is calculated based on average trade receivables (the sum of opening and closing balances of respective years and then divided by two) at the end of the year/period divided by Gross Revenue during the year/period and multiplied by the number of days during the year/period.

6. Creditors' turnover days is calculated based on average trade payables (the sum of opening and closing balances of respective years and then divided by two) at the end of the year/period divided by the total printing costs during the year/period and multiplied by the number of days during the year/period.

Current ratios

The current ratio of our Group decreased gently from approximately 2.1 as at 31 December 2006 to approximately 1.8 as at 31 December 2007. The decrease was mainly attributable to a loan granted by the then business partner, who was an Independent Third Party, in the amount of approximately US$4.0 million (or equivalent to approximately HK$31.2 million or RMB27.5 million) at 28 August 2007. Hereafter, the current ratio maintained at approximately 1.6 as at 31 December 2008.

Our current ratio increased from approximately 1.6 as at 31 December 2008 to approximately 1.9 as at 31 March 2009 was primarily attributable to the repayment of our other loan to our then business partner in March 2009 and the decrease in our other payables and accruals as stated under the paragraph headed 'Other payables and accruals' in this section.

Gearing ratio

Our gearing ratio increased from approximately 0.0% as at 31 December 2006 to approximately 12.6% as at 31 December 2007, and maintained at approximately 13.0% as at 31 December 2008 and decreased to approximately 9.4% as at 31 March 2009.

The increase in our gearing ratio from the year 2006 to the year 2007 was mainly attributable to the borrowing of a loan from the then business partner, who was an Independent Third Party, in the amount of approximately US$4.0 million (or equivalent to approximately HK$31.2 million or RMB27.5 million) at 28 August 2007.

The slight increase in our gearing ratio from the year 2007 to the year 2008 was mainly attributable to the combined effects of (i) the acquisition of properties in Beijing as office premises and increase in the balance of trade receivables, which contributed to the increase in our total assets from approximately RMB229.8 million as at 31 December 2007 to approximately RMB301.4 million as at 31 December 2008; and (ii) the decrease in valuation of other loan from approximately RMB29.0 million as at 31 December 2007 to approximately RMB27.6 million as at 31 December 2008.

Our gearing ratio decreased from December 2008 to March 2009 was mainly attributable to the repayment of other loan in March 2009.

Debtors' turnover days

Please refer to the sub-paragraph headed "Trade receivables and debtors' turnover days" below in this section for details.

Creditors' turnover days

Please refer to the sub-paragraph headed "Trade payables and creditors' turnover days" below in this section for details.

MAJOR BALANCE SHEET ITEMS

Fixed assets

Our Group's fixed assets increased by approximately 4.2% from approximately RMB12.0 million as at 31 December 2006 to approximately RMB12.5 million as at 31 December 2007 was primarily attributable to the purchase of office equipment for the newly leased office premises in Guangzhou and Beijing and purchase of motor vehicles during the year 2007.

Our Group's fixed assets increased by approximately 436.0% from approximately RMB12.5 million as at 31 December 2007 to approximately RMB67.0 million as at 31 December 2008 was mainly due to the acquisition of the office premise pursuant to the sales and purchase agreement entered into between Shenzhen Yage Zhimei and Beijing Shengce Real Estate Development Company Limited which was an Independent Third Party, the additions of leasehold improvements in relation to the abovementioned properties and newly leased office premises in Shanghai by approximately RMB13.8 million for the year ended 31 December 2008.

Our Group's fixed assets decreased by approximately 1.0% from approximately RMB67.0 million as at 31 December 2008 to approximately RMB66.3 million as at 31 March 2009 was primarily attributable to the depreciation charged for the three months ended 31 March 2009 in the amount of approximately RMB2.6 million which was partially offset by the addition of fixed assets in amount of approximately RMB1.9 million as a result of the additional leasehold improvement and purchase of office equipment for the new office premises in Beijing during the first quarter of the year 2009.

Prepaid deposits for properties

At 31 December 2007, our Group prepaid deposits for properties of RMB17.0 million and the purchase of properties was completed in 2008 as explained in the above paragraph.

Trade receivables and debtors' turnover days

Trade receivables at 31 December 2006, 2007, 2008 and 31 March 2009 mainly represented the outstanding amounts receivable by us from our advertising customers and distributors less any allowance for impairment of doubtful debts. The proportion of receivables from distributors as of 31 December 2006, 2007, 2008 and 31 March 2009 represented approximately 6.4%, 7.9%, 9.3% and 13.4%, respectively, of the total trade receivables. The granting of credit terms to customers is assessed on a case-by-case basis and depends on various factors, such as their business relationship with us, creditworthiness, settlement history, and size of business. For new advertising customers, payment in advance is normally required by our Group. However, we generally grant to our existing or regular advertising customers credit terms ranging from 30 days to 150 days, which our Directors believe that align with the general practice of the advertising industry in the PRC.

Our trade receivables decreased by approximately 4.8% from approximately RMB75.6 million as at 31 December 2006 to approximately RMB72.0 million as at 31 December 2007. The decrease was primarily attributable to the improvement in the collection of debts implemented by our management during the year 2007. As a result, the proportion of trade receivables aged over 90 days decreased from approximately 27.1% of the total balance of trade receivables as at 31 December 2006 to approximately 23.2% of the total balance of trade receivables as at 31 December 2007. In this connection, our debtors' turnover days slightly decreased from approximately 92 days for the year ended 31 December 2006 to approximately 88 days for the year ended 31 December 2007.

Our trade receivables increased by approximately 30.8% from approximately RMB72.0 million as at 31 December 2007 to approximately RMB94.2 million as at 31 December 2008. The increase was primarily attributable to the combined effect of (i) an increase in turnover from approximately RMB281.1 million for the year ended 31 December 2007 to approximately RMB347.8 million for the year ended 31 December 2008 and (ii) certain major advertising customers delayed payments as a result of the outburst of the global economic downturn since the last quarter of the year 2008. Although there was a delay of customers' repayment as discussed above, our management had improved the debts collection capability throughout the whole year 2008 and thus, our debtors' turnover days decreased from approximately 88 days for the year ended 31 December 2007 to approximately 79 days for the year ended 31 December 2008 although the proportion of trade receivable which aged over 90 days increased from approximately 23.2% as at the year ended 31 December 2007 to approximately 29.9% as at the year ended 31 December 2008. As at 30 June 2009, the subsequent settlement of trade receivable as at 31 December 2008 was approximately RMB86.1 million, which represented approximately 91.4% of total trade receivable as at 31 December 2008.

Our trade receivables decreased by approximately 22.5% from approximately RMB94.2 million as at 31 December 2008 to approximately RMB73.0 million as at 31 March 2009 was mainly attributable to the decrease in our advertising income from approximately RMB112.6 million for the three months ended 31 December 2008 to approximately RMB59.2 million for the three months ended 31 March 2009 because of the seasonal trend of the advertising expenditures of our advertising customers and the negative effect of the outburst of the global financial turmoil since the end of the year 2008. Moreover, our debtors' turnover days increased from approximately 79 days for the year ended 31 December 2008 to approximately 115 days for the three months ended 31 March 2009 was primarily attributable to the fact that our advertising customers had temporarily delayed their payments as a result of the global economic downturn since the end of the year 2008.

As at 31 December 2006, 2007 and 2008 and 31 March 2009, the balances of trade receivables that past due but not impaired were approximately RMB22.4 million, RMB17.4 million, RMB31.5 million, and RMB28.0 million, respectively, which represented approximately 29.6%, 24.1%, 33.5%, and 38.4% of the total trade receivables at respective balance sheet dates.

The balances of trade receivables that were past due but not impaired were determined based on the contracted credit periods granted to our advertising customers according to the respective sales contracts. Such past due but not impaired amounts were mainly related to a number of our major advertising customers which were the international advertising agents with good repayment record with our Group. Due to the seasonality effect as detailed under the sub-paragraph headed "Seasonal trend of advertising expenditures of lifestyle magazine in the PRC", the advertising spendings of our advertising customers mainly concentrate in the second half of each year, our Group has experienced increase in the trade receivable balance and observed a general delay in settlement of the trade receivables by these major advertising customers near each of the year end during the Track Record Period. Our Directors believe that this was mainly due to their internal cashflow management to meet with such significant cash outflow in respect of advertising expenditures in the peak season. With a view to maintaining good business relationships with our customers, we would make reference to the then current economic condition, the repayment history, years of relationship and the outstanding amount owed by the respective advertising customers in considering whether to grant a temporary extension of credit period to such customers. The balance of trade receivables that were past due but not impaired increased from approximately RMB17.4 million as at 31 December 2007 to approximately RMB31.5 million as at 31 December 2008 was mainly attributable to the fact that, in our Directors' opinion, the economic slowdown led to our advertising customers further delaying settlement to our Group.

Based on the past experience and repayment history, our Directors believe that no impairment allowance was necessary in respect of these balances as there has not been a significant change in the credit quality of the respective customers and the balances are still considered fully recoverable. In determining the recoverability of the trade receivables, we re-evaluate any change in the credit quality of the trade receivables since the credit was granted and up to the reporting date. After reassessment, our Directors believe that no further allowance is required because there was no indication of significant recoverability problem of our advertising customers noted. Furthermore, our Directors are of the view that our Group's credit controls are effective as there was no significant write-off of our trade receivables during the Track Record Period.

As at 30 June 2009, the subsequent settlements of trade receivables that were past due but not impaired as at 31 December 2008 and 31 March 2009 were approximately RMB28.9 million and RMB21.5 million, respectively, which represented approximately 92% and 77%, respectively of the trade receivables that were past due but not impaired as at the abovementioned balance sheet dates. Furthermore, there was no further bad debt provisions recognised for the three months ended 30 June 2009.

Trade payables and creditors' turnover days

Trade payables mainly represented the outstanding amounts payable by us to our suppliers, such as printers and photographic suppliers. Credits granted by our printers can be divided into two parts: (i) credit periods ranged from approximately 60 to 90 days; and (ii) a specific credit limit denominated in monetary value which ranged from approximately RMB12 million to RMB14 million during the Track Record Period. We would be required to settle our payables due to printers if any one of the following situations were met: the ageing of our outstanding amount has met the granted credit period or the total balance of our outstanding amount has exceeded the credit limit granted by our printers. In general, the effective credit periods granted to us ranged from approximately 30 to 150 days which were negotiated with our suppliers on case-by-case basis. In general, the effective credit periods are longer than the contracted credit periods. It is mainly due to the fact that, practically, as a result of our good business relationships with our printers, we have mutually agreed with two of our major printers in the PRC that we only need to settle our payables upon the cumulative outstanding balances exceeded the agreed credit limits as at the end of each month. Moreover, during the last quarter of the year 2007, we placed printing deposits to one of our major printers in the PRC in return for a temporarily extension of our credit limits. Thus, the effective credit periods are generally longer than the contracted credit periods. For details, please refer to the subsection headed "Other receivables, deposits and prepayments" under the section headed "Financial Information" of this prospectus. We have been advised by our PRC legal adviser that such funding arrangement complies with applicable PRC laws and regulations and that no approval, consent, filing or registration is required from the PRC regulatory authorities.

Our trade payables increased by approximately 7.9% from approximately RMB21.4 million as at 31 December 2006 to approximately RMB23.1 million as at 31 December 2007. The increase was primarily attributable to the increase in printing costs at the last quarter of the year 2007 when compared with the same period of the year 2006 as a result of the launching of "汽車生活" (Auto Life) since February 2007, the increase in the number of supplementary issues from approximately 58 for the year ended 31 December 2006 to approximately 69 for the year ended 31 December 2007, and the increase in sales of our flagship magazine, "週末畫報" (Modern Weekly) during the year 2007. Our creditors' turnover days increased from approximately 110 days for the year ended 31 December 2006 to approximately 141 days for the year ended 31 December 2007. The increase in creditors' turnover days was mainly attributable to the extension of credit limit granted by one of our printers in the PRC as a result of the placing of 'printing deposit' during the year 2007. For details, please refer to the paragraph headed 'Other receivables, deposits and prepayments' in this section.

Our trade payables increased by approximately 22.1% from approximately RMB23.1 million as at 31 December 2007 to approximately RMB28.2 million as at 31 December 2008. The increase was primarily attributable to the increase in the printing costs at the last quarter of the year 2008 when compared with the same period of the year 2007 as a result of the launching of "健康時尚" (LOHAS) and "優家畫報" (U+ Weekly) since January 2008 and December 2008, respectively, and increase in the number of supplementary issues from approximately 69 for the year ended 31 December 2007 to approximately 81 for the year ended 31 December 2008. In addition, as a result of the improvement of our operating cash inflow from approximately RMB29.1 million for the year ended 31 December 2007 to approximately RMB37.1 million for the year ended 31 December 2008, so we settled our trade payables earlier. In this connection, our creditors' turnover days decreased from approximately 141 days for the year ended 31 December 2007 to approximately 130 days for the year ended 31 December 2008. As at 30 June 2009, approximately 100.0% of trade payables as at 31 December 2008 have been settled.

Our trade payables decreased by approximately 21.6% from approximately RMB28.2 million as at 31 December 2008 to approximately RMB22.1 million as at 31 March 2009. The decrease was primarily attributable to decrease in our advertising customers' demand for our advertising space during the first quarter of the year 2009 when compared with the last quarter of the year 2008. As discussed in paragraph headed 'Seasonal trend of advertising expenditures of lifestyle magazines in the PRC' in this section, the pattern of the advertising expenditures of our customers was mainly focusing on the second half of each year of the Track Record Period. As a result of the decrease in demand for our advertising space led to the decrease our printing costs from approximately RMB21.4 million for the three months ended 31 December 2008 to approximately RMB18.5 million for the three months ended 31 March 2009. There was also a decrease in the number of our supplementary issues from approximately 17 for the three months ended 31 December 2008 to approximately 14 for the three months ended 31 March 2009. In this connection our creditors' turnover days decreased from approximately 130 days for the year ended 31 December 2008 to approximately 122 days for the three months ended 31 March 2009.

Other receivables, deposits and prepayments

As at each of the balance sheet date during the Track Record Period, our Group's other receivables, deposits and prepayments are summarised as below:

	As at 31 December			As at 31 March
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepayments	2,731	7,700	4,099	4,395
Rental, utility and other deposits	1,847	3,851	3,507	3,046
Printing deposits	—	10,728	7,327	458
Advances to employees	663	1,252	3,058	3,013
Value-added tax recoverable	1,039	3,333	6,662	7,679
Other receivables	1,792	1,434	2,164	3,880
	8,072	28,298	26,817	22,471

Prepayments mainly represented down payments for expenses such as rental, prepaid expenses for marketing events, deposits paid for leasehold improvement projects and other expenditures.

Printing deposits represented the amount paid to C&C, one of our printers in the PRC, which was an Independent Third Party and started business relationship with our Group in 2006, for the extension of its credit limit granted to us for the year ended 31 December 2007. As at 28 August 2007, a loan in an amount of approximately US$4.0 million (or equivalent to approximately HK$31.2 million or RMB27.5 million) was granted to our Group from an Independent Third Party, who was the then business partner of our Group, to City Howwhy Limited. For details of such loan, please refer to the paragraph headed 'Other loan' below in this section. At that moment, our Directors considered that the receipt from the loan exceeded the then operational cash flows needs of our Group. In order to maximise the efficiency of the cost of capital structure, to utilise our cash on hand denominated in US$ for our business operations in the PRC and with the view to having a closed business relationship with C&C, we had arm-length negotiation and mutually agreed with C&C to place deposits in amount of approximately HK$11 million as a collateral from our Hong Kong offices to its Hong Kong office in order to temporarily extend our credit limit by the equivalent amount in RMB. The amount of printing deposits was determined based on arms-length negotiation between our Group and C&C with reference to our intended extension of the credit limit amounts.

During the Track Record Period, the printing costs paid to this printer were approximately RMB9.4 million, RMB42.3 million and RMB55.0 million, respectively, for each of the three years ended 31 December 2008 and the trade payables to this printer amounted of approximately RMB16.9 million and RMB18.8 million as at 31 December 2007 and 2008, respectively. Our Directors confirm that the determination of the credit limit was based on arm-length negotiation with the printer. Pursuant to the agreements with this printer, when we repaid the extended credits to this printer, the respective amount of our Group's printing deposits would be released and the temporarily extended credit limit will be declined accordingly. The balance of the printing deposits had been fully settled in March 2009.

Our Directors confirm that our Group did not encounter any cashflow problem during the Track Record Period in the view that (i) our Group maintained net current assets in amount of approximately RMB69.0 million, RMB83.9 million and RMB88.2 million as at each of the balance sheet date of the three financial years ended 31 December 2008, (ii) the gearing ratio of our Group was maintained at a low level at approximately 0.0%, 12.6% and 13.0% as at each of the balance sheet date of the three financial years ended 31 December 2008, and (iii) our Group maintained a positive net cash inflow from the operating activities in amount of approximately RMB8.4 million, RMB29.1 million and RMB37.1 million for each of the three financial years ended 31 December 2008, respectively. In the view of our Directors that the improvement of our Group's operating cash as discussed above and the repayment of other loan to the then business partner pursuant to the loan agreement as discussed under the paragraph headed "Other loan" under the section headed "Financial Information" in this prospectus, our Directors terminated such temporary funding arrangement in March 2009.

Advances to employees mainly represented cash in advance to our staff for their travelling expenditures incurred in the course of their business trip. We normally requested our staff to settle the amount immediately following their return from the business trips.

Our other receivables, deposits and prepayments increased by approximately 249.4% from approximately RMB8.1 million as at 31 December 2006 to approximately RMB28.3 million as at 31 December 2007. The increase was mainly attributable to (i) an increase in prepayments from approximately RMB2.7 million as at 31 December 2006 to approximately RMB7.7 million as at 31 December 2007 as a result of the down payment made for the leasehold improvements of our Beijing and Shanghai offices at the end of the year 2007; and (ii) the payment of printing deposits to C&C during the year 2007 as discussed in the above paragraph.

Our other receivables, deposits and prepayments decreased by approximately 5.3% from approximately RMB28.3 million as at 31 December 2007 to approximately RMB26.8 million as at 31 December 2008. The decrease was mainly attributable to the combined effect of (i) the decrease in the prepayments from approximately RMB7.7 million as at 31 December 2007 to approximately RMB4.1 million at 31 December 2008 as a result of the utilisation of our down payment made for the leasehold improvements projects of our Beijing and Shanghai offices during the year 2008; and (ii) the decrease in printing deposits from approximately RMB10.7 million as at 31 December 2007 to approximately RMB7.3 million as at 31 December 2008 as a result of the settlement of approximately HK$3.2 million (or equivalent to approximately RMB2.8 million) of the printing deposits as at 31 December 2008.

Our other receivables, deposits and prepayments decreased by approximately 16.0% from approximately RMB26.8 million as at 31 December 2008 to approximately RMB22.5 million as at 31 March 2009. The decrease was mainly attributable to the combined effect of (i) the decrease in printing deposits from approximately RMB7.3 million as at 31 December 2008 to approximately RMB0.5 million as at 31 March 2009 as a result of the settlement and the termination of the arrangement of the printing deposits with C&C in March 2009 as mentioned above and (ii) the increase in other receivables from approximately RMB2.2 million as at 31 December 2008 to approximately RMB3.9 million as at 31 March 2009, which was mainly due to the increase in our Group's advance to the staff for the daily operation of our distribution offices in the PRC for the three months ended 31 March 2009.

Other payables and accruals

As at each of the balance sheet date during the Track Record Period, our Group's other payables and accruals are summarised below:

		As at 31 December		As at 31 March
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Accrued expenses	4,760	6,438	8,038	6,389
Deposits received in advance	7,181	5,385	3,682	2,776
Salaries, wages, bonus and benefits payables	13,864	19,290	15,548	10,017
Other tax payables	8,449	8,449	11,642	7,634
Other payables	1,784	1,816	17,470	6,712
	36,038	41,378	56,380	33,528

Accrued expenses mainly represented the accruals of production expenses, audit fee and other office expenses of our Group which are summarised below:

	For the year ended 31 December			As at 31 March
	2006	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Production expenses	2,106	2,454	2,597	3,307
Audit fee	1,578	2,308	2,062	2,292
Other office expenses	1,076	1,676	3,379	790
	4,760	6,438	8,038	6,389

Deposits received in advance mainly represented the deposits received from our advertising customers such as certain real estates advertisers and other new advertisers of which we decided the amount of the deposits required on case-by-case basis for purchase of the Magazines' advertising spaces according to the sales contracts. In general, we received the deposits before posting the advertisement or rendering of respective advertising services to our advertising customers.

Other tax payables mainly represented the business tax, cultural business development charge and value-added tax payables of our Group's operations in the PRC. Pursuant to 財稅字[1997]95號: 文化事業建設費徵收管理暫行辦法 (CaiShuiZi [1997] no. 95 guideline on temporary levying arrangement of cultural business development charge*), cultural business development charge was applicable to the enterprises in the PRC entertainment and advertising industry which charged at 3% of the applicable revenue on annual basis.

Other payables mainly represented some miscellaneous expenses payables such as photographic costs payable and marketing expenses payable as at the end of each of the balance sheet date of the Track Record Period.

Our other payables and accruals increased by approximately 15.0% from approximately RMB36.0 million as at 31 December 2006 to approximately RMB41.4 million as at 31 December 2007. The increase was primarily attributable to the combined effect of (i) an increase in our salaries, wages, bonus and benefits payables from approximately RMB13.9 million as at 31 December 2006 to approximately RMB19.3 million as at 31 December 2007 as a result of the increase in our Group's monthly average headcount from approximately 429 for the year ended 31 December 2006 to approximately 523 for the year ended 31 December 2007 and the effective salary increment of approximately 8% during the year 2007; (ii) an increase in our accrued expenses from approximately RMB4.8 million as at 31 December 2006 to approximately RMB6.4 million as at 31 December 2007 as a result of expansion of our business operations and increase in number of our offices in Beijing and Guangzhou during the year 2007 which led to an increase in our accrual of audit fee from approximately RMB1.6 million as at 31 December 2006 to approximately RMB2.3 million for the year ended 31 December 2007 and increase in accrual of other office expenses from approximately RMB1.1 million as at 31 December 2006 to approximately RMB1.7 million as at 31 December 2007, and (iii) the decrease in deposits received in advance from approximately RMB7.2 million as at 31 December 2006 to approximately RMB5.4 million as at 31 December 2007 as a result of the decrease in advertisers of the real estates sector in the PRC during the last quarter of year 2007 as affected by the austerity measures implemented by the PRC government.

Our other payable and accruals further increased by approximately 36.2% from approximately RMB41.4 million as at 31 December 2007 to approximately RMB56.4 million as at 31 December 2008. The increase was mainly attributable to the combined effect of (i) the consideration payable for the acquisition of our Beijing office premises in the amount of approximately RMB11.5 million as at 31 December 2008; (ii) an increase in accrued expenses from approximately RMB6.4 million as at 31 December 2007 to approximately RMB8.0 million as at 31 December 2008 as a result of expansion of our business operations, leasing new office premises in Beijing, Harbin and Tianjin during the year 2008 and the purchase of office premises in Beijing during the fourth quarter of the year 2007 which led to an increase in accrual of other office expenses from approximately RMB1.7 million as at 31 December 2007 to approximately RMB3.4 million as at 31 December 2008; (iii) the decrease in salaries, wages, bonus and benefits payables from approximately RMB19.3 million as at 31 December 2007 to approximately RMB15.5 million as at 31 December 2008 as a result of the management's decision to decrease the year-end bonus payable to our staff in response to the global economic downturn since the fourth quarter of the year 2008, and (iv) increase in other tax payables from approximately RMB8.4 million as at 31 December 2007 to approximately RMB11.6 million as at 31 December 2008. Such increase was mainly attributable to the value-added tax payable derived from a sales transaction between our Group and Shanghai Senyin, a related company of our Group, during the year ended 31 December 2008. As at 1 January 2008, Zhuhai Technology entered into a sales and purchase agreement with Shanghai Senyin to sell the user rights of the MMS to Shanghai Senyin on the condition that the MMS is technically compatible to Shanghai Senyin and the value-added tax payable in the amount of approximately RMB3.3 million was arised from the transaction. However, to the best knowledge of our Directors, Shanghai Senyin was unable to adapt the MMS into its own operations after the implementation of the MMS due to several technical problems. Accordingly, at the end of year 2008, Zhuhai Technology and Shanghai Senyin mutually agreed to cancel the abovementioned transaction. Our Directors confirm that all the transactions in relation to the abovementioned transactions had been settled as at the Latest Practicable Date.

Our other payables and accruals further decreased by approximately 40.6% from approximately RMB56.4 million as at 31 December 2008 to approximately RMB33.5 million as at 31 March 2009. The decrease was mainly attributable to the combined effect of (i) the decrease in our other payables from approximately RMB17.5 million as at 31 December 2008 to approximately RMB6.7 million as at 31 March 2009 as a result of the settlement of the consideration payable for the acquisition of our Beijing office mainly by using the bank loan borrowed in January 2009; (ii) decrease in other tax payables from approximately RMB11.6 million as at 31 December 2008 to approximately RMB7.6 million as at 31 March 2009 as a result of the settlement of the value-added tax payable derived from the sales transaction of our MMS as stated in the above paragraph during the three months ended 31 March 2009; (iii) decrease in our salaries, wages, bonus and benefits payables from approximately RMB15.5 million as at 31 December 2008 to approximately RMB10.0 million as at 31 March 2009 that was mainly due to the decrease in the management's budget on the staff bonus and double pay for three months ended 31 March 2009; and (iv) decrease in our accrued expenses from approximately RMB8.0 million as at 31 December 2008 to approximately RMB6.4 million as at 31 March 2009 that was mainly attributable to our management's implementation of tight control over the office expenses during the three months ended 31 March 2009 which led to decrease in our accrual of other office expenses as at 31 March 2009 accordingly.

Other loan

The then business partner, an Independent Third Party, is an international multi-media company. Since the end of year 2006, our Group had been in negotiation with the then business partner to explore cooperation opportunity with our Group in the PRC Media Industry. At the end of the year 2008, our Group understood from the then business partner that she had adjusted her global investment strategies owing to the outburst of global financial turmoil and accordingly terminated the aforesaid negotiation of cooperation. Pursuant to a loan agreement dated 28 August 2007 entered into between City Howwhy and the then business partner, the then business partner offered to grant a US$4 million interest-free loan to our Group for our further business development in Hong Kong and the PRC. Under the terms of such loan, the loan is repayable on demand and has been secured by pledges over the entire issued share capital of two of our wholly owned subsidiaries (namely, Modern Media (HK) and City Howwhy) and also the personal guarantee of Mr. Shao. Furthermore, the loan is interest-free from 5 September 2007, the date of the drawdown of the loan by our Group ("**Drawdown Date**") to the maturity date of the loan, except that in the event of our Group failing to repay the agreed amount as at the maturity dates in accordance with the applicable loan agreement, the interest will be charged at the rate of 9% per annum on the amount from the Drawdown Date to the date of actual payment in full of the loan. A supplemental agreement to the above loan agreement was entered into between City Howwhy and the then business partner dated 27 February 2009 whereby the remaining loans are repayable by instalments on or before 31 March 2010 and are interest-free for the period from the drawdown date of the loan to 31 March 2010, except that in the event of our Group failing to repay any of the instalments, the interest will be charged at a rate of 9% per annum on the amount from the Drawdown Date to the date of actual payment in full of the loan instalment. In addition, the then business partner had agreed in principle to release the pledging arrangement of Modern Media (HK)'s and City Howwhy's entire issued share capital and Mr. Shao's personal guarantee before or upon the Listing and to be replaced by substitute security to be provided by members of our Group.

As at 31 March 2009, approximately US$2.0 million (or equivalent to approximately RMB13.7 million), which accounted for approximately 50% of other loan, has been settled with our internally-generated fund from our business operation.

We have obtained advice from our legal advisers who then advised us that in connection with the above loan and, in gist, the documents in connection with the above loan will be treated by the Hong Kong courts as legally binding, valid and enforceable obligations of City Howwhy, and that the performance of obligations and exercise of its rights thereunder by City Howwhy do not and will not conflict with any law or regulation of Hong Kong (including but not limited to the Listing Rules); or the memorandum and articles of association of City Howwhy.

Bank loan

In January 2009, we borrowed a bank loan in an aggregate amount of approximately RMB10.5 million with a variable interest rate based on the benchmark interest rate issued by the People's Bank of China repayable by monthly installation over a term of 10 years. The bank loan was secured by a mortgage over our Beijing office with a carrying value of approximately RMB38.1 million as at 31 March 2009. As at 31 March 2009, the outstanding balance of the bank loan was approximately RMB10.4 million.

Interest in an associate

In July 2007, our Group acquired a 20% equity interest in Tianjin Holiday from an Independent Third Party for a consideration of RMB8.1 million of which RMB5.1 million was the goodwill arising from the acquisition of Tianjin Holiday representing the difference between the consideration and the fair value of identifiable assets/liabilities acquired. The balance of interest in an associate as at each of the balance sheet date of the two years ended 31 December 2008 represents the sum of our Group's share of net assets and goodwill. Interest in an associate increased by approximately 10.5% from approximately RMB8.6 million as at 31 December 2007 to approximately RMB9.5 million as at 31 December 2008 was mainly attributable to our Group's share of Tianjin Holiday's net profit in the amount of approximately RMB0.9 million for the year ended 31 December 2008. Our interest in an associate as at 31 March 2009 further decreased to approximately RMB9.4 million was mainly attributable to our share of loss in the amount of approximately RMB57,000 for the three months ended 31 March 2009.

Interest in a jointly controlled entity

In April 2007, Guangzhou Modern Information entered into a joint venture agreement with an Independent Third Party to establish a jointly controlled entity, Sichuan Shangdu with a registered capital of RMB2,000,000. The balance of interest in a jointly controlled entity as at each of the balance sheet date of the two years ended 31 December 2008 represented the sum of our Group's share of net assets and amount due from a jointly controlled entity. The net balance of interest in a jointly controlled entity decreased by approximately 67.2% from approximately RMB1.0 million as at 31 December 2007 to approximately RMB328,000 as at 31 December 2008 and further decreased to approximately RMB302,000 as at 31 March 2009 was mainly attributable to the decrease in the share of net assets since the jointly controlled entity was loss-making for the year 2007 and 2008 and for the three months ended 31 March 2009.

Amounts due from related parties

The amounts due from related parties included (i) the amounts due from a director and (ii) the amounts due from related companies during the Track Record Period.

(i) *amounts due from a director*

The amounts due from a director as at 31 December 2006, 2007 and 2008 and 31 March 2009 represented the receivable balances arising from non-trade advance to our director during the Track Record Period of which were unsecured, non-interest bearing and repayable on demand. Our Directors confirm that such amount will be settled prior to the Listing.

(ii) *amounts due from related companies*

Amounts due from related companies represented the amounts advanced to support the working capital and business development of these related companies and amounts receivables for services rendered to these related companies. The amounts are unsecured and interest-free. As at the Latest Practicable Date, the receivables from Guangzhou Zhongde Consultation Company Limited ("**Guangzhou Zhongde**"), which was a company owned by Mr. Shao during the Track Record Period and became an Independent Third Party upon disposal subsequent to the Track Record Period, in the amount of approximately RMB22.1 million will be settled by installment of approximately RMB600,000 every two months starting from January 2010 until full settlement in 2015. The settlement terms granted to Guangzhou Zhongde were determined after the arm-length negotiation and mutual agreement of both parties. As at the Latest Practicable Date, our Directors did not identify any recoverability issues of Guangzhou Zhongde. In addition, to the best knowledge of our Directors, Guangzhou Zhongde have maintained a stable business relationship with one of the mobile telecommunication services providers in the PRC and therefore, our Directors are of the view that Guangzhou Zhongde will have sufficient cash flow to settle the outstanding balance in accordance with the agreed repayment schedule.

As advised by our PRC legal adviser, since our Group does not have the requisite qualifications in the PRC to engage in the money lending and borrowing transactions between corporations under the prevailing PRC laws and regulations, the lending of the money by our Group to Guangzhou Zhongde is not allowed under the relevant PRC laws and regulations and the financing agreements or arrangements concerned will be nullified. If the lender or the borrower is in dispute of such kind of financing agreements or arrangements and commence proceedings in the courts of the PRC, the relevant court will order the repayment of the principal amount by the borrower, but the interest charged or agreed to be charged by the lenders shall be determined as forfeited by the PRC court. In addition, the lenders may be subject to a fine which is equal to one to five times of the agreed interest or interest charged. As no interest has been agreed between our Group and Guangzhou Zhongde or charged by our Group in the past with respect to the money advanced, no PRC laws has prescribed that penalty will be imposed on our Group by any court of the PRC in respect of such amount advanced to Guangzhou Zhongde.

Nevertheless, the Controlling Shareholder has undertaken to indemnify our Group for any potential losses, costs, expenses or damages arising from or in connection with such settlement terms granted or the repayment thereof. Furthermore, our Directors have confirmed that the details of the settlement status of the amounts advanced to Guangzhou Zhongde will be disclosed in the annual reports of our Company until the outstanding amounts advanced have been fully settled. In addition, our independent non-executive Directors would review, at least on an annual basis, whether any claims under the indemnity provided by the Controlling Shareholder is necessary, and whether such claim has been settled.

Taxation recoverable

Taxation recoverable in the amount of approximately RMB566,000, RMB535,000 and RMB535,000 as at 31 December 2007, 31 December 2008 and 31 March 2009, respectively mainly represented the outstanding balance of the tax reserve certificate of Inland Revenue Department of Hong Kong ("**IRD**") purchased by our Group. On 27 September 2007, our Group took the initiative to submit a revised tax computation to the IRD since there was an update on the financial figures in the audited account of Modern Media (HK) for the year 2006 with a lower assessable profits. Pending the IRD's determination of our tax computation revision and as requested by the IRD, our Group purchased a tax reserve certificate in the amount of approximately HK$605,000 during the Track Record Period. As at the Latest Practicable Date, we were still waiting for the IRD's finalisation of our tax computation revision.

Taxation payable

Taxation payable mainly represented the accruals of income tax liabilities to the tax authorities in the PRC and Hong Kong. Our Directors consider that our Group's accruals for tax liabilities are adequate for the Track Record Period based on the management's assessment of many factors including past experience and interpretations of applicable tax laws. This assessment relies on estimates and assumptions and may involve a series of complex judgments about future events such as the recoverability of the trade debtors. To the extent that the final tax outcome of these matters is different from the amounts recorded, such differences will impact income tax expenses in the period in which such determination is made. The balance increased from approximately RMB7.8 million as at 31 December 2006 to RMB13.3 million as at 31 December 2007 and further increased to approximately RMB24.2 million as at 31 December 2008 was mainly attributable to the increase in our Group's taxable profit and increase in the effective tax rate as discussed under the paragraphs headed 'Income tax' under the subsection headed 'Year-to-year analysis of our trading record' in the 'Financial Information' section of this prospectus. Our tax payable decreased by approximately 7.0% from approximately RMB24.2 million as at 31 December 2008 to approximately RMB22.5 million as at 31 March 2009 was mainly attributable to the combined effect of our settlement of the tax liabilities to respective tax authorities and our Group was loss-making for the three months ended 31 March 2009. As at 30 June 2009, the amount of subsequent settlement of tax payable was approximately RMB8.3 million or 36.9% of the taxation payable as at 31 March 2009. The relatively low subsequent settlement of income tax payable was mainly attributable to the fact that there were provision for EIT in relation to the potential tax liabilities arising from the certain items which were identified by our Directors in the course of preparation of our Group's financial information during the Track Record Period that may be subject to tax according to strict interpretation of EIT Law. The items mainly represented (i) tax liabilities from potential deemed sales revenue derived from the complimentary copies issued by our Group. During the Track Record Period, our Group's circulation income was recognised when the Magazines were delivered to the distributors, net of the actual return of the Magazines. Accordingly, the deemed sales value of the complimentary copies would not be recognised in the profit or loss in accordance with our Group's recent accounting policies. However, to the best knowledge of our Directors, the circulation of complimentary copies might be taxable under the prevailing EIT Law and therefore, provision for EIT in relation to such deemed sales was provided; and (ii) to the best knowledge of our Directors, the deductibility of promotional expenses were subject to certain predetermined threshold amount in the calculation of assessable income for EIT purpose under the prevailing EIT Law. As such, our Directors considered that there might be certain amounts of promotional and marketing expenses that would exceed such threshold and rendered potential tax liabilities for the Track Record Period. For prudence sake, our Directors recognised further provision for EIT in relation to those expenses in the income statements for the Track Record Period. As at Latest Practicable Date, we have obtained confirmation from the relevant PRC tax bureaus confirming that our Group's subsidiaries and PRC Operational Entities had already settled all of the outstanding tax payment during the Track Record Period.

Our Group's Hong Kong profit tax liabilities during the Track Record Period mainly related to two of our Group's subsidiaries in Hong Kong, City Howwhy and Modern Media (HK). City Howwhy had assessable profits for the year 2006 and 2007 which were fully offset by the tax loss carried forward from the year assessment 2005/2006. For the year 2008, our Group's provision for Hong Kong profit tax of approximately RMB84,000 was mainly contributed by assessable profit generated by City Howwhy. On the other hand, Modern Media (HK) has re-submitted a revised profits tax computation for the year ended 31 December 2006 as stated under the paragraph headed 'Tax recoverable' in this section. Modern Media (HK) was still pending for the IRD's determination of our tax computation revision as at the Latest Practicable Date. Our Directors confirm that City Howwhy and Modern Media (HK) had not yet received any further notice from the IRD for further tax payment for the years 2006, 2007 and 2008 as at the Latest Practicable Date and therefore, no Hong Kong profit tax was paid during the Track Record Period.

FINANCIAL RISKS MANAGEMENT

Our Group's business and operations in the PRC and Hong Kong expose us primarily to the financial risks such as credit risk, liquidity risk, foreign currency risk and interest rate risk. Financial risk exposures are measured by sensitivity analysis. There has been no change to our exposure to financial risks or the manner in which we manage and measure the risk during the Track Record Period. Details of each type of financial risks are described below.

Credit risk management

Other than concentration of credit risk on trade receivables in amount of approximately RMB75.6 million, RMB72.0 million, RMB94.2 million and RMB73.0 million as at each of 31 December 2006, 2007 and 2008 and 31 March 2009 respectively, we have no significant concentrations of credit risk. The trade receivables from our Group's largest customer and our Group's five largest customers represented 11% and 32%, 11% and 41%, 12% and 35% of our Group's total trade receivables as at 31 December 2006, 2007 and 2008, respectively and 11% and 40% of our Group's total trade receivables as at 31 March 2009. Our historical experience in the collection of trade receivables falls within the recorded impairment of trade receivables, and our Directors are of the opinion that adequate provision for uncollectible trade receivables has been made in the financial information.

The carrying amount of cash and cash equivalents, trade receivables and other receivables, deposits and prepayments included in our combined balance sheets represented our maximum exposure to credit risk in relation to our financial assets during the Track Record Period. We have policies in place to ensure that credit sales of our goods and services are made to customers with an appropriate credit history, and we perform periodic credit evaluations of our customers. All of our cash and cash equivalent are placed with major financial institutions in Hong Kong and the PRC that are high-credit quality and meet the established credit rating or other criteria.

Liquidity risk management

Our Group's policy is to regularly monitor our current and expected liquidity requirements to ensure that our Group maintains adequate cash inflows from operations and sufficient reserves of cash to meet our debt obligations as they fall due and our ability to obtain external financing to meet our committed future capital expenditure. We typically ensure that we have sufficient cash on demand to meet expected operation expenses for a period of 60 days without taking into account the potential impact of extreme circumstances such as natural disasters, which we cannot reasonably predict. With regards to our future capital commitments and other financing requirements, our Group has obtained and utilised mortgage facilities with the bank for an amount of RMB10.5 million in January 2009.

Interest rate risk management

Our interest rate risk relates primarily to our bank deposits and our bank loan. As at 31 December 2006, 2007 and 2008, our Group has no outstanding bank borrowings and as at 31 March 2009, the outstanding balance of bank borrowing was approximately RMB10.4 million. A reasonably possible change of 100 basis points in interest rates would have no material impact on our Group's profit or loss for the year ended 31 December 2006, 2007 and 2008 and for the three months ended 31 March 2009 and there was no material impact on our Group's equity.

Foreign currency risk management

As most of our Group's monetary assets and liabilities are denominated in Renminbi and our Group conducts its business transactions principally in Renminbi and Hong Kong dollars, the exchange rate risk of our Group is not significant. We have not used any financial instruments to hedge against currency risk. However, our management monitors foreign exchange exposure from time to time and will consider hedging significant foreign currency exposure should the needs arise.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Liquidity

Our cash needs have historically related primarily to purchases in property and office equipment, daily operating activities and repayment of loans. We have secured our cash resources from operating activities and bank loan. We intend to obtain short-term borrowings in order to finance our cash needs not met by our operating cashflows and other capital resources. Our policy is to regularly monitor current and expected liquidity requirements and compliance with loan covenants, if any, to ensure that we maintain sufficient cash reserves to meet our liquidity requirements in the short and long term. Based on our current and anticipated levels of operations and conditions in the markets and industry, we believe that with the proceeds from the Share Offer, our cash and bank deposits, cash flow from operations, our banking relationships with principal bankers will enable us to meet our working capital, capital expenditures, and other funding requirements for the foreseeable future. However, our ability to fund our working capital needs, repay our indebtedness and finance other obligations depend on our future operating performance and cash flow, which are in turn subject to prevailing economic conditions, the level of spending by our customers and other factors, many of which are beyond our control.

We had cash and cash equivalent of approximately RMB17.8 million, RMB46.4 million, RMB37.3 million, and RMB11.6 million as at 31 December 2006, 2007 and 2008 and 31 March 2009, respectively.

We had net current assets of approximately RMB69.0 million, RMB83.9 million, RMB88.2 million, and RMB87.4 million as at 31 December 2006, 2007 and 2008 and 31 March 2009, respectively.

As at 31 December 2008, our net current assets were approximately RMB88.2 million. The key components of our current assets as of such date included cash and cash equivalents of approximately RMB37.3 million, trade receivables of approximately RMB94.2 million, other receivables, deposits and prepayments of approximately RMB26.8 million and amounts due from related parties of approximately RMB65.8 million. The key components of our current liabilities included trade payables of approximately RMB28.2 million, other payables and accruals of approximately RMB56.4 million, other loan of approximately RMB27.6 million and taxation payable of approximately RMB24.2 million.

As at 31 March 2009, our net current assets were approximately RMB87.4 million. The key components of our current assets as of such date included cash and cash equivalents of approximately RMB11.6 million, trade receivables of approximately RMB73.0 million, other receivables, deposits and prepayments of approximately RMB22.5 million and amounts due from related parties of approximately RMB72.4 million. The key components of our current liabilities included trade payables of approximately RMB22.1 million, other payables and accruals of approximately RMB33.5 million, bank loan of approximately RMB0.8 million, other loan of approximately RMB13.8 million and taxation payable of approximately RMB22.5 million.

	Years ended 31 December			Three months ended 31 March	
	2006	2007	2008	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Net cash generated from/(used in) operating activities	8,376	29,099	37,077	(13,326)	(20,490)
Net cash used in investing activities	(4,198)	(29,474)	(45,489)	(13,075)	(1,816)
Net cash (used in)/generated from financing activities	(655)	29,028	—	—	(3,372)
Net increase/(decrease) in cash and cash equivalents	3,523	28,653	(8,412)	(26,401)	(25,678)
Cash and cash equivalents at the beginning of the year/period	14,343	17,815	46,379	46,379	37,291
Effect of foreign exchange rates changes	(51)	(89)	(676)	(231)	(3)
Cash and cash equivalents at the ending of the year/period	17,815	46,379	37,291	19,747	11,610

Financial resources and capital structure

Capital structure

We had net current assets of approximately RMB69.0 million, RMB83.9 million, RMB88.2 million, and RMB87.4 million as at 31 December 2006, 2007 and 2008 and 31 March 2009.

Cash flow

We generally finance our operations through a combination of shareholders' equity and internally generated cash flows. Following the completion of the Share Offer, we expect to finance our capital expenditure and operational requirements through internally generated cash flows, net proceeds from the Share Offer, and our cash reserve.

As at 31 March 2009, we had bank and cash balances of approximately RMB11.6 million and did not have any unutilised banking facilities.

Net cash generated from/(used in) operating activities

Our major operating cash flows during the Track Record Period were the sales of advertising spaces, circulation income from magazines and payments for the printing costs and staff cost.

We had a net cash generated from operating activities of approximately RMB8.4 million for the year ended 31 December 2006 while our profit before taxation for the same year was approximately RMB41.4 million. The cash generated from operations of approximately RMB9.3 million was primarily attributable to the combined effects of (i) an increase in trade receivables of RMB26.5 million as a result of increase in turnover of our Group in year 2006; (ii) an increase in trade payables of approximately RMB7.6 million as a result of increase in our trade payables to our printers in order to cope with the increase in sales; and (iii) an increase in other payables and accruals of approximately RMB8.0 million which was mainly due to increase in our accruals of office expenses and salaries wages, bonus and benefit payables as a result of the expansion of our business operations, salaries increment and increase in our Group's headcount during the year 2006.

We had a net cash generated from operating activities of approximately RMB29.1 million for the year ended 31 December 2007, while our profit before taxation for the same year was approximately RMB49.6 million. The cash generated from operations of approximately RMB31.3 million was primarily due to the composite effects of (i) a decrease in trade receivables of approximately RMB3.2 million as a result of improvement in the collection of debts implemented by our management during the year 2007 ; (ii) an increase in other receivables, deposits and prepayments of approximately RMB20.2 million as a result of the down payment made for the leasehold improvement of our Beijing and Shanghai offices at the end of the year 2007 and the payment of printing deposits to one of our PRC printers during the year 2007; and (iii) an increase in other payables and accruals of RMB5.3 million which was mainly due to the increase in the salaries, wages, bonus and benefit payables as a result of the salaries increment and increase in our Group's headcount during the year 2007.

We had a net cash generated from operating activities of approximately RMB37.1 million for the year ended 31 December 2008 while our profit before taxation for the same period was approximately RMB57.0 million. The cash generated from operations of approximately RMB38.1 million was mainly contributed from the composite effects of (i) an increase in trade receivables of approximately RMB22.2 million as a result of increase in the turnover during 2008 and customers delayed their payments due to the outburst of the global economic downturn since the last quarter of the year 2008, (ii) an increase in other payables and accruals of RMB15.0 million which was mainly due to the consideration payable for the acquisition of our Beijing office and increase in our accruals of office expenses as a result of our business expansion and increase in number of our offices in Beijing, Harbin and Tianjin during the year 2008.

We had a net cash used in operating activities of approximately RMB20.5 million for the three months ended 31 March 2009 while our loss before taxation for the same period was approximately RMB11.0 million. The cash used in operations of approximately RMB18.3 million was mainly contributed from the composite effects of (i) a decrease in trade receivables of approximately RMB21.0 million as a result of decrease in our advertising income during the three months ended 31 March 2009, (ii) a decrease in other payables and accruals of RMB23.3 million which was mainly due to the decrease in consideration payable for the acquisition of our Beijing office as a result of the borrowing of bank loan in January 2009 in order to settle the said consideration payable, and (iii) settlement of our trade payables for the three months ended 31 March 2009.

Net cash used in investing activities

The major cash used in our investing activities during the Track Record Period were our capital expenditures for fixed assets.

Our net cash used in investing activities increased from approximately RMB4.2 million for the year ended 31 December 2006 to approximately RMB29.5 million for the year ended 31 December 2007. The substantial increase was mainly attributable to the combined effects of (i) the deposit paid for the acquisition of a property in Beijing, and (ii) the acquisition of an associate, Tianjin Holiday and capital injection in a jointly controlled entity, Sichuan Shangdu during the year 2007.

Our net cash used in investing activities increased from approximately RMB29.5 million for the year ended 31 December 2007 to approximately RMB45.5 million for the year ended 31 December 2008 was mainly due to the payment for the acquisition of a property in Beijing and respective capital expenditure on leasehold improvement during the year 2008.

Our net cash used in investing activities decreased to approximately RMB1.8 million for the three months ended 31 March 2009 was mainly due to the decrease in the acquisition of fixed assets for the three months ended 31 March 2009.

Net cash (used in)/generated from financing activities

Our financing activities during the Track Record Period included proceeds from other loan and repayments of bank loan and finance costs.

For the year ended 31 December 2006, we had a net cash used in financing activities amounted to approximately RMB0.7 million, whereas, for the year ended 31 December 2007, we had a net cash generated from financing activities of approximately RMB29.0 million. The change from cash outflow to cash inflow during the two years was mainly attributable to the fact that we made a repayment of bank loan of approximately RMB0.6 million for the year ended 31 December 2006 when compared to the proceeds from other loan in the amount of approximately RMB29.0 million for the year ended 31 December 2007.

For the three months ended 31 March 2009, we had a net cash used in financing activities of approximately RMB3.4 million which was mainly attributable to the combined effect of the repayment of our other loan in amount of approximately RMB13.6 million to our then business partner and the proceeds from new bank loan in the amount of approximately RMB10.5 million for the payment of consideration payable for the acquisition of our Beijing office.

Net current assets as at 30 June 2009

As at 30 June 2009, being the latest practicable date for the preparation of the working capital sufficiency statement in this prospectus, we had net current assets of approximately RMB102.0 million, comprising current assets of approximately RMB197.7 million and current liabilities of approximately RMB95.7 million. The following table sets out the composition of our unaudited current assets and liabilities as at 30 June 2009:

	As at 30 June 2009
	RMB'000
	(Unaudited)
Current assets	
Trade receivables	68,924
Other receivables, deposits and prepayments	49,328
Amounts due from related parties	64,802
Taxation recoverable	586
Cash and cash equivalents	14,094
	197,734
Current liabilities	
Trade payables	29,412
Other payables and accruals	36,670
Bank loans	1,400
Other loan	13,779
Taxation payable	14,506
	95,767
Net current assets	101,967

Capital structure

As at 31 March 2009, we had net assets of approximately RMB155.5 million, comprising non-current assets of approximately RMB77.7 million (principally consisting of land and buildings held for own use and the leasehold improvements), net current assets of approximately RMB87.4 million and non-current liability of approximately RMB9.6 million.

Capital expenditure management

We expect to meet future capital expenditure requirements through our available cash and cash equivalents, cash generated from our operating activities, and the expected net proceeds from the Share Offer. The amount of our capital expenditures during the Track Record Period are shown as follows:

	For the year ended 31 December			For the three months ended 31 March
	2006	**2007**	**2008**	**2009**
	RMB'million	*RMB'million*	*RMB'million*	*RMB'million*
Capital expenditure	4.9	3.7	64.1	1.9

Our capital expenditure increased by approximately 1,632.4% from approximately RMB3.7 million for the year ended 31 December 2007 to approximately RMB64.1 million for the year ended 31 December 2008 was mainly attributable to the purchase and the leasehold improvement of our new office premises in Beijing during the year 2008.

Operating lease commitments

As at 31 December 2006, 2007 and 2008 and 31 March 2009, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	As at 31 December			As at 31 March
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Leases expiring:				
Within 1 year	8,095	10,662	12,436	13,139
After 1 year but within 5 years	2,567	11,450	8,454	5,607
	10,662	22,112	20,890	18,746

Our Group leases a number of properties which are classified as operating leases. These leases typically are for a term of initially of one to five years with an option to renew (subject to renegotiation). None of the leases include contingent rentals.

The commitments under these operating leases increased from approximately RMB10.7 million as at 31 December 2006 to approximately RMB22.1 million as at 31 December 2007 was primarily attributable to the increase in number of the leased properties of our Group from approximately 14 units in 2006 to 17 units in 2007 due to our business expansion in Shanghai, Beijing and Guangzhou during the year ended 2007.

The commitments under these operating leases decreased from approximately RMB22.1 million as at 31 December 2007 to approximately RMB20.9 million as at 31 December 2008 was primarily attributable to the relocation of our Beijing office from a leased property to our Group's own premise purchased in 2008.

Directors' opinion on the sufficiency of our working capital

Our Directors are of the opinion that the working capital available to our Group is sufficient for our present requirements for the next 12 months commencing from the date of the publication of this prospectus taking into consideration:

a) our net cash generated from operating activities had been improving during the three years ended 31 December 2008 from approximately RMB8.4 million for the year ended 31 December 2006 to approximately RMB37.1 million for the year ended 31 December 2008;

b) our management believes that our existing banking facilities will continue to be available during the next 12 months from the date of this prospectus;

c) cash required for our expansion plans could be satisfied by the net proceeds from the Share Offer; and

d) our historical working capital had proven to be sufficient for the operation of our Group during the Track Record Period.

INDEBTEDNESS

Borrowings

As at 31 July 2009, our Group had total outstanding borrowings of approximately RMB32.0 million, which comprised secured bank loans of RMB18.2 million and secured other loan of RMB13.8 million. The table below summarises our borrowings as of the dates indicated:

	As at 31 December			As at 31 March	As at 31 July
	2006	**2007**	**2008**	**2009**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)
Bank loans					
Repayable within 1 year or on demand	—	—	—	781	1,408
Repayable after 1 year but within 2 years	—	—	—	834	1,503
Repayable after 2 years but within 5 years	—	—	—	2,854	5,143
Repayable after 5 years	—	—	—	5,949	10,147
	—	—	—	9,637	16,793
	—	—	—	10,418	18,201
Other loan					
Repayable within 1 year or on demand	—	29,028	27,596	13,779	13,774
Total borrowings	—	29,028	27,596	24,197	31,975

As of the close of business on 31 July 2009, being the latest practicable date for the purpose of this statement prior to the printing of this prospectus, our Group has total available banking facilities amounted to RMB18.2 million which has been fully utilised.

Securities

As at 31 July 2009, our Group's bank loans were secured by mortgages over the properties in Beijing, the PRC, in aggregate carrying value of RMB37.5 million, and guaranteed by Mr. Shao in respect of the bank loans granted by the bank. Such personal guarantee will be replaced by corporate guarantee by our Group on or prior to the Listing.

As at 31 July 2009, our Group's other loan was secured by the entire issued share capital of Modern Media Company Limited and City Howwhy Limited, the wholly-owned subsidiaries of our Group. Mr. Shao provided personal guarantee to an Independent Third Party in respect of the other loan granted by the Independent Third Party. The personal guarantee, together with the security of the share capital of the wholly-owned subsidiaries, will be replaced by corporate guarantee by our Group on or prior to the Listing.

Contingent liabilities

As at 31 July 2009, our Group had no material contingent liabilities. Our Group has not involved in any current material legal proceedings, nor are our Group aware of any pending or potential material legal proceedings involving our Group. If our Group was involved in such material legal proceedings, our Group would record any loss contingencies when, based on information then available, it is likely that a loss has been incurred and the amount of the loss can be reasonably estimated.

Disclaimer

Save as disclosed in "Financial Information — Indebtedness" above, and apart from normal trade payables and intra-group liabilities, our Group did not have any outstanding mortgages, charges, pledges, debentures, loan capital, bank overdrafts and loans, debt securities or other similar indebtedness, finance leases or hire purchase commitments, acceptance liabilities or acceptance credits, any guarantees or other material contingent liabilities outstanding at 31 July 2009.

The Directors confirm that, up to the Latest Practicable Date, there have been no material change in our Group's indebtedness and contingent liability since 31 July 2009.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that as at the Latest Practicable Date, there were no circumstances which would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

DIVIDEND POLICY

Our Group did not declare or pay any dividend in respect of the three financial years ended 31 December 2008.

On 31 July 2009, our PRC Operational Entities declared special interim dividends of RMB82.0 million to the Controlling Shareholder and he will use part of the dividend to fully settle the amount due to our Group from him and Shanghai Senyin. The special interim dividends are expected to be paid before the Listing Date. Prospective investors in the Share Offer should note that they will not be entitled to any such special interim dividends.

The amount of any dividends to be declared in the future will depend on, among others, our Group's results of operations, available cashflows and financial condition, operating and capital requirements, the amount of distributable profits based on the IFRSs, the Articles of Association, the Companies Ordinance, applicable laws and regulations and any other factors that our Directors deem relevant. The payment of dividends may also be limited by legal restrictions and agreements that our Group may enter into in the future.

Subject to the factors described above, we currently intend to recommend at the next annual general meeting of our Company an annual dividend of approximately 30% of our net profit available for distribution to our Shareholders for the period beginning from the Listing Date and ending on 31 December 2009. The aforementioned special interim dividends should not be viewed as an indication of the amount of dividends that our Company may declare or pay in the future.

RELATED PARTY TRANSACTIONS

Our Group entered into certain related party transactions during the three years ended 31 December 2008 and the three months ended 31 March 2009, details of which are set out in the accountants' report set out in Appendix I to this prospectus. During the Track Record Period, our Group provided management services and office support services such as human resources management, accounting and general administrative services to Guangzhou Zhongde and Shanghai Senyin for the sake of cost saving as they were both controlled by Mr. Shao. Subsequent to the disposal of Mr. Shao's interest in Guangzhou Zhongde, our Group had ceased to provide its management and office support services to Guangzhou Zhongde since end of July 2009. In addition, since the year 2008, we have granted the usage right of the logo of Modern Weekly (週末畫報) to Guangzhou Zhongde for its own operation. A logo usage fee is and will be received by Group after the Listing and is charged at the greater of a pre-determined percentage of Guangzhou Zhongde's revenue for the year or a minimum fee of approximately RMB1.0 million per annum for the period from January 2008 to December 2009.

DISTRIBUTABLE RESERVE

Our Company was incorporated on 8 March 2007. As at 31 March 2009, there was no reserve available for distribution to the Shareholders.

PROPERTY INTEREST

As at the Latest Practicable Date, our Group owned one property (two units) in the PRC for office use and leased 19 properties located in Hong Kong and PRC for office, staff dormitory, retail shop, studio, car parking space and warehouse uses. For more details of our leased properties, please refer to the valuation report as set out in Appendix III to this Prospectus.

The table below shows the reconciliation of property interests of our Group from our combined balance sheet as at 31 March 2009 to the unaudited net assets value of the property interests of our Group as at 30 June 2009:

	Land and buildings held for own use
	RMB'000
Net book value as at 31 March 2009	38,124
Movement for the period from 1 April 2009 to 30 June 2009	
Depreciation	(482)
Net book value as at 30 June 2009	37,642
Valuation surplus	7,558
Valuation as at 30 June 2009 per valuation report set out in Appendix III to this prospectus	45,200

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

For illustrative purpose only, the following statement of unaudited pro forma adjusted net tangible assets of our Group prepared in accordance with Rule 4.29 of the Listing Rules is prepared to show the effect on the audited net tangible assets of our Group as at 31 March 2009 as if the Share Offer had occurred on 31 March 2009 and is based on the combined net assets derived from the audited financial information of our Group as at 31 March 2009, as set out in Appendix I to this prospectus and adjusted as follows.

The unaudited pro forma adjusted net tangible assets of our Group has been prepared for illustrative purposes only and, because of its nature, it may not give a true picture of the financial position of our Group.

	Combined net tangible assets of our Group attributable to equity shareholders of our Company as at 31 March 2009	**Estimated net proceeds from the Share Offer**	**Unaudited pro forma adjusted net tangible assets**	**Unaudited pro forma adjusted net tangible assets per Share**	
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB)*	*(HK$)*
Based on the minimum indicative Offer Price of HK$1.15 per Offer Share	155,473	82,279	237,752	0.59	0.68
Based on the maximum indicative Offer Price of HK$1.41 per Offer Share	155,473	104,379	259,852	0.65	0.74

Notes:

1. With reference to Appendix III to this Prospectus, CBRE, an independent property valuer, reported the valuation of property interests held by our Group at an amount of RMB45,200,000 as at 30 June 2009 and the valuation surplus was approximately RMB7,558,000. Such valuation surplus has not been recorded in the financial statements of our Group for the Track Record Period and will not be recorded in the financial statements of our Group for the year ending 31 December 2009 as our Group's property interests are stated at historical cost. If such revaluation surplus was included to the financial statements of our Group for the year ending 31 December 2009, the additional depreciation charge would amount to approximately RMB192,000.

2. The estimated net proceeds from the Share Offer are based on the minimum and maximum indicative Offer Price of HK$1.15 and HK$1.41 per Offer Share, respectively, after deduction of the underwriting fees and other related expenses payable by our Company and take no account of any Shares which may be issued upon the exercise of the Over-allotment Option and the options that may be granted under the Share Option Scheme.

3. The unaudited pro forma adjusted net tangible assets per Share is arrived at after the adjustments referred to above and on the basis that 400,000,000 Shares (including the Shares in issue as at 31 March 2009, Shares under the Capitalisation Issue and the Share Offer) are in issue and that the Over-allotment Option and the options that may be granted under the Share Option Scheme are not exercised.

4. The unaudited pro forma adjusted net tangible assets as at 31 March 2009 do not take into account the special interim dividend of approximately RMB82.0 million declared by the PRC operational Entities to our Controlling Shareholder prior to the Listing. The special interim dividends are expected to be paid before the Listing Date.

5. The unaudited pro forma adjusted net tangible assets per share amounts in RMB are converted to HK$ with the exchange rate at RMB0.88 to HK$1. No representation is made that the Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that since 31 March 2009 (being the date to which the latest audited combined financial information of our Group was made up), there has been no material adverse change in the financial or trading position or prospects of our Group.

FUTURE PLANS

Please refer to the paragraph headed "Business strategies" in the section headed "Business" in this prospectus for a detailed description of our future plans.

USE OF PROCEEDS

Our Directors intend to apply the net proceeds from the Share Offer to finance our capital expenditure and business expansion, strengthen our capital base and improve our overall financial position.

We estimate that on the assumption that the Over-allotment Option is not exercised, we will receive net proceeds from the Share Offer of approximately HK$106.1 million (assuming an Offer Price of HK$1.28 per Offer Share, being the mid-point of the indicative range of the Offer Price between HK$1.15 and HK$1.41), after deducting the underwriting commissions and estimated expenses payable by us in relation to the Share Offer.

Assuming we receive the estimated net proceeds as described above, we currently intend to use the net proceeds from the Share Offer as follows:

- as to approximately HK$68.9 million (or approximately 65% of such net proceeds) for expanding the portfolio of magazines we operate in the PRC by allocating (a) approximately HK$37.1 million (or approximately 35% of such net proceeds) for operating new nationally-distributed magazines (by way of cooperation with new PRC Publishing Partners for the publication of periodicals or magazines or such ways as permitted under the prevailing laws and regulations in the PRC); (b) approximately HK$21.2 million (or approximately 20% of such net proceeds) for collaborating with reputed international publishers to launch the Chinese editions of their high-end lifestyle and fashion-focused monthly magazines in the PRC and/or Hong Kong; and (c) approximately HK$10.6 million (or approximately 10% of such net proceeds) for conducting selective investment in magazines of the second tier cities in the PRC in order to increase our market share in such second tier cities and to further penetrate into the advertising market of the PRC. We currently plan to roll out and complete the above-mentioned plans by the end of 2010;

- as to approximately HK$21.2 million (or approximately 20% of such net proceeds) for enhancing our sales and marketing effort with a view to expanding brand recognition of our Group as the leader in the high quality Chinese-language lifestyle magazines market in the PRC and developing new business opportunities in different channels, such as the design and production of tailor-made periodical magazines, supplement productions for our advertising customers as well as organising marketing and public relationship events jointly with or on behalf of our advertising customers. We currently plan to increase our monthly sales and marketing budget after the Listing for the above-mentioned plan and expect to substantially complete such plan by the end of 2011;

- as to approximately HK$10.6 million (or approximately 10% of such net proceeds) for expanding our geographical coverage by establishing new offices and developing larger distribution network through our distributors or staff designated in the second tier cities in the PRC. We currently plan to strengthen the distribution networks in Hangzhou, Nanjing, Chongqing, Chengdu and Tianjin by the end of 2010, and in Wuhan, Shenyang, Dalian, Qingdao, Harbin and Xi'an by the end of 2011; and

- the remaining net proceeds for funding our general working capital and other general corporate purposes.

In the event that the Over-allotment Option is exercised in full and the Offer Price is finally determined at the highest end of the indicative range of the Offer Price between HK$1.15 and HK$1.41 per Offer Share, the net proceeds of the Share Offer will increase by approximately HK$33.0 million. Our Directors intend to apply such additional net proceeds for the above usages in the proportion as referred to above.

In the event that the Over-allotment Option is exercised in full and the Offer Price is finally determined at the lowest end of the indicative range of the Offer Price between HK$1.15 and HK$1.41 per Offer Share, the net proceeds of Share Offer will increase by approximately HK$4.0 million. Our Directors intend to apply such additional net proceeds for the above usages in the proportion as referred to above.

In the event that the Over-allotment Option is not exercised and the Offer Price is finally determined at the highest end of the indicative range of the Offer Price between HK$1.15 and HK$1.41 per Offer Share, the net proceeds of the Share Offer will increase by approximately HK$12.6 million. Our Directors intend to apply such additional net proceeds for the above usages in the proportion as referred to above.

In the event that the Over-allotment Option is not exercised and the Offer Price is finally determined at the lowest end of the indicative range of the Offer Price between HK$1.15 and HK$1.41 per Offer Share, the net proceeds of the Share Offer will reduce by approximately HK$12.6 million. In such event, our Directors intend to reduce the intended use of proceeds for the above stated purposes on a pro-rata basis and we will finance such shortfall by internal cash resources and/or additional bank borrowings, as and when appropriate.

To the extent that the net proceeds from the Share Offer are not immediately required for the above purposes or if we are unable to effect any part of our future development plans as intended, we may hold such funds in short-term deposits with licensed banks and/or authorised financial institutions in Hong Kong and/or the PRC for so long as it is in our best interest.

GLOBAL COORDINATOR AND BOOKRUNNER

ICBC International Capital Limited

PUBLIC OFFER UNDERWRITERS

Lead Manager

ICBC International Securities Limited

Co-lead Manager

Mega Capital (Asia) Company Limited

Co-Managers

Taifook Securities Company Limited
First Shanghai Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Underwriting Agreements

Pursuant to the Public Offer Underwriting Agreement, our Company is initially offering for subscription of 10,000,000 New Shares at the Offer Price under the Public Offer, subject to the terms and conditions set forth in this prospectus and the related Application Forms. The Public Offer Underwriters have agreed, severally but not jointly, subject to the terms and conditions in the Public Offer Underwriting Agreement, to procure subscribers for, or failing which they shall subscribe for, the Public Offer Shares.

Pursuant to the Placing Underwriting Agreement, our Company is expected to be offering for subscription of 90,000,000 New Shares at the Offer Price under the Placing. The Placing Underwriting Agreement is expected to be signed on or around the Price Determination Date, pursuant to which the Placing Underwriters are expected to agree severally, but not jointly, subject to the terms and conditions of the Placing Underwriting Agreement, to procure subscribers to subscribe for, or failing which they shall subscribe for, the Placing Shares.

In addition, the Over-allotment Option is expected to be granted to the Placing Underwriters, exercisable by the Lead Manager (for itself and on behalf of the Placing Underwriters), at any time from the Listing Date up to (and including) the date which is the 30th day after the last date for lodging the Application Forms, to require our Company to allot and issue up to 15,000,000 additional New Shares, representing 15% of the Shares initially available under the Share Offer, at the Offer Price on the same terms as those applicable to the Placing, to cover over-allocations in the Placing and/or the obligations of the Lead Manager to return securities borrowed under the Stock Borrowing Agreement.

The Underwriting Agreements are subject to various conditions, which include, but without limitation, (i) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, our Shares in issue and to be issued as mentioned in this prospectus; and (ii) the agreement of the Offer Price being entered into on the Price Determination Date.

Grounds for termination

The obligations of the Public Offer Underwriters to subscribe for, or procure subscribers for, the Public Offer Shares are subject to termination. The Public Offer Underwriters shall be entitled to terminate their obligations under the Public Offer Underwriting Agreement upon the occurrence of any of the following events by notice in writing to our Company given by the Global Coordinator (acting on behalf of all the Public Offer Underwriters) at any time prior to 8:00 a.m. on the Listing Date (the "**Termination Time**") if prior to the Termination Time,

(a) there comes to the notice of the Global Coordinator or any of the Public Offer Underwriters:

(i) any matter or event showing any of the representations, warranties or undertakings contained in the Public Offer Underwriting Agreement to be untrue, inaccurate or misleading in any material respect when given or repeated or there has been a breach of any of the representations, warranties or undertakings contained in the Public Offer Underwriting Agreement or any other provisions of the Public Offer Underwriting Agreement by any party thereto other than the Public Offer Underwriters which, in any such cases, is considered, in the sole opinion of the Global Coordinator, to be material in the context of the Public Offer; or

(ii) any statement contained in this prospectus has become or been discovered to be untrue, incorrect or misleading in any material respect; or

(iii) any event, series of events, matters or circumstances occurs or arises on or after the date of the Public Offer Underwriting Agreement and before the Termination Time, being events, matters or circumstances which, if it had occurred before the date of the Public Offer Underwriting Agreement, would have rendered any of the representations, warranties or undertakings contained in the Public Offer Underwriting Agreement untrue, incorrect or misleading in any material respect, and which is considered, in the sole opinion of the Global Coordinator, to be material in the context of the Public Offer; or

(iv) any matter which, had it arisen or been discovered immediately before the date of this prospectus and not having been disclosed in this prospectus, would have constituted, in the sole opinion of the Global Coordinator, a material omission in the context of the Public Offer; or

(v) any event, act or omission which gives or is likely to give rise to any liability of our Company and any of our executive Directors and our Controlling Shareholder arising out of or in connection with the breach of any of the representations, warranties or undertakings contained in the Public Offer Underwriting Agreement; or

(vi) any breach by any party to the Public Offer Underwriting Agreement other than the Public Offer Underwriters of any provision of the Public Offer Underwriting Agreement which, in the sole opinion of the Global Coordinator, is material; or

(b) there shall have developed, occurred, existed, or come into effect any event or series of events, matters or circumstances whether occurring or continuing before, on and/or after the date of the Public Offer Underwriting Agreement and including an event or change in relation to or a development of an existing state of affairs concerning or relating to any of the following:

(i) any new law or regulation or any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in the U.S., BVI, the Cayman Islands, Hong Kong, the PRC or any of the jurisdictions in which our Group operates or has or is deemed by any applicable law to have a presence (by whatever name called) or any other jurisdiction relevant to the business of our Group; or

(ii) any change in, or any event or series of events or development resulting or likely to result in any change in the U.S., BVI, the Cayman Islands, Hong Kong, the PRC or any of the jurisdictions relevant to the business of our Group, the local, regional or international financial, currency, political, military, industrial, economic, stock market or other market conditions or prospects; or

(iii) any change in the conditions of Hong Kong, the PRC, the U.S. or international equity securities or other financial markets; or

(iv) the imposition of any moratorium, suspension or restriction on trading in securities generally on any of the markets operated by the Stock Exchange due to exceptional financial circumstances or otherwise; or

(v) any change or development involving a prospective change in all forms of taxation or exchange control (or the implementation of any exchange control) in BVI, the Cayman Islands, Hong Kong, the PRC or any of the jurisdictions in which our Group operates or has or is deemed by any applicable law to have a presence (by whatever name called) or other jurisdiction relevant to the business of our Group; or

(vi) any change or prospective change in the business or in the financial or trading position or prospects of any member of our Group; or

(vii) the imposition of economic sanction or withdrawal of trading privileges, in whatever form, by the U.S. or by the European Union (or any member thereof) on Hong Kong or the PRC; or

(viii) a general moratorium on commercial banking activities in the PRC or Hong Kong declared by the relevant authorities; or

(ix) any event of force majeure including, without limiting the generality thereof, any act of God, military action, riot, public disorder, civil commotion, fire, flood, tsunami, explosion, epidemic, terrorism, strike or lock-out, which, in the sole opinion of the Global Coordinator:

(a) is or will be, or is very likely to be adverse, in any material respect, to the business, financial or other condition or prospects of our Group; or

(b) has or will have or is very likely to have a material adverse effect on the success of the Share Offer or the level of the Offer Shares being applied for or accepted, the distribution of the Offer Shares or the demand or the market price of our Shares following the Listing; or

(c) for any other reason makes it impracticable, inadvisable or inexpedient for the Public Offer Underwriters to proceed with the Public Offer as a whole.

For the above purpose:

(1) a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the U.S. or a devaluation of the Renminbi against any foreign currencies shall be taken as an event resulting in a change in currency conditions; and

(2) any normal market fluctuations shall not be construed as events or series of events affecting market conditions referred to above.

Similar events are expected to be contained in the Placing Underwriting Agreement that may allow the Placing Underwriters to terminate their respective obligations thereunder.

Commission and expenses

The Public Offer Underwriters will, and the Placing Underwriters are expected to, receive an underwriting commission of 2.5% and 3.5% of the aggregate Offer Price payable for the Public Offer Shares and the Placing Shares, respectively, in accordance with the terms of the Underwriting Agreements, out of which the Underwriters may pay any sub-underwriting commission in connection with the Share Offer. The Sponsor will also receive a documentation fee. The aggregate fees, together with the underwriting commission, listing fees, legal and other professional fees, printing, translation and other fees and expenses relating to the Share Offer, are estimated to be approximately HK$21.9 million (assuming that the Over-allotment Option is not exercised and based on the Offer Price of HK$1.28 per Offer Share (being the mid-point of the indicative range of the Offer Price between HK$1.15 and HK$1.41)), which will be payable by us. We will also generally pay for the expenses in connection with any exercise of the Over-allotment Option or over-allocations in the Placing.

Undertakings

Pursuant to the Public Offer Underwriting Agreement, our Controlling Shareholder has undertaken with our Company and the Global Coordinator (for itself and on behalf of the Public Offer Underwriters) not to dispose of his interest in the Shares during the same period and on similar terms as the non-disposal undertaking more particularly set out under the paragraph headed "Interest discloseable under the SFO and Substantial Shareholders" in this prospectus.

Our Company has irrevocably and unconditionally undertaken to the Global Coordinator (for itself and on behalf of all the Public Offer Underwriters), and our Controlling Shareholder has also irrevocably and unconditionally undertaken to the Global Coordinator (for itself and on behalf of all the Public Offer Underwriters) to procure our Company, that, without the prior written consent of the Global Coordinator (for itself and on behalf of all the Public Offer Underwriters) and subject always to the requirements of the Stock Exchange, save for the Offer Shares, the Shares to be issued under the Capitalisation Issue, and any Shares which may fall to be issued pursuant to the exercise of the Over-allotment Option and/or any option that may be granted under the Share Option Scheme or any capitalisation issue, capital reduction or consolidation or sub-division of Shares, neither our Company nor any of its subsidiaries from time to time shall:

(a) allot and issue or agree to allot and issue any share in our Company or any of its subsidiaries from time to time or grant or agree to grant any option, warrant or other right carrying the right to subscribe for or otherwise acquire any securities of our Company or any of its subsidiaries from time to time during a period commencing on the date by reference to which disclosure of the shareholding of our Controlling Shareholder is made in this prospectus and ending on the date which is six months from the Listing Date (the "**First Six-Month Period**");

(b) issue any Share or securities in our Company or grant or agree to grant any option, warrant or other right carrying the right to subscribe for or otherwise convert into or exchange for Shares or securities in our Company or enter into any swap, derivative or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any such Shares during the six-month period commencing on the expiry date of the First Six-Month Period so as to result in our Controlling Shareholder ceasing to be a controlling shareholder (as defined under the Listing Rules) of our Company or our Company ceases to hold a controlling interest of 30% or more in any major subsidiary (which shall have the same meaning as in Rule 13.25(2) of the Listing Rules) of our Group in respect of those subsidiaries which our Group equity interests as at the date of the Public Offer Underwriting Agreement; or

(c) during the First Six-Month Period purchase any Share or securities of our Company.

SPONSOR'S AND UNDERWRITERS' INTEREST IN OUR COMPANY

The Sponsor will receive a documentation fee. The Lead Manager and the other Underwriters will receive an underwriting commission. Particulars of these underwriting commission and expenses are set forth under the paragraph headed "Commission and expenses" in this section above.

We will appoint, before the Listing Date, ICBC International as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules for the period commencing on the Listing Date and ending on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the year ending 31 December 2010.

Save as disclosed above, none of the Sponsor, the Lead Manager and the other Underwriters is interested legally or beneficially in shares of any members of our Group or has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any of our members nor any interest in the Share Offer.

MINIMUM PUBLIC FLOAT

Our Directors and the Global Coordinator will ensure that there will be a minimum 25% of the total issued Shares held in public hands in accordance with Rule 8.08 of the Listing Rules after completion of the Share Offer.

THE STRUCTURE OF THE SHARE OFFER

The Share Offer consists of:

- the Placing; and
- the Public Offer.

ICBC International is the Global Coordinator.

An aggregate of 10,000,000 New Shares have been initially allocated to the Public Offer for subscription, subject to re-allocation as mentioned below and under the Listing Rules. An aggregate of 90,000,000 New Shares are initially offered under the Placing for subscription, subject to re-allocation as mentioned below and under the Listing Rules and the exercise of the Over-allotment Option.

Investors are free to select to apply for the Public Offer Shares or the Placing Shares, but they may only receive Shares under the Public Offer **OR** the Placing but not both. Our Directors and the Global Coordinator will take all reasonable steps to identify any multiple applications under the Public Offer and the Placing which are not allowed and are bound to be rejected.

In order to facilitate settlement of the over-allocations in the Placing and for the purpose of stabilisation of the market price of the Share (if any), it is expected that the Lead Manager and Mr. Shao will enter into the Stock Borrowing Agreement pursuant to which Mr. Shao will, if so requested by the Lead Manager and subject to the terms of the Stock Borrowing Agreement, make available to the Lead Manager up to 15,000,000 Shares held by him to facilitate settlement of over-allocations in the Placing.

The stock borrowing arrangements under the Stock Borrowing Agreement shall not be subject to the restrictions under Rule 10.07(1)(a) of the Listing Rules and are expected to be on the following terms in compliance with Rule 10.07(3) of the Listing Rules:

- such stock borrowing arrangements will only be effected by the Lead Manager for the sole purpose of settlement of the over-allocations in the Placing;
- the maximum number of Shares borrowed from Mr. Shao will be limited to the maximum number of Shares which may be issued upon the full exercise of the Over-allotment Option;
- no payment or other benefit will be made to Mr. Shao by the Lead Manager under the Stock Borrowing Agreement;
- the same number of Shares so borrowed will be returned to Mr. Shao or his nominees (as the case may be) on or before the third Business Day following the earlier of (i) the last day on which the Over-allotment Option may be exercised; or (ii) the day on which the Over-allotment Option is exercised in full and the relevant Over-allotment Shares have been issued; and
- the arrangements under the Stock Borrowing Agreement will be effected in compliance with all the applicable laws, rules and regulatory requirements.

PRICE PAYABLE UPON APPLICATION FOR THE PUBLIC OFFER SHARES

Investors of the Public Offer Shares will be required to pay the maximum indicative Offer Price of HK$1.41 plus 1% brokerage, 0.005% Stock Exchange trading fee and 0.004% transaction levy imposed by the SFC amounting to a total of HK$2,848.45 for each board lot of 2,000 Shares. If the final Offer Price is less than the maximum indicative Offer Price, arrangements will be made to refund any excess amount to the investors, **WITHOUT INTEREST**.

CONDITIONS OF THE SHARE OFFER

Acceptance of applications for the Public Offer Shares will be conditional upon:

- the Listing Committee granting the listing of, and permission to deal in, on the Main Board, our Shares in issue, the Offer Shares and any Shares which may fall to be issued pursuant to the exercise of the Over-allotment Option and any options that may be granted under the Share Option Scheme;

- the agreement on the Offer Price between our Company and the Global Coordinator (on behalf of the Underwriters) being entered into on the Price Determination Date; and

- the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, as a result of a waiver of any condition(s)) and not being terminated in accordance with the respective terms and conditions of the Underwriting Agreements),

in each case, on or before the dates and times specified in the Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the date which is 30 days after the date of this prospectus.

If any of the above conditions has not been fulfilled or waived prior to the time(s) and date(s) specified, the Share Offer will lapse and the Stock Exchange will be notified immediately. Notice of lapse of the Share Offer will be caused to be published by our Company in the South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) on the next day following such lapse. In such event, all application money will be refunded, **WITHOUT INTEREST**. The terms on which the application money will be refunded are set forth under "Refund of your application money" on the Application Forms. In the meantime, all application money received from the Public Offer will be held in a separate bank account (or separate bank accounts).

THE PUBLIC OFFER

Our Company is initially offering 10,000,000 New Shares under the Public Offer, at the Offer Price, representing 10% of the initial number of the Offer Shares, for subscription by way of a public offer in Hong Kong, subject to the re-allocation as mentioned below. The Public Offer is lead managed by the Lead Manager and is fully underwritten by the Public Offer Underwriters (subject to our Company and the Global Coordinator agreeing to the final Offer Price). Applicants for the Public Offer Shares are required to pay on application the maximum indicative Offer Price plus 1% brokerage, 0.004% transaction levy imposed by the SFC and 0.005% Stock Exchange trading fee.

The Public Offer is open to all members of the public in Hong Kong. An applicant for the Public Offer Shares will be required to give an undertaking and confirmation in the Application Form that he or she or it has not taken up and will not indicate an interest to take up any Placing Shares nor otherwise participated in the Placing. Applicants should note that if such undertaking and/or confirmation given by the applicant is breached and/or is untrue (as the case may be), such applicant's application under the Public Offer is bound to be rejected. The Public Offer will be subject to the conditions stated under the paragraph headed "Conditions of the Share Offer" above.

If the Public Offer is not fully subscribed for, the Global Coordinator (on behalf of the Public Offer Underwriters) has the authority to re-allocate all or any of the unsubscribed Public Offer Shares originally included in the Public Offer to the Placing, in such number as it deems appropriate to satisfy demand under the Placing.

The total number of the Public Offer Shares to be allotted and issued may change as a result of the re-allocation as mentioned below.

Basis of allocation of the Public Offer Shares

For allocation purpose only, the number of the Public Offer Shares (after taking into account any re-allocation referred to below and after deducting 1,000,000 Public Offer Shares available for subscription by eligible full-time employees of our Group by **PINK** Application Forms) will be divided equally into two pools: pool A and pool B. The Public Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for the Public Offer Shares in the aggregate value of HK$5 million (excluding transaction levy imposed by the SFC, the Stock Exchange trading fee and the brokerage payable thereon) or less. The Public Offer Shares available in pool B will be allocated on an equitable basis to applicants who have applied for the Public Offer Shares in the aggregate value of more than HK$5 million (excluding transaction levy imposed by the SFC, the Stock Exchange trading fee and the brokerage payable thereon) and up to the total initial value of pool B.

Investors should be aware that allocation ratios for applications in the two pools, as well as the allocation ratios for applications in the same pool, are likely to be different. Where one of the pools is under-subscribed, the unsubscribed Public Offer Shares will be transferred to satisfy the demand in the other pool and be allocated accordingly. Applicants can only receive an allocation of Public Offer Shares from any one pool but not from both pools and can only make applications to either pool A or pool B. Any application made for more than 100% of Public Offer Shares initially available under pool A or pool B is bound to be rejected.

Up to 1,000,000 Public Offer Shares (representing 10% of the total number of Public Offer Shares initially available under the Public Offer) will be available for subscription on **PINK** Application Forms by all eligible full-time employees of our Group (other than the chief executive or directors of our Company or its subsidiaries, existing beneficial owners of Shares or any of their respective associates) (the "**Eligible Employee(s)**") on a preferential basis under the Public Offer, as summarised under the paragraph headed "Preferential offer to Eligible Employees" below. Otherwise, allocation of Public Offer Shares to applicants under the Public Offer will be based solely on the level of valid applications received under the Public Offer. When there is over subscription under the Public Offer, allocation of the Public Offer Shares will be made on an equitable basis and could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

Preferential offer to Eligible Employees

Up to a maximum of 1,000,000 Public Offer Shares (representing 10% of the total number of Public Offer Shares initially available under the Public Offer) will be available for subscription made on **PINK** Application Forms by all the Eligible Employees on a preferential basis under the Public Offer. These Public Offer Shares will be allocated on a preferential basis to the Eligible Employees who have validly applied for such Public Offer Shares on **PINK** Application Forms in accordance with the terms set out in the section headed "How to apply for the Public Offer Shares" in this prospectus. Allocation of these Public Offer Shares will be made based on written guidelines consistent with the allocation guidelines contained in Practice Note 20 of the Listing Rules and distributed to the Eligible Employees. Such allocation will be made on a pro rata basis in an equitable manner and will not be based on the seniority, the length of service or the work performance of the Eligible Employees. No favour will be given to the Eligible Employees who apply for a large number of Public Offer Shares and any application by the Eligible Employees in excess of the maximum number of Public Offer Shares available for preferential allocation will be rejected. Any Public Offer Shares not validly applied for by the Eligible Employees in connection with the preferential offer to the Eligible Employees will be available for application by the public in the Public Offer. Allocation of Public Offer Shares to the Eligible Employees under such preferential offer will be based solely on the level of valid applications received and may involve balloting, which would mean that some applicants may be allotted more Public Offer Shares than others who have applied for the same number of Public Offer Shares and that applicants who are not successful in the ballot may not receive any Public Offer Shares.

Our Company will issue written guidance to all full-time employees of our Group on the allocation of the 1,000,000 Public Offer Shares under the **PINK** Application Forms detailing the basis of allocation.

THE PLACING

Our Company is initially offering 90,000,000 New Shares at the final Offer Price, representing 90% of the initial number of the Offer Shares, for subscription by way of the Placing, subject to re-allocation as mentioned below and under the Listing Rules and the exercise of the Over-allotment Option.

Investors subscribing for the Placing Shares are also required to pay 1% brokerage, 0.005% Stock Exchange trading fee and 0.004% transaction levy imposed by the SFC.

All decisions concerning the allocation of the Placing Shares to prospective placees pursuant to the Placing will be made on the basis of, and by reference to, a number of factors including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not the relevant investor is expected or likely to buy further Shares, or hold or sell our Shares, after the Listing Date. Such allocation is intended to result in a distribution of the Placing Shares on a basis which would lead to the establishment of a solid shareholder base for the benefit of our Company. In addition, our Company and the Global Coordinator will use their best endeavours to observe the minimum public float requirement under the Listing Rules when making allocations of the Placing Shares to investors who are anticipated to have a sizeable demand for such Shares.

In connection with the Placing, our Company intends to grant the Over-allotment Option to the Placing Underwriters, exercisable by the Lead Manager (on behalf of the Placing Underwriters) at any time from the Listing Date up to the 30th day after the last day for lodging applications under the Public Offer, subject to the terms of the Placing Underwriting Agreement. Pursuant to the Over-allotment Option, our Company may be required to allot and issue, at the final Offer Price, up to an additional 15,000,000 New Shares, representing 15% of the initial number of the Offer Shares, to cover over-allocations in the Placing. If the Over-allotment Option is exercised in full, the Offer Shares will represent 27.7% of our Company's enlarged issued share capital following completion of the Share Offer. In the event that the Over-allotment Option is exercised, a press announcement will be made by our Company.

The total number of the Placing Shares to be allotted and issued may change as a result of re-allocation mentioned below and any re-allocation of the unsubscribed Public Offer Shares to the Placing as mentioned under the paragraph headed "The Public Offer" in this section above.

RE-ALLOCATION BETWEEN THE PLACING AND THE PUBLIC OFFER

The allocation of Offer Shares between the Public Offer and the Placing is subject to adjustment on the following basis:

(a) if the number of Shares validly applied for under the Public Offer represents 15 times or more but less than 50 times the initial number of the Public Offer Shares, then the number of Shares to be re-allocated to the Public Offer from the Placing will increase to 30,000,000 Shares, representing 30% of the total number of the Offer Shares initially available under the Share Offer (assuming the Over-allotment Option is not exercised);

(b) if the number of Shares validly applied for under the Public Offer represents 50 times or more but less than 100 times the initial number of the Public Offer Shares, then the number of Shares to be re-allocated to the Public Offer from the Placing will increase so that the total number of Shares available under the Public Offer will increase to 40,000,000 Shares, representing 40% of total number of the Offer Shares initially available under the Share Offer (assuming the Over-allotment Option is not exercised); and

(c) if the number of Shares validly applied for under the Public Offer represents 100 times or more the initial number of the Public Offer Shares, then the number of Shares to be re-allocated to the Public Offer from the Placing will increase so that the total number of Shares available under the Public Offer will increase to 50,000,000 Shares, representing 50% of the total number of the Offer Shares initially available under the Share Offer (assuming the Over-allotment Option is not exercised).

In each such case, the additional Shares re-allocated to the Public Offer will be allocated equally between pool A and pool B and the number of the Placing Shares will be correspondingly reduced.

Details of any re-allocation of Offer Shares between the Public Offer and the Placing will be disclosed in the results announcement of the Share Offer, which is expected to be published on Tuesday, 8 September 2009.

STABILISATION IN HONG KONG

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may purchase newly issued securities in the secondary market during a specified period of time to retard and, if possible, prevent a decline in the initial public offer prices of the securities. In Hong Kong and certain other jurisdictions, activity aimed at reducing the market price is prohibited, and the price at which stabilisation is effected is not permitted to exceed the initial offering price.

In connection with the Share Offer, the Lead Manager, as stabilising manager (the "**Stabilising Manager**") or any person acting for it, on behalf of the Underwriters, may, to the extent permitted by applicable laws and regulations, over-allocate or effect any other transactions with a view to stabilising or maintaining the market price of our Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. This stabilising activity may include the exercise of the Over-allotment Option or market purchase of our Shares in the secondary market or selling our Shares to liquidate a position held as a result of the purchase. Any such market purchase will be effected in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilising Manager or any person acting for it to conduct any such stabilising activity which, if commenced, will be conducted at the absolute discretion of the Stabilising Manager. Such stabilising activity may be discontinued at any time, and is required to be brought to an end after a limited period.

The number of Shares which can be over-allocated will not exceed the number of Shares which may be issued upon the exercise of the Over-allotment Option, being 15,000,000 Shares, representing 15% of the number of the Offer Shares being initially available under the Share Offer. The stabilisation price will not exceed the Offer Price or other pricing limits stipulated by the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong).

As a result of effecting transactions to stabilise or maintain the market price of our Shares, the Stabilising Manager or any person acting for it may maintain a long position in our Shares. The size of the long position and the period for which the Stabilising Manager or any person acting for it will maintain the long position is at the absolute discretion of the Stabilising Manager. In the event that the Stabilising Manager or any person acting for it liquidates this long position, it may have an adverse impact on the market prices of our Shares.

Stabilising action by the Stabilising Manager or any person acting for it is not permitted to support the price of our Shares for longer than the stabilising period, which begins from the Listing Date and ends on the 30th day after the last day for lodging of applications under the Public Offer. The stabilising period is expected to expire on Friday, 2 October 2009 and after this date, the demand for our Shares, and the market price, may fall.

Any stabilising action taken by the Stabilising Manager or any person acting for it may not necessarily result in the market price of our Shares staying at or above the Offer Price either during or after the stabilising period.

Stabilisation is allowed for initial public offering transactions the total value of the relevant securities offered thereunder at the offer price is not less than HK$100 million and is an offer to members of the public in Hong Kong the subject matter of a prospectus (as defined in the Companies Ordinance) and the securities offered are uniform in all respects with the securities for the time being traded or admitted to trading on a recognised stock exchange (as defined in the SFO) or by means of relevant authorised trading services.

LISTING DATE

Assuming that the Share Offer becomes unconditional, it is expected that dealings in our Shares on the Main Board will commence at 9:30 a.m. (Hong Kong time) on Wednesday, 9 September 2009.

*There are two ways to apply for the Public Offer Shares. You may either use a **YELLOW** or **WHITE** (and/or **PINK**) Application Form or you may give Electronic Application Instructions to cause HKSCC Nominees to apply on your behalf for the Public Offer Shares. Except where you are a nominee and provide the required information in your application, you or you and your joint applicant(s) may not make more than one application (whether individually or jointly) by applying on any Application Form or by giving Electronic Application Instructions to HKSCC.*

WHICH APPLICATION FORM TO USE

Use **WHITE** Application Form if you want the Public Offer Shares to be issued in your own name.

Use **YELLOW** Application Form if you want the Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant.

Instead of using **YELLOW** Application Form, you may electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for the Public Offer Shares on your behalf. Any Public Offer Shares allocated to you will be registered in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant.

Use a **PINK** Application Form if you are an Eligible Employee (as defined on the section headed "Structure and condition of the Share Offer" in this prospectus), want the Public Offer Shares to be registered in your own name and want your application to be given preferential treatment. Up to a maximum of 1,000,000 Public Offer Shares (representing approximately 10% of the total number of Public Offer Shares initially available under the Public Offer) will be available for subscription made on **PINK** Application Forms by all the Eligible Employees on a preferential basis under the Public Offer.

WHERE TO COLLECT THE PROSPECTUSES AND THE APPLICATION FORMS

You can collect **WHITE** Application Form and this prospectus during normal business hours from 9:00 a.m. on Friday, 28 August 2009 until 12:00 noon on Wednesday, 2 September 2009 from:

ICBC International Capital Limited
Level 18, Three Pacific Place
1 Queen's Road East
Hong Kong

or

Mega Capital (Asia) Company Limited
Units 2213-2214, 22/F
Cosco Tower
183 Queen's Road Central
Hong Kong

or

Taifook Securities Company Limited
25/F, New World Tower
16-18 Queen's Road Central
Hong Kong
or
First Shanghai Securities Limited
19/F., Wing On House
71 Des Voeux Road Central
Hong Kong

or any of the following branches of **Industrial and Commercial Bank of China (Asia) Limited**:

District	**Branch name**	**Address**
Hong Kong Island	Queen's Road Central Branch	122-126 Queen's Road Central, Central
	Central Branch	1/F., 9 Queen's Road Central
	Sheung Wan Branch	Shop F, G/F, Kai Tak Commercial Building, 317-319 Des Voeux Road Central, Sheung Wan
	Wanchai Branch	117-123 Hennessy Road, Wanchai
	North Point Branch	G/F, 436-438 King's Road, North Point
Kowloon	Tsimshatsui East Branch	Shop B, G/F, Railway Plaza, 39 Chatham Road South, Tsimshatsui
	Hung Hom Branch	Shop 2A, G/F, Hung Hom Shopping Mall, 2-34E Tak Man Street, Hung Hom
	Mongkok Branch	G/F., Belgian Bank Building, 721-725 Nathan Road, Mongkok
	Mei Foo Branch	Shop N95A, 1/F, Mount Sterling Mall, Mei Foo Sun Chuen
	Ngau Tau Kok Branch	Shop Nos. G211-214, G/F., Phase II, Amoy Plaza, 77 Ngau Tau Kok Road
	Kwun Tong Branch	G/F., Lemmi Centre, 50 Hoi Yuen Road, Kwun Tong

New Territories	Tseung Kwan O Branch	Shop Nos. 2011-2012, Level 2, Metro City Plaza II, 8 Yan King Road, Tseung Kwan O
	Kwai Fong Branch	C63A-C66, 2/F, Kwai Chung Plaza, Kwai Fong
	Sha Tsui Road Branch	Shop 4, G/F., Chung On Building, 297-313 Sha Tsui Road, Tsuen Wan
	Yuen Long Branch	G/F., 197-199 Castle Peak Road, Yuen Long

You can collect **YELLOW** Application Form and this prospectus during normal business hours from 9:00 a.m. on Friday, 28 August 2009 until 12:00 noon on Wednesday, 2 September 2009 from the Depository Counter of HKSCC at 2nd Floor, Vicwood Plaza, 199 Des Voeux Road, Central, Hong Kong or your stockbrokers may also have the Application Forms and this prospectus available.

You can collect a **PINK** Application Form and this prospectus from our Company Secretary, Mr. Mok Chun Ho, Neil, at our Company's principal place of business in Hong Kong at 9th Floor, Zung Fu Industrial Building, No. 1067 King's Road, Quarry Bay, Hong Kong.

HOW TO COMPLETE THE APPLICATION FORMS

There are detailed instructions on each Application Form. You should read these instructions carefully. If you do not follow the instructions your application may be rejected and returned to you (or the first-named applicant in case of joint applicant(s)) by ordinary post together with the accompanying cheque(s) or banker's cashier order(s) at your own risk at the address stated in the relevant Application Form.

If your application is made through a duly authorised attorney, our Company, the Global Coordinator (for itself and on behalf of all the Public Offer Underwriters), or their respective agents or nominees, each acting as an agent of our Company, may accept the application at their discretion, and subject to any conditions they consider appropriate, including evidence of the authority of your attorney. The Global Coordinator, acting as agent of our Company, shall have full discretion to reject or accept any application, in full or in part, without assigning any reason.

APPLICATIONS BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS

General

CCASS Participants may give Electronic Application Instructions to HKSCC to apply for the Public Offer Shares and to arrange payment of the money due on application and payment of refunds. This will be in accordance with their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time.

If you are a CCASS Investor Participant, you may give Electronic Application Instructions through the CCASS Phone System by calling 2979-7888 or the CCASS Internet System at https://ip.ccass.com (using the procedures contained in "An Operating Guide for Investor Participants" in effect from time to time). HKSCC can also input Electronic Application Instructions for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Centre
2nd Floor
Vicwood Plaza
199 Des Voeux Road Central
Hong Kong

and complete an input request form.

Copies of this prospectus are available for collection from the above address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant, respectively, to give Electronic Application Instructions via CCASS terminals to apply on your behalf for the Public Offer Shares.

You are deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application, whether submitted by you or through your broker or custodian, to our Company and our Company's Hong Kong branch share registrar and transfer office. The subscription for the Public Offer Shares by giving Electronic Application Instructions to HKSCC is only a facility provided to CCASS Participants. Our Company, the Global Coordinator and the Public Offer Underwriters take no responsibility for the application and provide no assurance that any CCASS Participants will be allotted any Public Offer Shares.

To ensure that CCASS Investor Participants can give their Electronic Application Instructions to HKSCC through the CCASS Phone System or CCASS Internet System, CCASS Investor Participants are advised not to wait until the last moment to input instructions. In the event that CCASS Investor Participants have problems in connecting to the CCASS Phone System or CCASS Internet System for submission of Electronic Application Instructions, they should either (i) submit the **WHITE** or **YELLOW** Application Form or (ii) go to HKSCC's Customer Service Centre to complete an application instruction input request form before 12:00 noon on Wednesday, 2 September 2009.

Giving Electronic Application Instructions to HKSCC to apply for the Public Offer Shares by HKSCC Nominees on your behalf

Where a **WHITE** Application Form is signed by HKSCC Nominees on behalf of persons who have given Electronic Application Instructions to apply for the Public Offer Shares,

- HKSCC Nominees is only acting as a nominee for those persons and shall not be liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

- HKSCC Nominees does the following things on behalf of each of the persons:

  (a) agrees that the Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for credit to that person's CCASS Investor Participant stock account or the stock account of the CCASS Participant who has inputted Electronic Application Instructions on that person's behalf;

  (b) undertakes and agrees to accept the Public Offer Shares in respect of which that person has given Electronic Application Instructions or any lesser number;

  (c) undertakes and confirms that the person has not applied for or taken up any Placing Shares nor otherwise participated in the Placing;

  (d) if the Electronic Application Instructions are given for that person's own benefit, declares that only one set of Electronic Application Instructions has been given for that person's benefit;

  (e) if that person is an agent for another person, declares that he or she or it has given only one set of Electronic Application Instructions for the benefit of that other person and that he or she or it is duly authorised to give those instructions as that other person's agent;

  (f) understands that the above declaration will be relied upon by our Company, our Directors and the Global Coordinator in deciding whether to make any allotment of Public Offer Shares in respect of the Electronic Application Instructions given by that person and that person may be prosecuted if he or she or it makes a false declaration;

  (g) authorises our Company to place the name of HKSCC Nominees on the register of members of our Company as the holder of the Public Offer Shares allotted in respect of that person's Electronic Application Instructions and to send share certificate(s) and/or refund cheque(s) in accordance with the arrangements separately agreed between our Company and HKSCC;

  (h) confirms that that person has read the terms and conditions and application procedures set forth in this prospectus and the Application Form(s) and agrees to be bound by them;

  (i) confirms that that person has only relied on the information and representations in this prospectus and the Application Form(s) in giving that person's Electronic Application Instructions or instructing that person's broker to give Electronic Application Instructions on that person's behalf;

  (j) agrees that our Company, the Global Coordinator, the Public Offer Underwriters, their respective directors and any other parties involved in the Public Offer are not liable for the information and representations not contained in this prospectus;

  (k) without prejudice to any other rights which may have, agrees that once the application of HKSCC Nominees has been accepted, the application cannot be rescinded for innocent misrepresentations;

(l) agrees to disclose to our Company and its agents and the Global Coordinator and the Public Offer Underwriters any information which they require about that person;

(m) agrees that any application made by HKSCC Nominees on behalf of that person pursuant to the Electronic Application Instructions given by that person is irrevocable before the expiration of the fifth day after the closing of the Application Lists. This agreement will take effect as a collateral contract with our Company and will become binding when that person gives the instructions and such collateral contract will be in consideration of our Company agreeing that it will not offer any Public Offer Shares to any person before the expiration of the fifth day after the closing of the Application Lists except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the instructions before the fifth day after the opening of the Application Lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under section 40 of the Companies Ordinance (as applied by section 342E of the Companies Ordinance) gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus;

(n) agrees that once the application of HKSCC Nominees is accepted, neither that application nor that person's Electronic Application Instructions can be revoked and that acceptance of that application will be evidenced by the press announcement on results of the Public Offer published by our Company; and

(o) agrees to the arrangement, undertakings and warranties specified in the participant agreement between that person and HKSCC, together with the General Rules of CCASS and the CCASS Operational Procedures, in respect of the giving of Electronic Application Instructions relating to the Public Offer Shares.

Effect of giving Electronic Application Instructions

By giving Electronic Application Instructions to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant, respectively, to give such instructions to HKSCC, you (and if you are joint applicants, each jointly and severally) are deemed to do the following things. Neither HKSCC nor HKSCC Nominees will be liable to our Company or any other person in respect of the things mentioned below:

- instruct and authorise HKSCC to cause HKSCC Nominees (acting as nominee for the CCASS Participants) to apply for the Public Offer Shares on your behalf;

- instruct and authorise HKSCC to arrange payment of the maximum indicative Offer Price, brokerage, transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of wholly or partly unsuccessful applications and/or the Offer Price is less than the maximum indicative Offer Price, refund of the application money by crediting your designated bank account; or

- instruct and authorise HKSCC to cause HKSCC Nominees to do on your behalf all the things which are stated in the **WHITE** Application Form to do on your behalf.

Minimum application amount and permitted multiples

You may give Electronic Application Instructions in respect of a minimum of 2,000 Public Offer Shares. Such instructions in respect of more than 2,000 Public Offer Shares must be in one of the multiples set forth in the table on the Application Forms.

Multiple applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of the Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of the Public Offer Shares in respect of which you have given such instructions and/or in respect of which such instructions have been given for your benefit. Any Electronic Application Instructions to make an application for the Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purpose of considering whether multiple applications have been made. Further information in this regard is set forth under the paragraph headed "How many applications you may make for the Public Offer Shares" in this section below.

Allocation of the Public Offer Shares

For the purpose of allocating the Public Offer Shares, HKSCC Nominees shall not be treated as an applicant. Instead, each CCASS Participant who gives Electronic Application Instructions or each person for whose benefit each such instruction is given shall be treated as an applicant.

Personal data

Information set forth under the section headed "Personal data" in the Application Forms applies to all personal data held by our Company and our Company's Hong Kong branch share registrar and transfer office about you in the same way as it applies to personal data about all applicants other than HKSCC Nominees.

HOW MANY APPLICATIONS YOU MAY MAKE FOR THE PUBLIC OFFER SHARES

You may make more than one application for the Public Offer Shares if you are a nominee, in which case you may make an application by using a **WHITE** or **YELLOW** Application Form or by way of giving Electronic Application Instructions to HKSCC via CCASS, and lodge more than one Application Form in your own name on behalf of different beneficial owners. In the box on the relevant Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each such beneficial owner. If you do not include this information, the application will be treated as being for your own benefit. If you are an Eligible Employee and apply on a **PINK** Application Form, you may also apply on a **WHITE** or **YELLOW** Application Form or by giving Electronic Application Instructions to HKSCC (if you are a CCASS Investor Participant or act through a CCASS Clearing or Custodian Participant).

Otherwise, multiple applications are not allowed.

It will be a term and condition of all applications that by completing and delivering an Application Form or by giving Electronic Application Instructions to HKSCC, you:

- if the application is made for your own benefit, warrant that (except for an Eligible Employee who may also make an application for Public Offer Shares under **PINK** Application Form) this is the only application which will be made for your benefit on a **WHITE** or **YELLOW** Application Form or through giving Electronic Application Instructions to HKSCC;

- if you are an agent for another person, warrant that reasonable enquiries have been made of that other person that this is the only application which will be made for the benefit of that other person (except for an Eligible Employee who may also make an application for Public Offer Shares under **PINK** Application Form) on a **WHITE** or **YELLOW** Application Form or through giving Electronic Application Instructions to HKSCC, and that you are duly authorised to sign the relevant Application Form or give Electronic Application Instructions as that other person's agent.

Multiple applications or suspected multiple applications are liable to be rejected. All of your applications are liable to be rejected as multiple applications (except for an Eligible Employee who may also make an application for Public Offer Shares under **PINK** Application Form) if you, or you and your joint applicant(s) together:

- make more than one application (whether individually or jointly with others) on a **WHITE** or **YELLOW** Application Form or by way of giving Electronic Application Instructions to HKSCC via CCASS;

- apply (whether individually or jointly with others) on one white Application Form and one **YELLOW** Application Form or one **WHITE** or **YELLOW** Application Form and by way of giving Electronic Application Instructions to HKSCC via CCASS;

- apply (whether individually or jointly with others) on one **WHITE** or **YELLOW** Application Form or by way of giving Electronic Application Instructions to HKSCC via CCASS for more than 50% of the Public Offer Shares initially available for subscription under the Public Offer; or

- have applied for or taken up, or indicated an interest for or have been or will be placed Offer Shares under the Placing and make application on **WHITE** or **YELLOW** Application Form or by way of giving Electronic Application Instructions to HKSCC via CCASS.

All of your applications are also liable to be rejected as multiple applications if more than one application is made for your benefit (including the part of the application made by HKSCC Nominees acting on Electronic Application Instructions) or you have applied for or taken up or otherwise indicated an interest for Offer Shares under Placing (except for an Eligible Employee who may also make an application for Public Offer Shares under **PINK** Application Form).

If an application is made by an unlisted company and

- the principal business of that company is dealing in securities; and

- you exercise "statutory control" over that company,

then that application will be treated as being for your benefit.

"An unlisted company" means a company with no equity securities listed on the Stock Exchange.

"**Statutory control**" means you:

- control the composition of the board of directors of that company; and/or
- control more than half the voting power of that company; and/or
- hold more than one-half of the issued share capital of that company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

Offer Price

The maximum indicative Offer Price is HK$1.41 per Share. You must also pay the brokerage of 1%, the transaction levy of 0.004% imposed by the SFC and the Stock Exchange trading fee of 0.005%. This means that for every 2,000 Public Offer Shares, you will need to pay HK$2,848.45. The Application Forms have tables showing the exact amount payable for certain multiples of the Public Offer Shares up to 4,500,000 Public Offer Shares.

You must pay the maximum indicative Offer Price, the brokerage, the Stock Exchange trading fee and the transaction levy in full when you apply for the Public Offer Shares. Your payment must be made by one cheque or one banker's cashier order and must comply with the terms of the Application Forms.

If your application is successful, the brokerage will be paid to participants of the Stock Exchange, the transaction levy will be paid to the SFC and the trading fee will be paid to the Stock Exchange.

If the Offer Price as finally determined is less than HK$1.41 per Share, appropriate refund (including the brokerage, the transaction levy and the Stock Exchange trading fee attributable to the excessive application money) will be made to applicants, **without interest**. Particulars of the procedures for refund are set forth below under the paragraph headed "Despatch/collection of share certificates and refund of application money" in this section below.

TIME FOR APPLYING FOR THE PUBLIC OFFER SHARES

WHITE or YELLOW Application Forms

Completed **WHITE** or **YELLOW** Application Forms, with payment attached, must be lodged by 12:00 noon (Hong Kong time) on Wednesday, 2 September 2009, or, if the Application Lists are not open on that day, then by 12:00 noon (Hong Kong time) on the day the Application Lists are open.

Your completed Application Form, with payment attached, should be deposited in the special collection boxes provided at any branches of Industrial and Commercial Bank of China (Asia) Limited listed under the paragraph headed "Where to collect the prospectuses and the Application Forms" in this section above at the following times:

Friday, 28 August 2009 — 9:00 a.m. to 5:00 p.m.
Saturday, 29 August 2009 — 9:00 a.m. to 1:00 p.m.
Monday, 31 August 2009 — 9:00 a.m. to 5:00 p.m.
Tuesday, 1 September 2009 — 9:00 a.m. to 5:00 p.m.
Wednesday, 2 September 2009 — 9:00 a.m. to 12:00 noon

PINK Application Forms

Completed **PINK** Application Forms, with payment attached, must be returned to our Company Secretary, Mr. Mok Chun Ho, Neil, at 9th Floor, Zung Fu Industrial Building, No. 1067 King's Road, Quarry Bay, Hong Kong, by 4:00 p.m. on Tuesday, 1 September 2009.

Electronic Application Instructions

CCASS Clearing/Custodian Participants should input Electronic Application Instructions at the following times on the following dates:

Friday, 28 August 2009 — 9:00 a.m. to 8:30 p.m.[(1)]
Saturday, 29 August 2009 — 8:00 a.m. to 1:00 p.m.[(1)]
Monday, 31 August 2009 — 8:00 a.m. to 8:30 p.m.[(1)]
Tuesday, 1 September 2009 — 8:00 a.m. to 8:30 p.m.[(1)]
Wednesday, 2 September 2009 — 8:00 a.m.[(1)] to 12:00 noon

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input Electronic Application Instructions from 9:00 a.m. on Friday, 28 August 2009 until 12:00 noon on Wednesday, 2 September 2009 (24 hours daily, except the last application day).

The latest time for inputting your Electronic Application Instructions (if you are a CCASS Participant) is 12:00 noon on Wednesday, 2 September 2009 or, if the Application Lists are not open on that day, by the time and date stated under the paragraph headed "Effects of bad weather on the opening of the Application Lists" in this section below.

Application Lists

The Application Lists will open from 11:45 a.m. to 12:00 noon on Wednesday, 2 September 2009.

No proceedings will be taken on applications for our Shares and no allotment of any such Shares will be made until after the closing of the Application Lists. No allocation of any of the Public Offer Shares will be made after Tuesday, 8 September 2009.

EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The Application Lists will not open if there is:

- a tropical cyclone warning signal number 8 or above, or
- a "black" rainstorm warning signal,

in force at any time between 9:00 a.m. (Hong Kong time) and 12:00 noon (Hong Kong time) on Wednesday, 2 September 2009 in Hong Kong. Instead, the Application Lists will open between 11:45 a.m. (Hong Kong time) and 12:00 noon (Hong Kong time) on the next Business Day which does not have either of those warnings in force at any time between 9:00 a.m. (Hong Kong time) and 12:00 noon (Hong Kong time).

If the Application Lists do not open and close on Wednesday, 2 September 2009, the dates mentioned in the section headed "Expected timetable of the Public Offer" in this prospectus and the related Application Forms and other dates mentioned in this prospectus (including, without limitation, the latest time for the exercise of termination rights under the Underwriting Agreements) may be affected. A press announcement will be made in such event in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese).

CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED THE PUBLIC OFFER SHARES

Full details of the circumstances in which you will not be allotted the Public Offer Shares are set forth in the related Application Forms, and you should read them carefully. You should note in particular the following situations in which the Public Offer Shares will not be allotted to you:

If your application is revoked

By depositing an Application Form or submitting Electronic Application Instructions to HKSCC, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the expiration of the 5th day after Wednesday, 2 September 2009 or such later date as the Application Lists may close as described under the paragraph headed "Effect of bad weather on the opening of the Application Lists" in this section above. This agreement will take effect as a collateral contract with us, and will become binding when you lodge your Application Form or submit your Electronic Application Instructions to HKSCC and an application has been made by HKSCC Nominees on your behalf accordingly. This collateral contract will be in consideration of our Company agreeing that it will not offer any Public Offer Shares to any person until after the expiration of the 5th day after closing of the Application Lists except by means of one of the procedures referred to in this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application may or may not (depending on the information contained in the supplement) be notified that they can withdraw their applications. If applicants have not been so notified, or if applicants have been notified but have not withdrawn their applications in accordance with the procedure to be notified, all applications that have been submitted will remain valid and may be accepted. Subject to the above, an application once made is irrevocable and applicants shall be deemed to have applied on the basis of this prospectus as supplemented.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked or withdrawn. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allotment, and where such basis of allotment is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot, respectively, at our full discretion or the discretion of our agents. Our Company and our agents have full discretion to reject or accept any application, or to accept only part of an application, and do not have to give any reason for any rejection or acceptance.

If your application is rejected

Your application will be rejected if:

- it is a multiple application or a suspected multiple application; or
- your Application Form is not completed correctly in accordance with the instructions printed thereon; or
- your payment is not made correctly; or
- you pay by cheque or banker's cashier order and the cheque or banker's cashier order is dishonoured on its first presentation; or
- you or the person for whose benefit you are applying have applied for or taken up or indicated an interest for or have received or have been or will be placed or allocated (including conditionally and/or provisionally) the Placing Shares; or
- we believe that by accepting your application, we would violate the applicable laws, rules or regulations of the jurisdiction in which your application is, or is suspected to have been, completed and/or signed or of any other jurisdiction; or
- your application is for more than 100% of the Public Offer Shares initially offered for subscription by the public in either pool A or pool B; or
- your application is made under a **PINK** Application Form, such application is for more than 10% of the Public Offer Shares initially made available for such purpose.

If your application is not accepted

Your application (including the part of an application made by HKSCC Nominees acting upon Electronic Application Instructions) will not be accepted if either:

- any of the Underwriting Agreements does not become unconditional; or
- any of the Underwriting Agreements is terminated in accordance with its respective terms and conditions; or
- no agreement has been reached on the Offer Price on the Price Determination Date.

If the allotment of the Public Offer Shares is void

The allotment of the Public Offer Shares to you or to HKSCC Nominees (if you give Electronic Application Instructions or apply by a **YELLOW** Application Form) will be void if the Listing Committee does not grant permission to list our Shares either:

- within three weeks from the closing of the Applications Lists; or
- within a longer period of up to six weeks if the Listing Committee notifies us of that longer period within three weeks of the closing of the Application Lists.

PUBLICATION OF RESULTS

Results of allocations in the Public Offer including (i) the indication of the level of interest in the Placing; (ii) the level of applications in the Public Offer; (iii) the basis of allotment of the Public Offer Shares; (iv) the number of Shares reallocated under the clawback adjustment, if any; and (v) the Hong Kong identity card/passport/Hong Kong business registration certificate numbers of successful applicants and the number of the Public Offer Shares successfully applied for; and the final Offer Price will be made available at the times and dates and in the manner specified below:

- on our website at *www.modernmedia.com.cn* and the Stock Exchange's website at *www.hkex.com.hk* from Tuesday, 8 September 2009 onward;
- on our Public Offer results of allocations website at *www.tricor.com.hk/ipo/result* on a 24-hour basis from 8:00 a.m. on Tuesday, 8 September 2009 to 12:00 midnight on Monday, 14 September 2009. The user will be required to key in the Hong Kong identity card/passport/Hong Kong business registration certificate number provided in his/her/its application form to search for his/her/its own allocation result;
- from our Public Offer allocation results telephone enquiry line. Applicants may find out whether or not their applications have been successful and the number of the Public Offer Shares allocated to them, if any, by calling 369-18-488 between 9:00 a.m. and 6:00 p.m. from Tuesday, 8 September 2009 to Friday, 11 September 2009;
- from special allocation results booklets which set out the results of allocations will be available for inspection during opening hours of the designated branches of the receiving banker of the Public Offer from Tuesday, 8 September 2009 to Thursday, 10 September 2009 at the addresses set forth under the paragraph headed "Where to collect the prospectuses and the Application Forms" in this section above.

DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND OF APPLICATION MONEY

No temporary documents of title will be issued in respect of the Offer Shares. No receipt will be issued for sums paid on application. However, your cheque or banker's cashier order will not be presented for payment before 12:00 noon on 2 September 2009. Our Company will keep any interest accrued on your application monies.

Any certificate relating to the Offer Shares issued by our Company or deposited into CCASS prior to 8:00 a.m. on the Listing Date will only become valid certificate of title if the Public Offer has become unconditional in all aspects and the Public Offer Underwriting Agreement has not been terminated in accordance with its terms on or before 8:00 a.m. on the Listing Date.

Your application money, or an appropriate portion thereof, together with the related brokerage fee, Stock Exchange trading fee and the transaction levy, will be refunded, without interest if:

- your application is rejected, not accepted or only accepted in part;
- the Offer Price as finally determined is less than the maximum indicative Offer Price;
- the conditions of the Share Offer are not fulfilled in accordance with the section headed "Structure and conditions of the Share Offer" in this prospectus;
- any application is revoked or any allocation pursuant thereto has become void; or
- any of the reasons set forth under the paragraph headed "Circumstances in which you will not be allotted the Public Offer Shares" in this section.

It is intended that special efforts will be made to avoid any undue delay in refunding application money where appropriate.

If you have given Electronic Application Instructions, your refund (if any) will be credited to your designated bank account or the designated bank account of the designated CCASS Participant through which you are applying on Tuesday, 8 September 2009. If you have instructed your designated CCASS Participant (other than CCASS Investor Participant) to give Electronic Application Instructions on your behalf, you can check the amount of refund (if any) payable to you with that designated CCASS Participant. If you have applied as CCASS Investor Participant, you can check the amount of refund (if any) payable to you via the CCASS Phone System and CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Tuesday, 8 September 2009 or in the activity statement made available to you by HKSCC after the credit of refund money to your bank account.

You will receive one share certificate for all the Public Offer Shares issued to you (except pursuant to applications made on **YELLOW** Application Forms or by Electronic Application Instructions where the share certificate will be deposited into CCASS as described below under "Deposit of share certificates into CCASS" below).

Subject to the provisions mentioned below, in due course there will be sent to you by ordinary post, at your own risk to the address specified on your Application Form:

- for applicants on **WHITE** and **PINK** Application Forms: (i) share certificate for all the Public Offer Shares applied for, if your application is wholly successful; or (ii) share certificate for the number of Public Offer Shares successfully applied for, if your application is partially successful; and/or

- for applicants on **WHITE**, **YELLOW** and **PINK** Application Forms, a refund cheque crossed "Account Payee Only" in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for: (i) the excessive application money for the Public Offer Shares unsuccessfully applied for, if the application is partially unsuccessful; or (ii) all the application money, if the application is wholly unsuccessful; and/or (iii) the difference between the Offer Price as determined and the maximum indicative Offer Price, payable upon application, in the event that the Offer Price is lower than the maximum indicative Offer Price, in each case including related brokerage of 1%, the Stock Exchange trading fee of 0.005% and the transaction levy of 0.004% imposed by the SFC, **without interest**. Part of your Hong Kong identity card number/passport number, or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the firstnamed applicant, provided by you may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purpose. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of the refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in encashment of or may invalidate your refund cheque.

In a contingency situation involving a very high level of over-subscription, at the discretion of our Company and the Global Coordinator, applications for certain small denominations of the Public Offer Shares may be eliminated in a pre-balloting. In such circumstances, the cheques or banker's cashier orders accompanying such applications on the Application Forms will not be presented for clearing.

Subject as mentioned below, refund cheques (if any) and share certificates for successful applicants under **WHITE** Application Forms are expected to be despatched on Tuesday, 8 September 2009. We reserve the right to retain any share certificates and any excessive application money pending clearance of cheque(s) or banker's cashier order(s).

If you have applied for 1,000,000 Public Offer Shares or more on a **WHITE** or **YELLOW** Application Form and have indicated your intention on your Application Form to collect your refund cheque (where applicable) and/or (for applicants using **WHITE** Application Forms) share certificate (where applicable) from our Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, and have provided all information required by your Application Form, you may collect (where applicable) your refund cheque and/or (where applicable) share certificate from our Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong on Tuesday, 8 September 2009 from 9:00 a.m. to 1:00 p.m. or any other date notified by us in the newspapers as the date of despatch of share certificates/refund cheques.

If you are an individual who opts for collection in person, you must not authorise any other person to make collection on your behalf. If you are a corporate applicant which opts for collection in person, the authorised representative bearing a letter of authorisation from the corporation stamped with the corporation's chop must be presented for collection. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to our Company's Hong Kong branch share registrar and transfer office. If you do not collect your share certificate and/or refund cheque, they will be despatched promptly to you by ordinary post to the address as specified in your Application Form at your own risk.

If you have applied for less than 1,000,000 Public Offer Shares or if you have applied for 1,000,000 Public Offer Shares or more on a **WHITE** or **YELLOW** Application Form but have not indicated in your Application Form that you wish to collect your share certificate (where applicable) and/or refund cheque in person or if you have applied for Public Offer Shares under a **PINK** Application Form, the share certificate and/or refund cheque (if applicable) will be sent to the address on your Application Form on Tuesday, 8 September 2009 or any other date notified by us in the newspapers as the date of despatch of share certificates/refund cheques by ordinary post and at your own risk.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, our Shares in issue and to be issued as mentioned in this prospectus on the Main Board and our Company complies with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealing in our Shares on the Main Board or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. Investors should seek the advice of their stockbroker(s) or other professional adviser(s) for details of those settlement arrangements as such arrangements will affect their rights and interests.

All activities under CCASS are subject to the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for our Shares to be admitted into CCASS.

DEPOSIT OF SHARE CERTIFICATES INTO CCASS

If you apply for the Public Offer Shares using a **YELLOW** Application Form or by giving Electronic Application Instructions, and your application is wholly or partially successful, your share certificate will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your CCASS Investor Participant's stock account or the stock account of your designated CCASS Participant as instructed by you at the close of business on Tuesday, 8 September 2009, or under contingent situation, on any other date as shall be determined by HKSCC or HKSCC Nominees.

If you are applying through a designated CCASS Participant (other than a CCASS Investor Participant), you can check the number of the Public Offer Shares allotted to you (and the amount of refund money payable to you if you have instructed a CCASS Clearing/Custodian Participant to give Electronic Application Instructions on your behalf) with that CCASS Participant.

We expect to publish the application results of CCASS Investor Participants using **YELLOW** Application Form and the application results of CCASS Participants applying by giving Electronic Application Instructions (and where the CCASS Participants is a broker or custodian, we shall include information relating to the beneficial owner, the Hong Kong identity card numbers, passport numbers or other identification code (Hong Kong business registration number for corporations), if supplied) on Tuesday, 8 September 2009. You should check the announcement published by us and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 8 September 2009 or such other date as shall be determined by HKSCC or HKSCC Nominees. Applicants applying by giving Electronic Application Instructions can also check the result of application via the CCASS Phone System and CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Tuesday, 8 September 2009.

If you are applying as a CCASS Investor Participant, you can check your new account balance via the CCASS Phone System and CCASS Internet System immediately after the credit of the Public Offer Shares to your stock account. HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your stock account and (if you are applying by giving Electronic Application Instructions to HKSCC) the amount of refund money credited to your designated bank account.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Stock Exchange are expected to commence on Wednesday, 9 September 2009. Shares will be traded on the Stock Exchange in board lots of 2,000 each. The Stock Exchange stock code for the Shares is 72.

The following is the full text of a report, prepared for the purpose of inclusion in this prospectus, received from the independent reporting accountants of the Company, KPMG, Certified Public Accountants, Hong Kong. As described in the section headed "Documents delivered and available for inspection" in Appendix VI to this Prospectus, a copy of the following Accountants' Report is available for public inspection.

KPMG

8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

28 August 2009

The Board of Directors
Modern Media Holdings Limited
ICBC International Capital Limited

Dear Sirs,

INTRODUCTION

We set out below our report on the financial information relating to Modern Media Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") including the combined income statements, the combined statements of comprehensive income, the combined statements of changes in equity and the combined cash flow statements of the Group, for each of the three years ended 31 December 2006, 2007 and 2008 and the three months ended 31 March 2009 (the "Relevant Period"), the combined balance sheets of the Group as at 31 December 2006, 2007 and 2008 and 31 March 2009 and the balance sheets of the Company as at 31 December 2007 and 2008 and 31 March 2009, together with explanatory notes thereto (the "Financial Information") for inclusion in the prospectus of the Company dated 28 August 2009 (the "Prospectus") in connection with the initial listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company was incorporated in the Cayman Islands on 8 March 2007 and registered as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to a group reorganisation completed on 24 August 2009 (the "Reorganisation") as detailed in the section headed "Statutory and General Information" in Appendix V to the Prospectus, the Company became the holding company of the companies now comprising the Group, details of which are set out in Section A below. The Company has not carried on any business since the date of its incorporation save for the aforementioned Reorganisation.

The statutory financial statements of the following companies comprising the Group for each of the three years ended 31 December 2006, 2007 and 2008, or since their respective dates of acquisition/establishment, where this is a shorter period, were prepared in accordance with either Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified

Public Accountants (the "HKICPA") or the relevant accounting rules and regulations applicable to enterprises in the People's Republic of China (the "PRC") and were audited during the Relevant Period by the respective statutory auditors as indicated below:

Name of subsidiaries	*Note*	**Financial period**	**Statutory Auditors**
City Howwhy Limited		Year ended 31 December 2006	Li, Lai & Cheung Certified Public Accountants
		Years ended 31 December 2007 and 2008	LKY China Certified Public Accountants
Modern Media Company Limited		Years ended 31 December 2006, 2007 and 2008	LKY China Certified Public Accountants
Zhuhai Modern Zhimei Culture Media Co., Ltd. (珠海現代致美文化傳播有限公司) (formerly known as Modern Media (Zhuhai) Information Consultation Co., Ltd. (現代傳播(珠海)信息諮詢有限公司))		Period/Year ended 31 December 2007 and 2008	Zhuhai Huacheng Certified Public Accountants Co., Ltd. (珠海市華誠會計師事務所有限公司)
Modern Media (Zhuhai) Technology Co., Ltd. (現代傳播(珠海)科技有限公司)		Period/Year ended 31 December 2007 and 2008	Zhuhai Huacheng Certified Public Accountants Co., Ltd. (珠海市華誠會計師事務所有限公司)
Yazhimei Information Consultation (Shenzhen) Co., Ltd. (雅致美信息諮詢(深圳)有限公司)		Period/Year ended 31 December 2007 and 2008	Shenzhen Great Certified Public Accountants (深圳中瑞泰會計師事務所)
Guangzhou Modern Information Media Co., Ltd. (廣州現代資訊傳播有限公司) (formerly known as Guangzhou Modern Information Media Advertising Co., Ltd. (廣州現代資訊傳播廣告有限公司))	(i)	Year ended 31 December 2007	Guangzhou Nanyong Certified Public Accountants Co., Ltd. (廣州南永會計師事務所有限公司)
		Year ended 31 December 2008	Guangzhou Hengyi Certified Public Accountants Co., Ltd. (廣州恒意會計師事務所有限公司)
Shenzhen Yage Zhimei Information Media Co., Ltd. (深圳市雅格致美資訊傳播有限公司)	(i)	Year ended 31 December 2006	Shenzhen Asia Pacific Certified Public Accountants Co. Ltd (深圳市亞太會計師事務所有限公司)
Guangzhou Modern Books Co., Ltd. (廣州現代圖書有限公司)		Years ended 31 December 2006 and 2007	Guangzhou Nanyong Certified Public Accountants Co., Ltd. (廣州南永會計師事務所有限公司)
		Year ended 31 December 2008	Guangzhou Hengyi Certified Public Accountants Co., Ltd. (廣州恒意會計師事務所有限公司)

The English translation of the company and auditors' names is for reference only. The official names of the companies established in the PRC are in Chinese.

Note:

(i) No audited financial statements have been prepared for (a) Guangzhou Modern Information Media Co., Ltd. for the year ended 31 December 2006 and (b) Shenzhen Yage Zhimei Information Media Co., Ltd. for the years ended 31 December 2007 and 2008 as they are not subject to statutory audit requirements under the relevant rules and regulations in the PRC.

As at the date of this report, no audited financial statements have been prepared for the Company and E-starship Limited as they were investment holding companies and have not carried on any business since their respective dates of establishment/incorporation.

As at the date of this report, no audited financial statements have been prepared for Shanghai Yage Advertising Co., Ltd. (上海雅格廣告有限公司), Beijing Modern Yage Advertising Co., Ltd. (北京現代雅格廣告有限公司), Shanghai Gezhi Advertising Co., Ltd. (上海格致廣告有限公司) and Beijing Yage Zhimei Advertising Media Co., Ltd. (北京雅格致美廣告傳播有限公司), Zhuhai Yinhu Advertising Co., Ltd. (珠海市銀弧廣告有限公司) and Guangzhou Yage Advertising Co., Ltd. (廣州雅格廣告有限公司) as they were not subject to statutory audit requirements under the relevant rules and regulations in their jurisdictions of establishment/incorporation.

We have, however, reviewed all significant transactions of these companies for each of the three years ended 31 December 2006, 2007 and 2008 and the three months ended 31 March 2009, or from their respective dates of establishment/incorporation/acquisition to 31 March 2009, for the purpose of this report.

BASIS OF PREPARATION

The Financial Information has been prepared by the directors of the Company based on the audited financial statements or, where appropriate, unaudited management accounts of the companies now comprising the Group, on the basis set out in Section A below, after making such adjustments as are appropriate. The financial statements have been prepared on the basis of the accounting policies referred to in Section C, which are in accordance with International Financial Reporting Standards ("IFRSs") promulgated by the International Accounting Standards Board, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). IFRSs include International Accounting Standards ("IAS") and Interpretations. No statement of adjustments as defined under Rule 4.15 of the Listing Rules is considered necessary.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND REPORTING ACCOUNTANTS

The directors of the Company are responsible for the preparation and the true and fair presentation of the Financial Information in accordance with IFRSs. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of Financial Information that is free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Our responsibility is to form an opinion on the Financial Information based on our audit procedures.

BASIS OF OPINION

As a basis for forming an opinion on the Financial Information, for the purpose of this report, we have carried out appropriate audit procedures in respect of the Financial Information for the Relevant Period in accordance with Hong Kong Standards on Auditing issued by the HKICPA and have carried out such additional procedures as we considered necessary in accordance with Auditing Guideline "Prospectuses and the Reporting Accountant" ("Statement 3.340") issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform our work to obtain reasonable assurance as to whether the Financial Information is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of the risks of material misstatement of the Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation and true and fair presentation of the Financial Information 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 Financial Information.

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

We have not audited any financial statements of the companies comprising the Group in respect of any period subsequent to 31 March 2009.

OPINION

In our opinion, for the purpose of this report, all adjustments considered necessary have been made and the Financial Information, on the basis of presentation set out in Section A below and in accordance with the accounting policies set out in Section C below, gives a true and fair view of the Group's combined results and cash flows for the Relevant Period, and the state of affairs of the Group as at 31 December 2006, 2007 and 2008 and 31 March 2009 and of the Company as at 31 December 2007 and 2008 and 31 March 2009.

CORRESPONDING FINANCIAL INFORMATION

For the purpose of this report, we have also reviewed the unaudited corresponding interim financial information of the Group comprising the combined income statement, the combined statement of comprehensive income, the combined statement of changes in equity and the combined statement of cash flows for the three months ended 31 March 2008, together with the notes thereon (the "Corresponding Financial Information"), for which the directors are responsible, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. Our responsibility is to express a conclusion on the Corresponding Financial Information based on our review.

A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the Corresponding Financial Information.

Based on our review, for the purpose of this report, nothing has come to our attention that causes us to believe that the Corresponding Financial Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

A BASIS OF PRESENTATION

During the Relevant Period and prior to the Reorganisation, the operations now comprising the Group were conducted through various companies established in the PRC (the "PRC Operational Entities") and certain other companies in Hong Kong, all of which were ultimately owned, managed and controlled by Mr. Shao Zhong ("Mr. Shao" or 邵忠).

After the Reorganisation, that is when the Contractual Arrangements are entered into between Modern Media (Zhuhai) Technology Co., Ltd. and the PRC Operational Entities, accounted for as a series of business combinations, the Group will continue to control the financial and operating decisions of the PRC Operational Entities through Modern Media (Zhuhai) Technology Co., Ltd. under the Contractual Arrangements, details of which are set out under the paragraph headed "Contractual Arrangements" under section headed "Business" of the Prospectus.

For the purpose of this report, the Financial Information has been prepared to reflect the Reorganisation of companies (including the PRC Operational Entities) under common control. All the companies now comprising the Group (including the PRC Operational Entities) are ultimately controlled by Mr. Shao during the Relevant Period, before and after the Reorganisation. The control is not transitory and, consequently, there was a continuation of the risks and benefits to the controlling party, and therefore, this is considered to be a combination of entities under common control and Accounting Guideline 5 "Merger Accounting for Common Control Combinations" has been applied in accounting for the Reorganisation. The Financial Information has been prepared using the merger basis of accounting as if the Group (including the PRC Operational Entities) had always been in existence. The net assets of the combining companies are combined using the existing book values from the controlling party's perspective.

The combined income statements, the combined statements of comprehensive income, the combined statements of changes in equity and combined cash flow statements of the Group for the Relevant Period as set out in Section B have been prepared on a combined basis and include the results of operations of the companies now comprising the Group for the Relevant Period (or where the companies were acquired/incorporated/established at a date later than 1 January 2006, for the period from the date of acquisition/incorporation/establishment to 31 March 2009) as if the current group structure had been in existence throughout the entire Relevant Period. The combined balance sheets of the Group as at 31 December 2006, 2007 and 2008 and at 31 March 2009 as set out in Section B have been prepared to present the state of affairs of the companies comprising the Group as at those dates as if the current group structure had been in existence as at those dates or since their respective dates of acquisition/incorporation/establishment where they did not exist at those dates.

The acquisition of Modern Media (Zhuhai) Technology Co., Ltd. by the Group on 2 November 2007 was accounted for under purchase accounting in accordance with IFRS 3 "Business Combinations".

All material intra-group transactions and balances have been eliminated on combination.

During the Relevant Period, the Company had direct or indirect interests in the following subsidiaries, all of which are private companies, particulars of which are set out below:

Name of subsidiaries	*Notes*	Place and date of incorporation/ establishment and operations	Issued and fully paid up share capital	Attributable equity interest held by the Company 31 December 2006	31 December 2007	31 December 2008	31 March 2009	Principal activities
Directly held:								
E-starship Limited		British Virgin Islands 18 May 2000	US$1	100%	100%	100%	100%	Investment holding
Indirectly held:								
City Howwhy Limited		Hong Kong 15 May 2000	HK$2	100%	100%	100%	100%	Publication of magazine in Hong Kong
Modern Media Company Limited		Hong Kong 6 May 1998	HK$1,000,000	100%	100%	100%	100%	Provision of advertising agency services
Zhuhai Modern Zhimei Culture Media Co., Ltd. (珠海現代致美文化傳播有限公司) (formerly known as Modern Media (Zhuhai) Information Consultation Co., Ltd. (現代傳播(珠海)信息諮詢有限公司))	(ii)	The PRC 23 October 2006	RMB8,950,000	—	100%	100%	100%	Provision of advertising agency services and consultation services
Modern Media (Zhuhai) Technology Co., Ltd. (現代傳播(珠海)科技有限公司)	(i) & (iii)	The PRC 13 April 2006	HK$4,600,000	—	100%	100%	100%	Research and production and sale of self-invented management and finance-related software and after-sale services, provision of consultation services on project planning, financial information and enterprise management and enterprise image planning

Name of subsidiaries	*Notes*	Place and date of incorporation/ establishment and operations	Issued and fully paid up share capital	Attributable equity interest held by the Company				Principal activities
				31 December			31 March	
				2006	2007	2008	2009	
Yazhimei Information Consultation (Shenzhen) Co., Ltd. (雅致美信息諮詢(深圳)有限公司)	(i)	The PRC 16 August 2007	HK$2,000,000	—	100%	100%	100%	Provision of management and consultation services
Guangzhou Modern Information Media Co., Ltd. (廣州現代資訊傳播有限公司) (formerly known as Guangzhou Modern Information Media Advertising Co., Ltd. (廣州現代資訊傳播廣告有限公司))	(ii)	The PRC 3 September 1999	RMB1,100,000	100%	100%	100%	100%	Publication of magazine in the PRC, provision of advertising agency services, retail sales of the books, newspapers and periodicals and planning of literary arts activities and exhibitions
Shanghai Yage Advertising Co., Ltd. (上海雅格廣告有限公司)	(ii)	The PRC 17 June 2002	RMB500,000	100%	100%	100%	100%	Provision of advertising agency services
Beijing Modern Yage Advertising Co., Ltd. (北京現代雅格廣告有限公司)	(ii)	The PRC 15 January 2002	RMB500,000	100%	100%	100%	100%	Provision of advertising agency services and organising cultural exchange activities and exhibitions
Shenzhen Yage Zhimei Information Media Co., Ltd. (深圳市雅格致美資訊傳播有限公司)	(ii)	The PRC 8 June 2005	RMB2,000,000	100%	100%	100%	100%	Provision of advertising agency services
Shanghai Gezhi Advertising Co., Ltd. (上海格致廣告有限公司)	(ii)	The PRC 16 January 2006	RMB500,000	100%	100%	100%	100%	Provision of advertising agency services and business information consultation services
Beijing Yage Zhimei Advertising Media Co., Ltd. (北京雅格致美廣告傳播有限公司)	(ii)	The PRC 29 March 2006	RMB500,000	100%	100%	100%	100%	Provision of advertising agency services and organising cultural exchange activities and exhibitions
Guangzhou Yage Advertising Co., Ltd. (廣州雅格廣告有限公司) (formerly known as Guangzhou Yage Public Relations Company Limited (廣州雅格公關有限公司))	(ii)	The PRC 25 February 2004	RMB500,000	100%	100%	100%	100%	Design of image, planning of enterprise ceremony and provision of design, production, publication and agency services

Name of subsidiaries	*Notes*	Place and date of incorporation/ establishment and operations	Issued and fully paid up share capital	Attributable equity interest held by the Company 31 December 2006	31 December 2007	31 December 2008	31 March 2009	Principal activities
Guangzhou Modern Books Co., Ltd. (廣州現代圖書有限公司)	(ii)	The PRC 24 November 2004	RMB3,010,000	100%	100%	100%	100%	Publication of magazine in the PRC, design and selling of advertising spaces and provision of consultation services.
Zhuhai Yinhu Advertising Co., Ltd. (珠海市銀弧廣告有限公司)	(ii)	The PRC 30 March 2001	RMB500,000	—	—	100%	100%	Provision of advertising agency services

The English translation of the company names is for reference only. The official names of the companies established in the PRC are in Chinese.

Notes:

(i) These companies are incorporated in the PRC as wholly foreign-owned enterprises.

(ii) The equity interests of these entities are held by PRC nationals and/or entities on behalf of the Group.

Historically, PRC rules and regulations restricted foreign ownership of companies in certain industries. The Group has been conducting its operations in these industries through the PRC Operational Entities which are ultimately wholly-owned by Mr. Shao.

As of the date of this report, the Group does not have direct equity interests in these PRC Operational Entities. However, the Group has implemented a series of Contractual Arrangements with Mr. Shao and the PRC Operational Entities such that:

- The Group is entitled to enjoy all the economic benefits of the PRC Operational Entities. All the dividends, capital bonus or any other assets distributed to Mr. Shao by the respective PRC Operational Entities are required to be transferred to the Group at nil consideration within three working days after such distribution;

- The Group is granted exclusive right to acquire, to the extent permissible under PRC laws, equity interests in the PRC Operational Entities at nil consideration or for a nominal price; and

- Mr. Shao is required to consult with and follow the instructions of the Group, whenever he exercises his rights as the equity shareholder of the PRC Operational Entities.

As a result of the above Contractual Arrangements, the Group has effective control over the financial and operational policies of the PRC Operational Entities and derives economic benefits from the operations of the PRC Operational Entities. Accordingly, the financial results and positions of the PRC Operational Entities have been combined into the Group since their respective dates of acquisition/establishment.

(iii) On 2 November 2007, Modern Media Company Limited, a wholly-owned subsidiary of the Group, acquired 100% equity interests of Modern Media (Zhuhai) Technology Co., Ltd. (現代傳播(珠海)科技有限公司). Further details are set out on pages I-16 to the Accountants' Report.

B FINANCIAL INFORMATION

1 COMBINED INCOME STATEMENTS

		Years ended 31 December			Three months ended 31 March	
		2006	2007	2008	2008	2009
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
Turnover	2	231,302	281,085	347,825	65,105	60,022
Cost of sales		(107,114)	(117,443)	(142,839)	(30,596)	(36,325)
Gross profit		124,188	163,642	204,986	34,509	23,697
Other revenue	3(a)	75	355	1,743	48	2,470
Other net income/(loss)	3(b)	79	(135)	(514)	(125)	16
Selling and distribution expenses		(35,918)	(51,502)	(72,390)	(18,517)	(18,117)
Administrative and other operating expenses		(46,937)	(62,916)	(77,393)	(18,703)	(18,771)
Profit/(loss) from operations		41,487	49,444	56,432	(2,788)	(10,705)
Finance costs	4(a)	(51)	—	—	—	(171)
Share of profit/(loss) of an associate	13	—	498	861	(654)	(57)
Share of loss of a jointly controlled entity	14	—	(382)	(290)	(196)	(26)
Profit/(loss) before taxation	4	41,436	49,560	57,003	(3,638)	(10,959)
Income tax	5(a)	(5,486)	(7,760)	(11,985)	(294)	1,242
Profit/(loss) for the year/period		35,950	41,800	45,018	(3,932)	(9,717)
Profit/(loss) attributable to equity shareholders		35,950	41,800	45,018	(3,932)	(9,717)
Earnings/(loss) per share (RMB)	7					
- Basic		0.12	0.14	0.15	(0.01)	(0.03)

The accompanying notes form part of the Financial Information.

2 COMBINED STATEMENTS OF COMPREHENSIVE INCOME

		Years ended 31 December			Three months ended 31 March	
		2006	**2007**	**2008**	**2008**	**2009**
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
Profit/(loss) for the year/period		35,950	41,800	45,018	(3,932)	(9,717)
Other comprehensive (loss)/income for the year/period (after tax adjustments)	6					
Exchange differences on translation of financial statements of overseas subsidiaries		(115)	792	(1,469)	(1,412)	114
Total comprehensive income/(loss) for the year/period		35,835	42,592	43,549	(5,344)	(9,603)
Total comprehensive income/(loss) attributable to equity shareholders		35,835	42,592	43,549	(5,344)	(9,603)

The accompanying notes form part of the Financial Information.

3 COMBINED BALANCE SHEETS

		As at 31 December			As at 31 March
		2006	2007	2008	2009
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets					
Fixed assets	11	11,992	12,545	67,042	66,279
Prepaid deposits for properties	11(c)	—	16,998	—	—
Interest in an associate	13	—	8,599	9,460	9,403
Interest in a jointly controlled entity	14	—	1,035	328	302
Deferred tax assets	22(b)	—	—	—	1,732
		11,992	39,177	76,830	77,716
Current assets					
Trade receivables	15	75,590	71,954	94,187	72,983
Other receivables, deposits and prepayments	16	8,072	28,298	26,817	22,471
Amounts due from related parties	21	32,690	43,450	65,769	72,445
Taxation recoverable	22(a)	—	566	535	535
Cash and cash equivalents	17(a)	17,815	46,379	37,291	11,610
		134,167	190,647	224,599	180,044
Current liabilities					
Trade payables	18	21,404	23,086	28,195	22,077
Other payables and accruals	18	36,038	41,378	56,380	33,528
Bank loan	19	—	—	—	781
Other loan	20	—	29,028	27,596	13,779
Taxation payable	22(a)	7,774	13,305	24,182	22,485
		65,216	106,797	136,353	92,650
Net current assets		68,951	83,850	88,246	87,394
Total assets less current liabilities		80,943	123,027	165,076	165,110
Non-current liability					
Bank loan	19	—	—	—	9,637
Net assets		80,943	123,027	165,076	155,473
Capital and reserves					
Share capital	23	6,680	6,172	4,672	4,672
Reserves	24	74,263	116,855	160,404	150,801
Total equity		80,943	123,027	165,076	155,473

The accompanying notes form part of the Financial Information.

4 BALANCE SHEETS OF THE COMPANY

		As at 31 December		As at 31 March
		2007	**2008**	**2009**
	Note	*RMB'000*	*RMB'000*	*RMB'000*
Non-current asset				
Investments in subsidiaries	12	—	—	—
Current assets				
Receivables and prepayments		—	12	12
Amount due from a director		—	54	54
Amounts due from subsidiaries	12	11,506	—	—
Cash and cash equivalents	17(b)	3,691	241	240
		15,197	307	306
Current liabilities				
Payables and accruals		749	177	177
Amounts due to subsidiaries	12	14,989	883	884
		15,738	1,060	1,061
Net liabilities		(541)	(753)	(755)
Capital and reserves				
Share capital	23	58	58	58
Exchange reserve		22	55	56
Accumulated losses		(621)	(866)	(869)
Equity deficiency		(541)	(753)	(755)

The accompanying notes form part of the Financial Information.

5 COMBINED STATEMENTS OF CHANGES IN EQUITY

	Share capital	Statutory surplus and general reserves	Statutory public welfare reserve	Exchange reserve	Retained profits	Total equity
	(Note 23)	*(Note 24)*	*(Note 24)*	*(Note 24)*	*(Note 24)*	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2006	6,680	500	1,779	(185)	36,334	45,108
Changes in equity for 2006:						
Transfer to reserves	—	2,279	(1,779)	—	(500)	—
Total comprehensive income for the year	—	—	—	(115)	35,950	35,835
At 31 December 2006	6,680	2,779	—	(300)	71,784	80,943
At 1 January 2007	6,680	2,779	—	(300)	71,784	80,943
Changes in equity for 2007:						
Total comprehensive income for the year	—	—	—	792	41,800	42,592
Arising from Group reorganisation	(508)	—	—	—	—	(508)
At 31 December 2007	6,172	2,779	—	492	113,584	123,027
At 1 January 2008	6,172	2,779	—	492	113,584	123,027
Changes in equity for 2008:						
Total comprehensive income for the year	—	—	—	(1,469)	45,018	43,549
Arising from Group reorganisation	(1,500)	—	—	—	—	(1,500)
At 31 December 2008	4,672	2,779	—	(977)	158,602	165,076
At 1 January 2009	4,672	2,779	—	(977)	158,602	165,076
Changes in equity for the three months ended 31 March 2009:						
Total comprehensive loss for the period	—	—	—	114	(9,717)	(9,603)
At 31 March 2009	4,672	2,779	—	(863)	148,885	155,473

The accompanying notes form part of the Financial Information.

6 COMBINED CASH FLOW STATEMENTS

	Note	Years ended 31 December 2006 RMB'000	2007 RMB'000	2008 RMB'000	Three months ended 31 March 2008 RMB'000 (Unaudited)	2009 RMB'000
Operating activities						
Profit/(loss) before taxation		41,436	49,560	57,003	(3,638)	(10,959)
Adjustments for:						
- Depreciation of fixed assets	4(c)	3,065	3,059	8,650	2,072	2,615
- Impairment losses on trade receivables recognised/(written back), net	4(c)	92	690	(4)	144	184
- Interest income	3(a)	(35)	(234)	(110)	(48)	(40)
- Finance costs	4(a)	51	—	—	—	171
- Share of (profit)/loss of an associate	13	—	(498)	(861)	654	57
- Share of loss of a jointly controlled entity	14	—	382	290	196	26
- (Gain)/loss on disposals of fixed assets	3(b)	(84)	22	310	—	(1)
- Excess of interest in fair values of the acquiree's identifiable net assets over cost of acquisition	(a)	—	(371)	—	—	—
- Foreign exchange (gain)/loss		(27)	346	(2,189)	(2,078)	(76)
Changes in working capital:						
(Increase)/decrease in amount due from a jointly controlled entity		—	(417)	417	417	—
(Increase)/decrease in trade receivables		(26,460)	3,196	(22,229)	(8,503)	21,012
(Increase)/decrease in other receivables, deposits and prepayments		(954)	(20,226)	1,481	1,787	4,334
(Increase)/decrease in amounts due from related parties		(23,473)	(11,268)	(24,749)	1,310	(6,664)
Increase/(decrease) in trade payables		7,617	1,682	5,109	2,696	(5,620)
Increase/(decrease) in other payables and accruals		8,035	5,340	15,002	(8,177)	(23,343)
Cash generated from/(used in) operations		9,263	31,263	38,120	(13,168)	(18,304)
Tax paid	22(a)	(887)	(2,164)	(1,043)	(158)	(2,186)
Net cash generated from/(used in) operating activities		8,376	29,099	37,077	(13,326)	(20,490)

	Note	Years ended 31 December 2006 RMB'000	2007 RMB'000	2008 RMB'000	Three months ended 31 March 2008 RMB'000 (Unaudited)	2009 RMB'000
Investing activities						
Interest received		35	234	110	48	40
Payment for the purchase of fixed assets		(4,944)	(20,665)	(46,126)	(13,123)	(1,857)
Proceeds from disposals of fixed assets		711	—	527	—	1
Acquisition of an associate	13	—	(8,101)	—	—	—
Capital injection in a jointly controlled entity	14	—	(1,000)	—	—	—
Net cash inflow from acquisition of a subsidiary	(a)	—	58	—	—	—
Net cash used in investing activities		(4,198)	(29,474)	(45,489)	(13,075)	(1,816)
Financing activities						
Finance costs		(51)	—	—	—	(171)
Proceeds from other loan		—	29,028	—	—	—
Repayment of other loan		—	—	—	—	(13,619)
Proceeds from new bank loan		—	—	—	—	10,544
Repayment of bank loan		(604)	—	—	—	(126)
Net cash (used in)/generated from financing activities		(655)	29,028	—	—	(3,372)
Net increase/(decrease) in cash and cash equivalents		3,523	28,653	(8,412)	(26,401)	(25,678)
Cash and cash equivalents at beginning of the year/period		14,343	17,815	46,379	46,379	37,291
Effect of foreign exchange rate changes		(51)	(89)	(676)	(231)	(3)
Cash and cash equivalents at end of the year/period	17(a)	17,815	46,379	37,291	19,747	11,610

NOTES TO THE COMBINED CASH FLOW STATEMENTS

(a) ***Acquisition of a subsidiary***

On 2 November 2007, Modern Media Company Limited, a wholly-owned subsidiary of the Group, acquired 100% equity interests of Modern Media (Zhuhai) Technology Co., Ltd. (現代傳播(珠海)科技有限公司) ("Zhuhai Technology") from an independent third party for nil consideration ("the Acquisition"), which was determined with reference made to the fair value of the then net assets of Zhuhai Technology and the fact that Zhuhai Technology was dormant before it was acquired by Modern Media Company Limited. Zhuhai Technology had been engaged in the research and development, production and sale of software and after-sale services.

Following the Acquisition, Zhuhai Technology contributed turnover and loss after taxation of RMB19,000 and RMB127,000 respectively for the period ended 31 December 2007.

Had the Acquisition taken place at the beginning of the year, the turnover and profit after taxation of the Group for the year ended 31 December 2007 would not be significantly different to that reported above.

The cash flow and the fair value of net assets/liabilities acquired are provided below:

	RMB'000
Fixed assets	63
Trade and other receivables	250
Cash and cash equivalents	58
Net assets acquired	371
Excess of interest in fair values of the acquiree's identifiable net assets over cost of acquisition	(371)
Total purchase price — nil consideration	—
Less: Cash of subsidiary acquired	58
Net cash inflow in respect of the acquisition of a subsidiary	58

The excess of the Group's interest in fair values of the identifiable net assets of Zhuhai Technology over cost of acquisition has been credited to the combined income statement of the Group for the year ended 31 December 2007 under "Administrative and other operating expenses".

(b) ***Major non-cash transactions***

During the year ended 31 December 2008, the Group acquired two motor vehicles from a director of the Group for a consideration of RMB930,000 based on the prevailing market price mutually agreed between the parties, which was settled by setting off against the advance due from the director to the Group.

The accompanying notes form part of the Financial Information.

C NOTES TO THE FINANCIAL INFORMATION

1 Significant accounting policies

(a) ***Statement of compliance***

The Financial Information set out in this report has been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which collective term includes International Accounting Standards ("IASs") and related interpretations promulgated by the International Accounting Standards Board (the "IASB"). Further details of the significant accounting policies adopted are set out in the remainder of this Section C.

The IASB has issued a number of new and revised IFRSs. For the purpose of preparing this Financial Information, the Group has applied all these new and revised IFRSs to the Relevant Period, except for any new standards or interpretations that are not yet effective for the accounting year ending 31 December 2009. The revised and new accounting standards and interpretations issued but not yet effective for the accounting year ending 31 December 2009 are set out in note 30.

The Financial Information also complies with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Listing Rules.

The accounting policies set out below have been applied consistently to all periods presented in the Financial Information.

(b) ***Basis of preparation of the Financial Information***

(i) *Basis of combination*

The Financial Information for the Relevant Period comprises the Company and its subsidiaries and has been prepared using the merger basis of accounting as if the Group had always been in existence, as further explained in Section A.

(ii) *Basis of measurement*

The Financial Information is presented in Renminbi ("RMB"), rounded to the nearest thousand. The measurement basis used in the preparation of the Financial Information is the historical cost basis.

(iii) *Use of estimates and judgements*

The preparation of Financial Information in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the Financial Information and major sources of estimation uncertainty are discussed in note 29.

(c) ***Subsidiaries***

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

Financial statements of a subsidiary are included in the Financial Information from the date that control commences until the date that control ceases. Book value accounting is adopted for common control combinations in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory.

Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the Financial Information. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see note 1(h)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale) (see note 1(s)).

(d) ***Associate and jointly controlled entity***

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A jointly controlled entity is an entity which operates under a contractual arrangement between the Group and other parties, where the contractual arrangement establishes that the Group and one or more of the other parties share joint control over the economic activity of the entity.

An investment in an associate or a jointly controlled entity is accounted for in the combined financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale) (see note 1(s)). Under the equity method, the investment is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see note 1(e) and (h)). The Group's share of the post-acquisition, post-tax results of the investee and any impairment losses for the year are recognised in the combined income statement whereas the Group's share of the post-acquisition post tax items of the investee's other comprehensive income is recognised in the combined statement of comprehensive income.

When the Group's share of losses exceeds its interest in the associate or the jointly controlled entity, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest in the associate or the jointly controlled entity is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the jointly controlled entity.

Unrealised profits and losses resulting from transactions between the Group and its associates and jointly controlled entity are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the assets transferred, in which case they are recognised immediately in profit or loss.

(e) ***Goodwill***

Goodwill represents the excess of the cost of a business combination or an investment in an associate or a jointly controlled entity over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to cash-generating units and is tested annually for impairment (see note 1(h)). In respect of associate or jointly controlled entity, the carrying amount of goodwill is included in the carrying amount of the interest in the associate or jointly controlled entity and the investment as a whole is tested for impairment whenever there is objective evidence of impairment (see note 1(h)).

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination or an investment in an associate or a jointly controlled entity is recognised immediately in profit or loss.

On disposal of a cash-generating unit, an associate or a jointly controlled entity during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(f) ***Fixed assets***

Fixed assets are stated in the balance sheets at cost less accumulated depreciation and impairment losses (see note 1(h)). Depreciation is calculated to write off the cost of fixed assets, less their estimated residual value, if any, on a straight-line method over their estimated useful lives as follows:

— Leasehold improvements are depreciated over the shorter of their estimated useful lives, being 5 years from the date of completion, and the unexpired terms of the leases.

— Land and buildings held for own use	— 20 years
— Office equipment	— 3-5 years
— Furnitures and fixtures	— 3-5 years
— Motor vehicles	— 5-10 years

Where parts of an item of fixed assets have different useful lives, the cost is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Gains or losses arising from the retirement or disposal of an item of fixed assets are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss on the date of retirement or disposal.

(g) ***Leased assets***

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) *Classification of assets leased to the Group*

Assets that are held by the Group under leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, except land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee, or at the date of construction of those buildings, if later.

(ii) *Assets acquired under finance leases*

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased assets, or, if lower, the present value of the minimum lease payments, such assets are included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note 1(f). Impairment losses are accounted for in accordance with the accounting policy as set out in note 1(h). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(iii) *Operating lease charges*

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made.

(h) ***Impairment of assets***

(i) *Impairment of investments in equity securities and receivables*

Investments in equity securities and receivables that are stated at cost or amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, any impairment loss is determined and recognised as follows:

- For investments in associates and jointly controlled entities recognised using the equity method (see note 1(d)), the impairment loss is measured by comparing the recoverable amount of the investment as a whole with its carrying amount in accordance with note 1(h)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 1(h)(ii).

- For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade receivable included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery of an amount receivable is remote, the amount considered irrecoverable is written off against accounts receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account are recognised in profit or loss.

(ii) *Impairment of other assets*

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the fixed assets, investments in subsidiaries and goodwill may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

If any such indication exists, the recoverable amount of the asset is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

- Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. 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 time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

- Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

- Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(i) ***Receivables***

Receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts (see note 1(h)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts (see note 1(h)).

(j) ***Cash and cash equivalents***

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the combined cash flow statements.

(k) ***Payables***

Payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 1(o), payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(l) ***Interest-bearing borrowings***

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(m) ***Employee benefits***

(i) *Short term employee benefits and contributions to defined contribution retirement plans*

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year/period in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) *Contributions to defined contribution retirement plans in the PRC*

Contributions to local retirement schemes pursuant to the relevant labour rules and regulations in the PRC are recognised as an expense in profit or loss as incurred, except to the extent that they are included in the cost of inventories not yet recognised as an expense.

(iii) *Share based payments*

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the binomial lattice model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year/period of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

(iv) *Termination benefits*

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(n) ***Income tax***

Income tax for the year/period comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they related to items recognised in other comprehensive income or directly to equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year/period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those difference relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided that they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if, and only if, the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity; or

  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(o) ***Financial guarantees issued, provisions and contingent liabilities***

(i) *Financial guarantees issued*

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within other payables and accruals. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 1(o)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in other payables and accruals in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

(ii) *Other provisions and contingent liabilities*

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(p) ***Revenue recognition***

Revenue is measured at the fair value of consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the profit or loss as follows:

(i) *Advertising income*

Revenue from advertising contracts, net of business tax and related surcharge, are recognised upon the publication of the magazine available to public in which the advertisement is placed.

(ii) *Circulation income*

Circulation income represents sale of magazines, which is recognised when the publication is delivered to the distributors at which time the risk and rewards of ownership has passed; and the return of magazines can be estimated reliably.

(iii) *Sponsorship, event and service income*

Sponsorship, event and service income is recognised when the relevant services are provided.

(iv) *Interest income*

Interest income is recognised as it accrues using the effective interest method.

(v) *Government grants*

Government grants are recognised in the balance sheet initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(q) ***Translation of foreign currencies***

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the entity (''functional currency''). The Financial Information is presented in RMB ("presentation currency").

Foreign currency transactions during the year/period are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in the profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items are translated into RMB at the foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve. On disposal of an operation outside Mainland China, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(r) ***Borrowing costs***

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(s) ***Non-current assets held for sale and discontinued operations***

(i) *Non-current assets held for sale*

A non-current asset (or disposal group) is classified as held for sale if it is highly probable that its carrying amount will be recovered through a sale transaction rather than through continuing use and the asset (or disposal group) is available for sale in its present condition. A disposal group is a group of assets to be disposed of together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.

Immediately before classification as held for sale, the measurement of the non-current assets (and all individual assets and liabilities in a disposal group) is brought up-to-date in accordance with the accounting policies before the classification. Then, on initial classification as held for sale and until disposal, the non-current assets (except for certain assets as explained below), or disposal groups, are recognised at the lower of their carrying amount and fair value less costs to sell. The principal exceptions to this measurement policy so far as the financial statements of the Group and the Company are concerned are deferred tax assets. These assets, even if held for sale, would continue to be measured in accordance with the accounting policies set out elsewhere in note 1.

Impairment losses on initial classification as held for sale, and on subsequent remeasurement while held for sale, are recognised in profit or loss. As long as a non-current asset is classified as held for sale, or is included in a disposal group that is classified as held for sale, the non-current asset is not depreciated or amortised.

(ii) *Discontinued operations*

A discontinued operation is a component of the Group's business, the operations and cash flow of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale (see (i) above), if earlier. It also occurs if the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the income statement, which comprises:

— the post-tax profit or loss of the discontinued operation; and

— the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

(t) ***Related parties***

For the purposes of the Financial Information, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

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

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(u) ***Segment reporting***

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

(v) ***Business combinations involving entities under common control***

The combined financial statements incorporate the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling entity.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of the common control combination.

The combined income statements include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

Inter-company transactions, balances and unrealised gains on transactions between the combining entities or businesses are eliminated. Unrealised losses are also eliminated but considered as an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2 Turnover

The Group is principally engaged in the provision of magazine advertising services, printing and distribution of magazines and provision of advertising-related services.

Turnover represents the invoiced sales net of sales discounts, sales returns and sales taxes.

	Years ended 31 December			Three months ended 31 March	
	2006	**2007**	**2008**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Advertising income	235,387	289,040	359,461	65,069	59,210
Circulation income	10,881	9,722	13,614	2,789	3,895
Sponsorship, event and service income	2,401	7,296	8,794	2,765	2,311
	248,669	306,058	381,869	70,623	65,416
Less: Sales taxes and other surcharges	(17,367)	(24,973)	(34,044)	(5,518)	(5,394)
	231,302	281,085	347,825	65,105	60,022

3 Other revenue and other net income/(loss)

(a) *Other revenue*

	Years ended 31 December			Three months ended 31 March	
	2006	**2007**	**2008**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Interest income from bank deposits	35	234	110	48	40
PRC government incentives (note)	37	78	1,598	—	2,430
Sundry income	3	43	35	—	—
	75	355	1,743	48	2,470

Note: Pursuant to an agreement between Shanghai Gezhi Advertising Co., Ltd. ("Shanghai Gezhi") and the local government bureau dated 5 March 2007, the PRC government incentives granted were to assist the development of Shanghai Gezhi. The amounts were computed based on a specified percentage of enterprise income tax, value-added tax, business tax, city development tax and individual income tax paid in the previous years. During the year ended 31 December 2008 and the three months ended 31 March 2009, Shanghai Gezhi received incentives of RMB1,427,000 and RMB2,430,000 in respect of taxes paid by Shanghai Gezhi in 2007 and 2008 respectively.

(b) ***Other net income/(loss)***

	Years ended 31 December			Three months ended 31 March	
	2006	**2007**	**2008**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Net foreign exchange (loss)/gain	(5)	(113)	(208)	(125)	15
Gain/(loss) on disposals of fixed assets	84	(22)	(310)	—	1
Write-back of impairment losses on trade receivables, net	—	—	4	—	—
	79	(135)	(514)	(125)	16

4 **Profit/(loss) before taxation**

Profit/(loss) before taxation is arrived at after charging/(crediting):

	Years ended 31 December			Three months ended 31 March	
	2006	**2007**	**2008**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
(a) Finance costs:					
Interest charged on:					
Bank loan repayable within one year	51	—	—	—	—
Bank loan repayable within ten years	—	—	—	—	171
	51	—	—	—	171
(b) Staff costs:					
Salaries, wages and other benefits	51,933	67,167	79,833	21,411	20,785
Contributions to defined contribution retirement plan	4,909	7,871	11,389	2,069	3,343
	56,842	75,038	91,222	23,480	24,128
Staff costs included in:					
Cost of sales	27,813	33,789	41,686	9,634	11,064
Selling and distribution expenses	17,744	22,900	27,196	6,887	7,533
Administrative and other operating expenses	11,285	18,349	22,340	6,959	5,531
	56,842	75,038	91,222	23,480	24,128

	Years ended 31 December			Three months ended 31 March	
	2006	2007	2008	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*Unaudited*)	*RMB'000*
(c) Other items:					
Depreciation of fixed assets	3,065	3,059	8,650	2,072	2,615
Auditors' remuneration	805	978	919	230	230
Operating lease charges in respect of properties	10,123	11,757	12,947	2,941	2,900
Impairment losses on trade receivables recognised/(written back), net	92	690	(4)	144	184

5 **Income tax in the combined income statements**

(a) ***Taxation in the combined income statements represents:***

	Years ended 31 December			Three months ended 31 March	
	2006	2007	2008	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*Unaudited*)	*RMB'000*
Current tax					
Provision for the PRC Enterprise Income Tax	4,209	7,720	11,901	294	490
Provision for the Hong Kong Profits Tax	1,277	40	84	—	—
	5,486	7,760	11,985	294	490
Deferred tax					
Origination of temporary differences (note 22(b))	—	—	—	—	(1,732)
Actual tax expense/(credit)	5,486	7,760	11,985	294	(1,242)

Notes:

(i) Pursuant to the rules and regulations of the Cayman Islands, the Group is not subject to any income tax in the Cayman Islands.

(ii) The provisions for Hong Kong Profits Tax for the years ended 31 December 2006 and 2007 were calculated at 17.5% of the estimated assessable profits for the respective years.

In February 2008, the Hong Kong Government announced a decrease in the profits tax rate from 17.5% to 16.5% applicable to the Group's operations in Hong Kong as from the year ended 31 December 2008. Accordingly, the provisions for Hong Kong Profits Tax for the year ended 31 December 2008 and the three months ended 31 March 2009 are calculated at 16.5% of the estimated assessable profits for the year/period.

(iii) Prior to 1 January 2008, PRC entities were, in general, subject to the statutory income tax rate of 33%, consisting of 30% state tax and 3% local tax, on their assessable profits. The Group's operations in Shenzhen and Zhuhai, in accordance with *The Regulations on the Special Economic Zones in Guangdong Province (廣東省經濟特區條例)* being enterprises located in the designated Special Economic Zones, were entitled to a reduced income tax rate of 15%. Zhuhai Technology, being a production-oriented foreign investment enterprise under the Foreign Enterprise Income Tax law and its implementation rules, was entitled to a tax holiday of a 2-year full exemption followed by a 3-year 50% exemption commencing from the first profit-making year after offsetting accumulated tax losses ("2+3 tax holiday"). In addition, according to the tax circular *(94) CaiShuiZi No. 001 regarding certain preferential income tax policies ((94)財稅字第001號《關於企業所得稅若干優惠政策的通知》)*, certain of the Group's operations in the PRC were granted 2-year full exemption tax holidays ("2-year tax holidays"), primarily as a result of being registered as newly established consulting services entities, starting from their respective dates of establishment. Further, Guangzhou Yage Advertising Co., Ltd. (廣州雅格廣告有限公司) ("Guangzhou Yage") was subject to PRC income tax at 18% on the deemed profits calculated as 10% of turnover pursuant to the local tax practice.

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the new Corporate Income Tax Law ("the new tax law") of the PRC, which unified the income tax rate to 25% for all enterprises. The new tax law was effective on 1 January 2008. The new tax law, its implementation rules and the State Council Notice, *GuoFa [2007] No. 39 Notice on the Implementation of the Transitional Preferential Corporate Income Tax Policies (國發〔2007〕39號《國務院關於實施企業所得稅過渡優惠政策的通知》)* ("Circular 39"), provide a five-year transitional period effective from 1 January 2008 for those enterprises which were established before 16 March 2007 and which were entitled to a preferential lower tax rate under the then effective tax laws and regulations. The transitional tax rates are 18%, 20%, 22%, 24% and 25% for 2008, 2009, 2010, 2011 and 2012 onwards, respectively. The new tax law, its implementation rules and Circular 39 also provide grandfathering on the 2+3 tax holiday and require such tax exemption period to begin on 1 January 2008 should it be not started prior to 1 January 2008. The 2-year tax holiday is not grandfathered under the new tax law.

Based on the above, the Group's PRC operations are subject to the following income tax rates:

- Zhuhai Modern Zhimei Culture Media Co., Ltd. (珠海現代致美文化傳播有限公司) and Zhuhai Yinhu Advertising Co., Ltd. (珠海市銀弧廣告有限公司) are subject to income tax at 15%, 18%, 20%, 22%, 24% and 25% for 2007, 2008, 2009, 2010, 2011 and 2012 onwards, respectively.

- Zhuhai Technology was in a tax loss position for 2007. It commenced its 2+3 tax holiday in 2008 and is subject to income tax at 0% for 2008 and 2009, at 12.5% from 2010 to 2012 and at 25% thereafter.

- Shenzhen Yage Zhimei Information Media Co., Ltd. (深圳市雅格致美資訊傳播有限公司) commenced its 2-year tax holiday in 2005 and is subject to income tax at 0%, 15%, 18%, 20%, 22%, 24% and 25% for 2006, 2007, 2008, 2009, 2010, 2011 and 2012 onwards, respectively.

- Shanghai Gezhi Advertising Co., Ltd. (上海格致廣告有限公司) deferred the commencement of its 2-year tax holiday to 2007. It was subject to income tax at 33%, 0%, 18%, 20%, 22%, 24% and 25% for 2006, 2007, 2008, 2009, 2010, 2011 and 2012 onwards, respectively.

- Beijing Yage Zhimei Advertising Media Co., Ltd. (北京雅格致美廣告傳播有限公司) was granted a 1-year tax holiday in 2007 and is subject to income tax at 25% from 2008 onwards.

- Yazhimei Information Consultation (Shenzhen) Co., Ltd. (雅致美信息諮詢(深圳)有限公司) is subject to income tax at 15% for 2007 and 25% from 2008 onwards.

- Guangzhou Yage was subject to income tax at 18%, 18% and 25% on the deemed profits calculated as 10% of turnover for 2006, 2007 and 2008 respectively, and is subject to income tax at 25% from 2009 onwards.

- Guangzhou Modern Information Media Co., Ltd. (廣州現代資訊傳播有限公司), Shanghai Yage Advertising Co., Ltd. (上海雅格廣告有限公司), Beijing Modern Yage Advertising Co., Ltd. (北京現代雅格廣告有限公司) and Guangzhou Modern Books Co., Ltd. (廣州現代圖書有限公司) are subject to income tax at 33% for 2006 and 2007 and at 25% from 2008 onwards.

The new tax law also imposes a withholding tax at 10%, unless reduced by a treaty or agreement, for dividends distributed by a PRC-resident enterprise to its immediate holding company outside Mainland China for earnings generated beginning on 1 January 2008 and undistributed earnings generated prior to 1 January 2008 are exempt from such withholding tax. As of 31 March 2009, the Group has not provided for income taxes on accumulated earnings generated by its PRC entities for the year ended 31 December 2008 and the three months ended 31 March 2009 since it is probable that they will not be distributed to its immediate holding company outside Mainland China in the foreseeable future. It is not practicable to estimate the amount of additional taxes that might be payable on such undistributed earnings.

(b) ***Reconciliation between tax expense/(credit) and accounting profit/(loss) before taxation at applicable tax rates:***

	Years ended 31 December			Three months ended 31 March	
	2006	**2007**	**2008**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Profit/(loss) before taxation	41,436	49,560	57,003	(3,638)	(10,959)
Notional tax on profit/(loss) before taxation, calculated at the rate of 25% (2006 and 2007: 33%)	13,674	16,355	14,251	(910)	(2,740)
Effect of differential tax rate on income	(8,601)	(10,487)	(2,590)	(410)	(954)
Tax effect of non-deductible expenses	10,685	18,300	1,478	1,622	1,012
Tax effect of non-taxable revenue	—	(274)	(587)	(55)	(46)
Tax effect of temporary differences not recognised	—	30	(279)	5	19
Tax effect of prior years' unrecognised tax losses utilised this year/period	(609)	(225)	—	—	—
Tax effect of unused tax losses not recognised	1,933	—	289	72	1,467
Effect of tax concessions obtained	(11,648)	(15,917)	—	—	—
Others	52	(22)	(577)	(30)	—
Actual tax expense/(credit)	5,486	7,760	11,985	294	(1,242)

6 **Other comprehensive (loss)/income**

	Years ended 31 December			Three months ended 31 March	
	2006	**2007**	**2008**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Exchange differences on translation of financial statements of overseas subsidiaries	(115)	792	(1,469)	(1,412)	114

There is no tax effects relating to the above component of other comprehensive (loss)/income.

7 **Earnings/(loss) per share**

The calculation of basic earnings/(loss) per share for the Relevant Period is based on the net profit/(loss) attributable to equity shareholders of the Company for each of the years ended 31 December 2006, 2007 and 2008 and the three months ended 31 March 2008 and 2009, and on the assumption that 300,000,000 ordinary shares of the Company were in issue for the Relevant Period, comprising 8,000,000 shares in issue at the date of the prospectus and 292,000,000 shares to be issued, pursuant to the capitalisation issue as detailed under the paragraph headed "Resolutions in writing of the sole Shareholder passed on 24 August 2009" under the section headed "Statutory and General Information" in Appendix V to the Prospectus.

There were no dilutive potential ordinary shares during the Relevant Period and, therefore, diluted earnings per share are not presented.

8 **Directors' remuneration**

Directors' remuneration disclosed pursuant to Section 161 of the Hong Kong Companies Ordinance is as follows:

	Year ended 31 December 2006				
	Fees	**Basic salaries, allowances and benefits in kind**	**Bonus**	**Retirement scheme contributions**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
SHAO Zhong	—	984	—	26	1,010
WONG Shing Fat *(note (i))*	—	820	386	—	1,206
LI Jian	—	553	500	29	1,082
MOK Chun Ho, Neil	—	947	136	41	1,124
Total	—	3,304	1,022	96	4,422

	Year ended 31 December 2007				
	Fees	**Basic salaries, allowances and benefits in kind**	**Bonus**	**Retirement scheme contributions**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
SHAO Zhong	—	1,063	—	38	1,101
WONG Shing Fat *(note (i))*	—	1,747	1,471	—	3,218
LI Jian	—	1,109	600	38	1,747
MOK Chun Ho, Neil	—	984	141	47	1,172
Total	—	4,903	2,212	123	7,238

	Year ended 31 December 2008				
	Fees	Basic salaries, allowances and benefits in kind	Bonus	Retirement scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
SHAO Zhong	—	1,068	—	39	1,107
WONG Shing Fat *(note (i))*	—	1,699	1,215	—	2,914
LI Jian	—	1,083	600	44	1,727
MOK Chun Ho, Neil	—	956	100	47	1,103
CUI Jianfeng *(note (ii))*	—	278	33	—	311
Total	—	5,084	1,948	130	7,162

	Three months ended 31 March 2008 (Unaudited)				
	Fees	Basic salaries, allowances and benefits in kind	Bonus	Retirement scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
SHAO Zhong	—	267	—	5	272
WONG Shing Fat *(note (i))*	—	431	304	—	735
LI Jian	—	271	150	10	431
MOK Chun Ho, Neil	—	222	25	17	264
Total	—	1,191	479	32	1,702

	Three months ended 31 March 2009				
	Fees	Basic salaries, allowances and benefits in kind	Bonus	Retirement scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
SHAO Zhong	—	267	—	5	272
WONG Shing Fat *(note (i))*	—	433	—	—	433
LI Jian	—	271	—	11	282
MOK Chun Ho, Neil	—	224	—	13	237
CUI Jianfeng *(note (ii))*	—	103	—	—	103
Total	—	1,298	—	29	1,327

Notes:

(i) No retirement scheme contributions were payable to the executive director, Mr. Wong Shing Fat who was the chief consultant appointed by the Group who was regarded as contractor instead of employee during the Relevant Period and therefore, he was not subject to retirement scheme contributions. Mr. Wong Shing Fat has since 27 July 2009 been appointed as an Executive Director and became subject to retirement scheme contributions in accordance with Mandatory Provident Fund Schemes Ordinance.

(ii) Mr. Cui Jianfeng is a PRC national and entered Hong Kong for employment for less than sixteen months during the Relevant Period. He is considered as an exempt person under the Mandatory Provident Fund Schemes Ordinance. Accordingly, his directors' emoluments are not subject to retirement scheme contributions.

(iii) No director received any emoluments from the Group as an inducement to join or upon joining the Group or as compensation for loss of office during the Relevant Period. No director waived or agreed to waive any emoluments during the Relevant Period.

(iv) The Company did not have any share option scheme for the purchase of ordinary shares in the Company during the Relevant Period.

9 **Individuals with the highest emoluments**

The five highest paid individuals of the Group include, 3, 4, 4, 4 and 3 directors during the years ended 31 December 2006, 2007 and 2008 and the three months ended 31 March 2008 and 2009 respectively whose emoluments are disclosed in note 8. Details of remuneration paid to remaining highest paid individuals of the Group are as follows:

	Years ended 31 December			Three months ended 31 March	
	2006	**2007**	**2008**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Basic salaries, allowances and benefits in kind	2,049	1,060	1,456	249	819
Discretionary bonuses	178	10	—	—	—
Retirement scheme contributions	—	12	—	—	—
	2,227	1,082	1,456	249	819

The emoluments of these individuals are within the following band:

	Years ended 31 December			Three months ended 31 March	
	2006	**2007**	**2008**	**2008**	**2009**
	Number of individuals	*Number of individuals*	*Number of individuals*	*Number of individuals* *(Unaudited)*	*Number of individuals*
RMB Nil to RMB1,000,000	—	—	—	1	2
RMB1,000,001 to RMB1,500,000	2	1	1	—	—

No emoluments have been paid to these individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the Relevant Period.

10 **Segment reporting**

The Group has six reportable segments as described below, which are the Group's strategic business units. The Group's business units offer different advertising services to its customers based on the geographical locations of the advertising customers; and also provide circulation of magazines to distributors. For each of the business units, the Group's senior executive management reviews internal management reports on a monthly basis. Segment information below is presented in a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment. The following describes the operations in each of the Group's reportable segments:

- Advertising (Shanghai/Beijing/Guangzhou/Shenzhen/Hong Kong): these segments engage in the sale of advertising space in the Group's magazines. The Group's advertising business is segregated into five reportable segments on a geographical basis, as monthly reports on the results of each advertising business are provided to the senior executive management by the respective area manager for each of these regions.

- Circulation: this segment engages in the publication of and the distribution of the Group's magazines in the PRC and Hong Kong.

Other operations include the Group's provision of management and consultancy services, and exhibition and events arrangement services to the Group's customers.

(a) ***Segment results and assets***

For the purpose of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results and assets attributable to each reportable segment on the following bases:

Segment assets include only trade receivables arising from the advertising and circulation segments as the Group's senior executive management considers that the recoverability of the trade receivables has significant impact to the Group's actual performance, liquidity and credit risk.

Revenue and expenses are allocated to the reportable segments with reference to the income generated by those segments and the expenses incurred by those segments. Segment results do not include the Group's share of results arising from the activities of the Group's associate and jointly controlled entity as these investments do not form a significant part of the Group's operation.

The measure used for reportable segment profit or loss is profit/(loss) before tax, as included in the internal management reports that are reviewed by the Group's senior executive management. Segment profit or loss is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to the respective segment's budget, other entities that operate within these industries and geographical locations.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2006, 2007 and 2008 and the three months ended 31 March 2008 and 2009 is set out below.

	Year ended 31 December 2006							
	Advertising						Circulation	Total
	Shanghai	Beijing	Guangzhou	Shenzhen	Hong Kong	Sub-total		
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Reportable segment revenue derived from the Group's external customers	100,231	43,285	39,521	6,023	46,327	235,387	10,881	246,268
Reportable segment profit/(loss)	73,703	18,174	(52,420)	(11,354)	841	28,944	10,881	39,825
Interest income	17	4	9	5	—	35	—	35
Interest expense	—	—	—	—	(51)	(51)	—	(51)
Depreciation for the year	(634)	(698)	(763)	(437)	(533)	(3,065)	—	(3,065)
Reportable segment assets	26,052	11,734	16,286	3,246	13,409	70,727	4,863	75,590

	Year ended 31 December 2007							
	Advertising						Circulation	Total
	Shanghai	Beijing	Guangzhou	Shenzhen	Hong Kong	Sub-total		
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Reportable segment revenue derived from the Group's external customers	131,062	57,909	38,522	11,972	49,575	289,040	9,722	298,762
Reportable segment profit/(loss)	75,939	27,658	(67,157)	(8,665)	5,255	33,030	9,722	42,752
Interest income	24	14	10	8	—	56	—	56
Depreciation for the year	(686)	(651)	(753)	(437)	(532)	(3,059)	—	(3,059)
Reportable segment assets	27,086	10,395	5,216	5,801	17,806	66,304	5,650	71,954

	Year ended 31 December 2008							
	Advertising						Circulation	Total
	Shanghai	Beijing	Guangzhou	Shenzhen	Hong Kong	Sub-total		
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Reportable segment revenue derived from the Group's external customers	184,530	69,180	61,656	12,470	31,625	359,461	13,614	373,075
Reportable segment profit/(loss)	91,933	27,862	(69,406)	(3,444)	(10,637)	36,308	13,614	49,922
Interest income	43	19	14	11	—	87	—	87
Depreciation for the year	(2,828)	(2,030)	(948)	(2,014)	(696)	(8,516)	—	(8,516)
Reportable segment assets	40,721	17,154	16,381	5,033	6,100	85,389	8,798	94,187

	Three months ended 31 March 2008 (Unaudited)							
	Advertising						Circulation	Total
	Shanghai	Beijing	Guangzhou	Shenzhen	Hong Kong	Sub-total		
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Reportable segment revenue derived from the Group's external customers	31,323	11,825	9,946	2,486	9,489	65,069	2,789	67,858
Reportable segment profit/(loss)	10,408	2,444	(18,455)	(1,520)	(1,022)	(8,145)	2,789	(5,356)
Interest income	9	10	7	5	—	31	—	31
Depreciation for the period	(742)	(714)	(219)	(264)	(128)	(2,067)	—	(2,067)

	Three months ended 31 March 2009							
	Advertising						Circulation	Total
	Shanghai	Beijing	Guangzhou	Shenzhen	Hong Kong	Sub-total		
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Reportable segment revenue derived from the Group's external customers	38,088	8,413	8,355	1,435	2,919	59,210	3,895	63,105
Reportable segment profit/(loss)	18,301	(1,518)	(24,964)	(2,522)	(5,779)	(16,482)	3,895	(12,587)
Interest income	22	4	13	1	—	40	—	40
Interest expense	—	—	—	(171)	—	(171)	—	(171)
Depreciation for the period	(904)	(475)	(280)	(589)	(222)	(2,470)	—	(2,470)
Reportable segment assets	35,914	8,655	10,181	4,574	3,854	63,178	9,805	72,983

b) ***Reconciliations of reportable segment revenues, profit or loss and assets***

	Years ended 31 December			Three months ended 31 March	
	2006	2007	2008	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Revenue					
Reportable segment revenue derived from the Group's external customers	246,268	298,762	373,075	67,858	63,105
Other income	2,401	7,296	8,794	2,765	2,311
Less: Sales taxes and other surcharges	(17,367)	(24,973)	(34,044)	(5,518)	(5,394)
Combined turnover	231,302	281,085	347,825	65,105	60,022

	Years ended 31 December			Three months ended 31 March	
	2006	2007	2008	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Profit/(loss)					
Reportable segment profit/(loss) derived from the Group's external customers	39,825	42,752	49,922	(5,356)	(12,587)
Other income	2,401	7,296	8,794	2,765	2,311
Share of profit/(loss) of an associate	—	498	861	(654)	(57)
Share of loss of a jointly controlled entity	—	(382)	(290)	(196)	(26)
Unallocated head office and corporate expense (note)	(790)	(604)	(2,284)	(197)	(600)
Combined profit/(loss) before taxation	41,436	49,560	57,003	(3,638)	(10,959)

Note: Depreciation of RMB134,000, RMB5,000 and RMB145,000 is included in unallocated head office and corporate expense for the year ended 31 December 2008 and the three months ended 31 March 2008 and 2009 respectively.

Interest income of RMB178,000, RMB23,000 and RMB17,000 is included in unallocated head office and corporate expense for the years ended 31 December 2007 and 2008 and the three months ended 31 March 2008 respectively.

	As at 31 December			As at 31 March
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets				
Reportable segment assets	75,590	71,954	94,187	72,983
Fixed assets	11,992	12,545	67,042	66,279
Prepaid deposits for properties	—	16,998	—	—
Interest in an associate	—	8,599	9,460	9,403
Interest in a jointly controlled entity	—	1,035	328	302
Deferred tax assets	—	—	—	1,732
Other receivables, deposits and prepayments	8,072	28,298	26,817	22,471
Amounts due from related parties	32,690	43,450	65,769	72,445
Taxation recoverable	—	566	535	535
Cash and cash equivalents	17,815	46,379	37,291	11,610
Combined total assets	146,159	229,824	301,429	257,760

c) ***Geographic information***

The following table sets out information about the geographical location of the Group's fixed assets, prepaid deposits for properties and interests in an associate and jointly controlled entity ("specified non-current assets"). The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of fixed assets and prepaid deposits for properties, and the location of operations, in the case of interests in an associate and a jointly controlled entity.

	As at 31 December			As at 31 March
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
The PRC (place of domicile)	10,201	37,786	73,008	72,389
Hong Kong	1,791	1,391	3,822	3,595
	11,992	39,177	76,830	75,984

d) ***Major customers***

The Group's customer base includes two customers with whom transactions have exceeded 10% of the Group's revenues. During the years ended 31 December 2006, 2007 and 2008 and the three months ended 31 March 2008 and 2009, advertising income from these customers amounted to RMB53,041,000, RMB57,404,000, RMB74,823,000, RMB14,646,000 and RMB10,411,000 respectively and arose in Shanghai, Beijing and Guangzhou reportable segments in which the advertising division is active.

11 **Fixed assets**

(a) ***The Group***

	Land and buildings held for own use	Leasehold improvements	Office equipment	Furniture and fixtures	Motor vehicles	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:						
At 1 January 2006	—	4,001	6,620	2,768	2,094	15,483
Additions	—	1,115	2,312	151	1,366	4,944
Disposals	—	—	(53)	(47)	(853)	(953)
Exchange differences	—	(21)	(65)	(14)	(20)	(120)
At 31 December 2006	—	5,095	8,814	2,858	2,587	19,354
At 1 January 2007	—	5,095	8,814	2,858	2,587	19,354
Additions	—	24	2,333	9	1,364	3,730
Disposals	—	—	(50)	—	—	(50)
Exchange differences	—	(33)	(105)	(22)	(33)	(193)
At 31 December 2007	—	5,086	10,992	2,845	3,918	22,841
At 1 January 2008	—	5,086	10,992	2,845	3,918	22,841
Additions	22,340	13,817	4,429	2,103	4,367	47,056
Transfer *(note 11(c))*	16,998	—	—	—	—	16,998
Disposals	—	(467)	—	(42)	(520)	(1,029)
Exchange differences	—	(27)	(96)	(18)	(27)	(168)
At 31 December 2008	39,338	18,409	15,325	4,888	7,738	85,698
At 1 January 2009	39,338	18,409	15,325	4,888	7,738	85,698
Additions	834	616	362	45	—	1,857
Disposals	—	—	(22)	—	—	(22)
Exchange differences	—	(2)	(2)	(1)	(3)	(8)
At 31 March 2009	40,172	19,023	15,663	4,932	7,735	87,525

	Land and buildings held for own use	Leasehold improvements	Office equipment	Furniture and fixtures	Motor vehicles	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Accumulated depreciation:						
At 1 January 2006	—	747	1,553	1,896	472	4,668
Charge for the year	—	883	1,457	342	383	3,065
Written back on disposals	—	—	(11)	(18)	(297)	(326)
Exchange differences	—	(4)	(29)	(6)	(6)	(45)
At 31 December 2006	—	1,626	2,970	2,214	552	7,362
At 1 January 2007	—	1,626	2,970	2,214	552	7,362
Charge for the year	—	658	1,774	249	378	3,059
Written back on disposals	—	—	(28)	—	—	(28)
Exchange differences	—	(10)	(61)	(12)	(14)	(97)
At 31 December 2007	—	2,274	4,655	2,451	916	10,296
At 1 January 2008	—	2,274	4,655	2,451	916	10,296
Charge for the year	1,573	3,722	2,255	350	750	8,650
Written back on disposals	—	(181)	—	(7)	(4)	(192)
Exchange differences	—	(10)	(59)	(12)	(17)	(98)
At 31 December 2008	1,573	5,805	6,851	2,782	1,645	18,656
At 1 January 2009	1,573	5,805	6,851	2,782	1,645	18,656
Charge for the period	475	1,071	686	133	250	2,615
Written back on disposals	—	—	(22)	—	—	(22)
Exchange differences	—	—	(2)	—	(1)	(3)
At 31 March 2009	2,048	6,876	7,513	2,915	1,894	21,246
Net book value:						
At 31 December 2006	—	3,469	5,844	644	2,035	11,992
At 31 December 2007	—	2,812	6,337	394	3,002	12,545
At 31 December 2008	37,765	12,604	8,474	2,106	6,093	67,042
At 31 March 2009	38,124	12,147	8,150	2,017	5,841	66,279

(b) The analysis of net book value of properties is as follows:

	As at 31 December			As at 31 March
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Leasehold properties held outside Hong Kong				
- Medium-term leases (20-50 years)	—	—	37,765	38,124

(c) Pursuant to the sale and purchase agreement entered between Shenzhen Yage Zhimei Information Media Co., Ltd. ("Shenzhen Yage Zhimei"), a wholly-owned subsidiary of the Group and an independent third party, Beijing Shengce Real Estate Development Company Limited on 21 July 2007, Shenzhen Yage Zhimei acquired Unit 401 & 501, Block 1, China View, Jia No 2. Gong Ren Ti Yu Chang Road (E), Chaoyang District, Beijing City, the PRC for a consideration of RMB37,455,000.

At 31 December 2007, Shenzhen Yage Zhimei paid a deposit of RMB16,998,000 and the amount was included in "Prepaid deposits for properties". In November 2008, the Group commenced to use the properties and accordingly, the consideration payable for the properties including the stamp duty and the related costs totalled RMB39,338,000 was recorded as fixed assets at 31 December 2008.

Of the total consideration of RMB39,338,000, the Group has settled RMB27,884,000 and the remaining consideration of RMB11,454,000 was included in "Other payables" at 31 December 2008 (note 18(b)).

(d) Land and buildings held by a subsidiary with carrying value of RMB21,236,000 was pledged as security for a bank loan amounting to RMB10,418,000 as at 31 March 2009 (note 19).

12 **Interest in subsidiaries**

	As at 31 December		As at 31 March
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
Non-current assets			
Unlisted shares, at cost	—	—	—
Current assets/(liabilities)			
Amounts due from subsidiaries	11,506	—	—
Amounts due to subsidiaries	(14,989)	(883)	(884)
	(3,483)	(883)	(884)

The particulars of the subsidiaries comprising the Group are disclosed in Section A.

Amounts due from/(to) subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

13 **Interest in an associate**

	As at 31 December			As at 31 March
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Share of net assets	—	3,512	4,373	4,316
Goodwill	—	5,087	5,087	5,087
	—	8,599	9,460	9,403

(a) In July 2007, the Group acquired a 20% equity interest in Tianjin Holiday Media Development Co., Ltd. (天津假日傳媒發展有限公司) ("Tianjin Holiday") from an independent third party for a consideration of RMB8,101,200.

Goodwill of RMB5,087,000 arose from the acquisition of Tianjin Holiday representing the difference between the consideration and the fair value of identifiable assets/liabilities acquired.

At 31 March 2009, the Group's interest in the associate is as follows:-

Name of associate	**Place and date of incorporation/ registration and operations**	**Authorised share capital**	**Proportion of ownership interest: Group's effective interest**	**Proportion of ownership interest: Held by a subsidiary**	**Principal activities**
Tianjin Holiday Media Development Co., Ltd. (天津假日傳媒發展有限公司)	The PRC 28 June 2002	RMB25,128,200	20%	20%	Advertising production, retail and food beverages

(b) ***Summary financial information on associate — The Group's effective interest:***

	As at 31 December			As at 31 March
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Total assets	—	6,796	8,704	8,490
Total liabilities	—	(3,284)	(4,331)	(4,174)
	—	3,512	4,373	4,316

	Years ended 31 December			Three months ended 31 March	
	2006	2007	2008	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*Unaudited*)	*RMB'000*
Revenue for the year/period	—	4,113	8,355	1,570	1,216
Profit/(loss) for the year/period	—	498	861	(654)	(57)

14 **Interest in a jointly controlled entity**

	As at 31 December			As at 31 March
	2006	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Share of net assets	—	618	328	302
Amount due from a jointly controlled entity	—	417	—	—
	—	1,035	328	302

At 31 March 2009, the Group's interest in a jointly controlled entity is as follows:-

Name of jointly controlled entity	Place and date of incorporation/ registration and operations	Authorised share capital	Proportion of ownership interest: The Group's effective interest	Proportion of ownership interest: Held by a subsidiary	Principal activities
Sichuan Shangdu Media Co., Ltd. (四川尚都傳媒有限責任公司)	The PRC 20 April 2007	RMB2,000,000	50%	50%	Provision of business strategy consultancy, media agency and marketing services

On 10 April 2007, a subsidiary of the Group, Guangzhou Modern Information Media Co., Ltd. (廣州現代資訊傳播有限公司), entered into a joint venture agreement with an independent third party to establish a jointly controlled entity, Sichuan Shangdu Media Co., Ltd. (四川尚都傳媒有限責任公司) with a registered capital of RMB2,000,000.

Pursuant to the terms of the joint venture agreement, each of the joint venture parties agreed to contribute their respective shares of registered capital within 10 days from the date of the joint venture agreement.

The amount due from a jointly controlled entity is unsecured, interest-free and has no fixed terms of repayment.

Summary financial information on jointly controlled entity — The Group's effective interest:

	As at 31 December			As at 31 March
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets	—	86	68	—
Current assets	—	1,415	269	311
Current liabilities	—	(883)	(9)	(9)
Net assets	—	618	328	302

	Years ended 31 December			Three months ended 31 March	
	2006	**2007**	**2008**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Income	—	1,543	1,244	417	—
Expenses	—	(1,925)	(1,534)	(613)	(26)
Loss for the year/period	—	(382)	(290)	(196)	(26)

15 **Trade receivables**

The Group normally allows a credit period ranging from 30 to 150 days to its advertising and circulation customers. Further details on the Group's credit policy are set out in note 28(a).

	As at 31 December			As at 31 March
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	75,748	72,571	94,795	73,411
Less: allowance for doubtful debts	(158)	(617)	(608)	(428)
	75,590	71,954	94,187	72,983

(a) ***Ageing analysis***

An ageing analysis of trade receivables by transaction date is as follows:

	As at 31 December			As at 31 March
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 30 days	26,613	30,626	25,413	24,398
31 days to 90 days	28,618	25,083	41,075	26,998
91 days to 180 days	17,576	13,230	19,655	14,062
More than 180 days	2,941	3,632	8,652	7,953
	75,748	72,571	94,795	73,411
Less: allowance for doubtful debts	(158)	(617)	(608)	(428)
	75,590	71,954	94,187	72,983

All of the trade receivable are expected to be recovered within one year.

(b) ***Impairment of trade receivables***

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly.

The movements in allowances for doubtful debts during the Relevant Period are as follows:-

	Years ended 31 December			Three months ended 31 March
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of the year/period	101	158	617	608
Exchange adjustments	(1)	(5)	(5)	—
Impairment loss recognised	92	690	428	364
Write-back of impairment loss recognised	—	—	(432)	(180)
Uncollectible amounts written off	(34)	(226)	—	(364)
At end of the year/period	158	617	608	428

As at 31 December 2006, 2007 and 2008 and 31 March 2009, the Group's trade receivables of RMB158,000, RMB617,000, RMB608,000 and RMB428,000 were individually determined to be impaired respectively. The individually impaired receivables related to customers which management assessed that only a portion of the receivables was expected to be recovered. Consequently, specific allowances for doubtful debts of RMB158,000, RMB617,000, RMB608,000 and RMB428,000 respectively were recognised.

The Group does not hold any collateral over these balances.

(c) ***Trade receivables that are not impaired***

Trade receivables are due within 30 to 150 days to its advertising and circulation customers from the date of billing. Further details on the Group's credit policy are set out in note 28(a).

The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired are as follows:

	As at 31 December			As at 31 March
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Neither past due nor impaired	53,227	54,582	62,657	44,976
Less than 1 month past due	8,503	7,621	11,645	12,749
1 to 3 months past due	10,242	7,012	10,765	7,055
Over 3 months past due	3,618	2,739	9,120	8,203
	22,363	17,372	31,530	28,007
	75,590	71,954	94,187	72,983

Receivables that were neither past due nor impaired relate to a wide range of 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 track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

16 **Other receivables, deposits and prepayments**

	As at 31 December			As at 31 March
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepayments	2,731	7,700	4,099	4,395
Rental, utility and other deposits	1,847	3,851	3,507	3,046
Printing deposits	—	10,728	7,327	458
Advances to employees	663	1,252	3,058	3,013
Value-added tax recoverable	1,039	3,333	6,662	7,679
Other receivables	1,792	1,434	2,164	3,880
	8,072	28,298	26,817	22,471

As at 31 December 2006, 2007 and 2008 and 31 March 2009, the amount of the Group's other receivables, deposits and prepayments expected to be recovered or recognised as an expense after more than one year is RMB928,000, RMB1,803,000, RMB2,317,000 and RMB1,922,000 respectively.

17 **Cash and cash equivalents**

(a) ***The Group***

	As at 31 December			As at 31 March
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deposits with banks	—	2,977	—	—
Cash at bank	17,676	42,922	36,777	11,013
Cash in hand	139	480	514	597
Cash and cash equivalents in the combined balance sheets and combined cash flow statements	17,815	46,379	37,291	11,610

As at 31 December 2006, 2007 and 2008 and 31 March 2009, cash and cash equivalents of the Group included the amounts denominated in RMB of RMB15,281,000, RMB32,916,000, RMB34,899,000 and RMB10,700,000 respectively. Remittance of funds out of the PRC is subject to the exchange restriction imposed by the PRC government.

(b) ***The Company***

	As at 31 December		As at 31 March
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
Deposits with banks	2,977	—	—
Cash at bank	714	241	240
Cash and cash equivalents in the balance sheets of the Company	3,691	241	240

18 **Trade and other payables**

	As at 31 December			As at 31 March
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables *(note (a))*	21,404	23,086	28,195	22,077
Other payables *(note (b))*	31,278	34,940	48,342	27,139
Accruals	4,760	6,438	8,038	6,389
Other payables and accruals	36,038	41,378	56,380	33,528

All of the trade and other payables are expected to be settled within one year.

(a) ***An ageing analysis of trade payables of the Group is as follows:***

	As at 31 December			As at 31 March
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 30 days	7,321	8,701	10,945	7,566
31 days to 90 days	5,946	12,582	15,471	13,691
91 days to 180 days	6,076	1,801	1,779	819
More than 180 days	2,061	2	—	1
	21,404	23,086	28,195	22,077

(b) ***An analysis of the other payables of the Group is analysed as follows:***

	As at 31 December			As at 31 March
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deposits received in advance	7,181	5,385	3,682	2,776
Salaries, wages, bonus and benefits payable	13,864	19,290	15,548	10,017
Other tax payables	8,449	8,449	11,642	7,634
Other payables *(note)*	1,784	1,816	17,470	6,712
	31,278	34,940	48,342	27,139

Note: Other payables at 31 December 2008 included the remaining consideration payable of RMB11,454,000 for the acquisition of property in Beijing, the PRC (note 11(c)).

19 **Bank loan**

As at 31 March 2009, the bank loan was secured and repayable as follows:

	As at 31 December			As at 31 March
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year or on demand	—	—	—	781
After 1 year but within 2 years	—	—	—	834
After 2 years but within 5 years	—	—	—	2,854
After 5 years	—	—	—	5,949
	—	—	—	9,637
	—	—	—	10,418

At 31 March 2009, the bank loan of a subsidiary was secured by a mortgage over the property in Beijing, the PRC, with a carrying value of RMB21,236,000 (note 11(d)). This bank loan is also secured by guarantees from Mr. Shao and Shanghai Gazhi Advertising Co., Ltd., a subsidiary of the Group. The personal guarantee from Mr. Shao will be replaced by a corporate guarantee from the Company on or prior to the listing of the shares of the Company on the Stock Exchange.

20 Other loan

At 31 December 2007 and 2008, the loan of RMB29,028,000 (equivalent to US$4,000,000) and RMB27,596,000 (equivalent to US$4,000,000) respectively was secured, interest-free and repayable on demand, except that in the event that the Group fails to repay, the interest will be charged at the rate of 9% per annum on the amount from the due date to the actual payment date.

At 31 December 2007 and 2008, the entire issued share capital of two of the wholly-owned subsidiaries of the Group, Modern Media Company Limited and City Howwhy Limited, were pledged to secure the other loan.

In February 2009, the Group entered into a supplementary agreement whereby the other loan is repayable by instalments on or before 31 March 2010 and is interest-free for the period from the drawdown date of the loan to 31 March 2010, except that in the event that the Group fails to repay the instalment, the interest will be charged at the rate of 9% per annum on the amount from the drawdown date to the date of actual payment in full of the loan instalment.

In March 2009, the Group repaid RMB13,691,000 (equivalent to US$2,000,000) of the other loan.

Mr. Shao provided a personal guarantee to the independent third party in respect of the other loan granted by the independent third party. The personal guarantee, together with the security of the share capital of the wholly-owned subsidiaries, will be replaced by corporate guarantee by the Group on or prior to the listing of the shares of the Company on the Stock Exchange.

21 Amounts due from related parties

(a) *Amounts due from a director*

The amounts due from a director are unsecured, interest-free and repayable on demand. Set out below are the details of amounts due from a director:

	As at 31 December			**As at 31 March**
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
SHAO Zhong	23,522	32,033	49,437	53,272
Maximum outstanding balance				
SHAO Zhong	23,522	32,033	49,437	53,272

The amounts due from a director at 31 December 2006, 2007 and 2008 and 31 March 2009 arose from the non-trading advance to the director.

The amounts due from the director will be fully settled by way of dividends declared by the Group prior to the listing of the shares of the Company on the Stock Exchange.

(b) ***Amounts due from related companies***

	As at 31 December			As at 31 March
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Guangzhou Zhongde Consultation Co., Ltd. (廣州市眾德諮詢有限公司) *(note (i))*	9,168	10,346	14,184	15,152
Shanghai Senyin Information Technology Co., Ltd. (上海森音信息技術發展有限公司) *(note (ii))*	—	1,071	2,148	4,021
	9,168	11,417	16,332	19,173

Notes:

(i) Subsequent to 31 March 2009, Guangzhou Zhongde Consultation Co., Ltd. became an independent third party. The amount due from Guangzhou Zhongde Consultation Co., Ltd will be reclassified to other receivables.

(ii) The amount due from Shanghai Senyin Information Technology Co., Ltd. is unsecured, interest free and will be settled prior to the listing of the shares of the Company on the Stock Exchange.

During the Relevant Period, a major shareholder and director of the Company had equity interest in Guangzhou Zhongde Consultation Co., Ltd and Shanghai Senyin Information Technology Co., Ltd.

Amounts due from related companies represented the amounts advanced to support the working capital and business development of these related companies and amounts receivable for services rendered to these related companies as included in note 27.

The directors of the Company are of the opinion that the above related party transactions were conducted on normal commercial terms, and in the ordinary course of business. The directors also confirm that the advance made to the related companies will not be continued in the future after the listing of the Company's shares on the Stock Exchange.

22 **Income tax in the combined balance sheets**

(a) ***Taxation (recoverable)/payable in the combined balance sheets***

	As at 31 December			As at 31 March
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of the year/period	3,213	7,774	12,739	23,647
Provision for the year/period:				
— PRC income tax	4,209	7,720	11,901	490
— Hong Kong Profits Tax	1,277	40	84	—
Tax paid				
— PRC income tax	(887)	(2,164)	(1,043)	(2,186)
	7,812	13,370	23,681	21,951
Exchange differences	(38)	(631)	(34)	(1)
At end of the year/period	7,774	12,739	23,647	21,950
Represented by:				
Taxation recoverable	—	(566)	(535)	(535)
Taxation payable	7,774	13,305	24,182	22,485
	7,774	12,739	23,647	21,950

(b) ***Deferred tax assets recognised:***

The component of deferred tax assets recognised in the combined balance sheet and the movement during the period is as follows:

Deferred tax assets arising from:

	Future benefit of tax losses
	RMB'000
At 1 January 2009	—
Credited to profit or loss (note 5(a))	1,732
At 31 March 2009	1,732

(c) ***Deferred tax assets not recognised***

In accordance with the accounting policy set out in note 1(n), the Group has not recognised deferred tax assets in respect of accumulative tax losses of RMB3,066,000, RMB1,917,000, RMB3,665,000 and RMB11,452,000 at 31 December 2006, 2007 and 2008 and 31 March 2009 respectively as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses arising from Hong Kong operations do not expire under current tax legislation. The tax losses arising from Mainland China operations expire five years after the relevant accounting year/period end date.

23 **Share capital**

For the purpose of this report, the paid-in capital in the combined balance sheets as at the respective year/period ends was presented as follows:

(a) The paid-in capital as at 31 December 2006 represented the aggregate amount of paid-in capital of the companies then comprising the Group, after elimination of investments in subsidiaries.

(b) The paid-in capital as at 31 December 2007 and 2008 and 31 March 2009 represented the aggregate amounts of paid-in capital of the Company and companies then comprising the Group, after elimination of investments in subsidiaries.

The movements in the authorised and issued share capital of the Company are set out as follows:-

The Company

	Note	**Ordinary shares**	
		No. of shares	*US$'000*
Authorised:			
On incorporation	(i)	50,000	50
Subdivision of shares into US$0.001 each	(ii)	49,950,000	—
At 31 December 2007, 1 January 2008, 31 December 2008, 1 January 2009 and 31 March 2009		50,000,000	50

	Note	**Ordinary shares**	
		No. of shares	*US$'000*
Issued and fully paid:			
Shares issued upon incorporation	(i)	1	—
Subdivision of shares into US$0.001 each	(ii)	999	—
Shares issued	(iii)	7,999,000	8
At 31 December 2007, 1 January 2008, 31 December 2008, 1 January 2009 and 31 March 2009		8,000,000	8

Notes:

(i) The Company was incorporated in the Cayman Islands on 8 March 2007 with an authorised share capital of US$50,000 divided into 50,000 shares of US$1 each. 1 share of US$1 each was issued and allotted to the Controlling Shareholder, Mr. Shao.

The holders of shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(ii) Pursuant to the shareholders' resolution of the Company on 8 May 2007, by means of a sub-division of share capital, the par value to the shares of the Company was reduced from US$1 each to US$0.001 each, and every issued and unissued share of US$1 was subdivided into 1,000 shares (the "Subdivision"). Immediately after the Subdivision, the authorised share capital of the Company became US$50,000 divided into 50,000,000 shares of US$0.001 each.

(iii) Pursuant to the directors' resolution of the Company on 8 May 2007, the Company issued and allotted 7,999,000 new shares of the Company, credited as fully paid, to the Controlling Shareholder, in consideration of cash of US$7,999.

24 **Reserves and dividends**

(a) ***Movements in components of equity***

The reconciliation between the opening and closing balances of each component of the Group's combined equity is set out in the combined statement of changes in equity.

(b) ***Dividends***

No dividends were declared and distributed during the Relevant Period.

(c) ***Nature and purpose of reserves***

(i) *PRC statutory reserves*

PRC statutory reserves were established in accordance with the relevant PRC rules and regulations and the articles of association of the companies comprising the Group which are incorporated in the PRC. Transfers to the reserves were approved by the respective boards of directors.

- Statutory surplus reserve

The companies comprising the Group which are incorporated in the PRC are required to appropriate 10% of their profits after taxation (after offsetting prior year losses), as determined under the PRC rules and regulations, to the statutory surplus reserve until the reserve balance reaches 50% of the respective registered capital. The amounts allocated to this reserve are determined by the respective boards of directors and must be made before distribution of a dividend to equity holders.

For the entity concerned, the statutory surplus 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 equity holders in proportion to the equity holders' existing equity holdings, provided that the balance after such conversion is not less than 25% of the registered capital.

- Statutory public welfare reserve

Prior to 1 January 2006, certain companies comprising the Group which are domestic companies with limited liabilities in the PRC are required to transfer 5% to 10% of their after-tax profit, as determined under the PRC rules and regulations, to the statutory public welfare fund. This fund can only be utilised on capital items for the collective benefits of the employees of those entities. This fund is non-distributable other than on liquidation. The transfer to this fund must be made before distribution of a dividend to equity holders.

According to the revised Company Law of the PRC effective from 1 January 2006, these PRC domestic companies were no longer required to make appropriation to the statutory public welfare fund since 1 January 2006. The balance of the statutory public welfare fund was then transferred to the statutory surplus reserve.

- Statutory general reserve

Modern Media (Zhuhai) Technology Co., Ltd. (現代傳播(珠海)科技有限公司) and Yazhimei Information Consultation (Shenzhen) Co., Ltd. (雅致美信息諮詢(深圳)有限公司) are wholly foreign-owned enterprises in the PRC which are required to transfer at least 10% of their after tax profits, as determined under the PRC rules and regulations, to statutory general 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 holders.

Statutory general reserve can be used to make good previous year's losses, if any, and may be converted into paid-up capital by issuing additional capital to the equity holders in proportion to their existing equity interests provided that the balance after such issue is not less than 25% of the registered capital.

(ii) *Exchange reserve*

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations outside the PRC which are dealt with in accordance with the accounting policy as set out in note 1(q).

(d) ***Distributable reserves***

The Company was incorporated on 8 March 2007 and has not carried on any business since the date of its incorporation. Accordingly, there was no reserve available for distribution to shareholders as at 31 December 2007 and 2008 and 31 March 2009.

On the basis set out in section A, the aggregate amounts of distributable reserves as at 31 December 2006, 2007 and 2008 and 31 March 2009 of the companies comprising the Group were RMB71,784,000, RMB113,584,000, RMB158,602,000 and RMB148,885,000 respectively.

(e) ***Capital management***

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholders returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of a gearing ratio, being the total borrowings divided by the total assets. As at 31 December 2006, 2007 and 2008 and 31 March 2009, the gearing ratios of the Group were Nil, 12.6%, 13.0% and 9.4% respectively.

Neither the Company nor any of its subsidiaries are subject to any externally imposed capital requirements.

25 **Operating lease commitments**

At 31 December 2006, 2007 and 2008 and 31 March 2009, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	As at 31 December			As at 31 March
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Leases expiring:				
Within 1 year	8,095	10,662	12,436	13,139
After 1 year but within 5 years	2,567	11,450	8,454	5,607
	10,662	22,112	20,890	18,746

The Group leases a number of properties under operating leases. The leases typically run for an initial period of one to five years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

26 **Contingent liabilities**

At 31 December 2006, 2007 and 2008 and 31 March 2009, the Group had no material contingent liabilities.

27 **Material related party transactions**

During the Relevant Period, transactions with the following parties are considered as related party transactions.

Name of parties	**Relationship with the Group**
Mr. Shao	Founder/shareholder/director of the Group
Guangzhou Zhongde Consultation Co., Ltd.	A company owned by Mr. Shao and became an independent third party subsequent to the Relevant Period upon disposal
Shanghai Senyin Information Technology Co., Ltd.	A company owned by Mr. Shao
Sichuan Shangdu Media Co., Ltd.	A jointly controlled entity of the Group and became an independent third party subsequent to the Relevant Period upon disposal

In addition to the transactions and balances disclosed in notes 8, 9 and 21 to the Financial Information, the Group entered into the following related party transactions during the Relevant Period.

	Years ended 31 December			Three months ended 31 March	
	2006	2007	2008	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Non-recurring					
Advertising rights fee *(note (i))*	—	3,234	2,406	764	—
Technology support fee *(note (ii))*	—	3,500	—	—	—
Acquisition of motor vehicles *(note (iii))*	—	—	930	—	—
Management fee income *(note (iv))*	—	—	3,000	750	575
Recurring					
Service fee income *(note (v))*	—	—	1,000	250	250

Notes:

(i) This represented advertising rights expenses paid to a jointly controlled entity, Sichuan Shangdu Media Co., Ltd. for the provision of platform by Sichuan Shangdu Media Co., Ltd. to display the Group's advertising business. It is charged at a pre-determined rate mutually agreed, which is based on the market rates of the related services provided.

(ii) This represented fee paid for electronic platform support services provided by Guangzhou Zhongde Consultation Co., Ltd. which was then wholly owned by the major shareholder and director of the Group. It is charged at a pre-determined amount mutually agreed, which is based on the market rates of the related services provided.

(iii) During the year ended 31 December 2008, the Group acquired two motor vehicles from a director of the Group for a consideration of RMB930,000 based on the prevailing market price mutually agreed between the parties, which was settled by setting off against the advance due from the director to the Group.

(iv) This represented management fee income receivable from Shanghai Senyin Information Technology Co., Ltd. and Guangzhou Zhongde Consultation Co., Ltd. for a period of two years from 1 January 2008 to 31 December 2009. It is charged at a pre-determined amount mutually agreed, which is based on the market rates of the related services provided. On 29 July 2009, the Group entered into termination agreement with Shanghai Senyin Information Technology Co., Ltd and Guangzhou Zhongde Consultation Co., Ltd. and the Group ceased to provide the management services to these related companies.

(v) This represented service fee income receivable in respect of the use of the Group's logo of Modern Weekly (週末畫報) by Guangzhou Zhongde Consultation Co., Ltd. of which the major shareholder and director of the Company then had equity interests for a period of two years from 1 January 2008 to 31 December 2009. It is charged at the greater of a pre-determined percentage of this company's revenue for the year or a minimum fee of RMB1 million per annum.

Mr. Shao provided personal guarantee to an independent third party in respect of other loan (note 20) granted by the independent third party. The personal guarantee will be replaced by corporate guarantee by the Group on or prior to the listing of the shares of the Company on the Stock Exchange.

The directors of the Company are of the opinion that the above related party transactions were conducted on normal commercial terms and in the ordinary course of business. The directors have confirmed that the recurring related party transactions will continue in the future after the listing of the Company's shares.

Details of the amounts due from a director and amounts due from related parties are set out in note 21(a) and (b) to the Financial Information.

Key management personnel receive compensation in the form of salaries, wages, housing and other allowances, benefits in kind and contributions to defined contribution plan. Details of key management personnel emoluments are disclosed in notes 8 and 9. Total remuneration is included in "Staff costs" as disclosed in note 4(b).

28 Financial risk management

Exposure to credit, liquidity, interest rate and foreign currency risks arises in the normal course of the Group's business. These risks are limited by the Group's financial management policies and practices described below.

(a) *Credit risk*

The Group's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables, credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. The Group normally allows a credit period of 30 to 150 days to its advertising and circulation customers (including the related party). Customers with balances that are more than 3 months past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from its customers.

The Group has a certain concentration of credit risk and the details are as follow:

	As at 31 December			As at 31 March
	2006	**2007**	**2008**	**2009**
From the Group's largest customer	11%	11%	12%	11%
From the Group's five largest customers	32%	41%	35%	40%

The Group's major customers are well-known advertising agencies and the Group believes that they are reliable and of high credit quality. Credit risks and exposure are closely controlled and monitored on an on-going basis by management of the Group.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the combined balance sheets. The Group does not provide any guarantees which would expose the Group or the Company to credit risk.

The Group's cash and cash equivalents are placed with major financial institutions in Hong Kong and the PRC that are high-credit quality and meet the established credit rating or other criteria.

(b) *Liquidity risk*

The Group's policy is to regularly monitor its current and expected liquidity requirements, to ensure that it maintains adequate cash inflows from operations and sufficient reserves of cash to meet its debt obligations as they fall due, and its ability to obtain external financing to meet its committed future capital expenditure. With regards to its future capital commitments and other financing requirements, the Group has obtained mortgage facilities with the bank up to an amount of RMB10.5 million in January 2009, and the entire amount has been utilised at 31 March 2009.

The following table details the remaining contractual maturities at the balance sheet date of the Group's and the Company's non-derivative financial liabilities, which are based on contractual undiscounted cash flows and the earliest date the Group and the Company can be required to pay:

The Group

	As at 31 December 2006					
	Carrying amount	**Total contractual undiscounted cash flow**	**Repayable within 1 year or on demand**	**Repayable more than 1 year but less than 2 years**	**Repayable more than 2 years but less than 5 years**	**Repayable more than 5 years**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	21,404	21,404	21,404	—	—	—
Other payables and accruals	36,038	36,038	36,038	—	—	—
	57,442	57,442	57,442	—	—	—

	As at 31 December 2007					
	Carrying amount	**Total contractual undiscounted cash flow**	**Repayable within 1 year or on demand**	**Repayable more than 1 year but less than 2 years**	**Repayable more than 2 years but less than 5 years**	**Repayable more than 5 years**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	23,086	23,086	23,086	—	—	—
Other payables and accruals	41,378	41,378	41,378	—	—	—
Other loan	29,028	29,028	29,028	—	—	—
	93,492	93,492	93,492	—	—	—

	As at 31 December 2008					
	Carrying amount	**Total contractual undiscounted cash flow**	**Repayable within 1 year or on demand**	**Repayable more than 1 year but less than 2 years**	**Repayable more than 2 years but less than 5 years**	**Repayable more than 5 years**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	28,195	28,195	28,195	—	—	—
Other payables and accruals	56,380	56,380	56,380	—	—	—
Other loan	27,596	27,596	27,596	—	—	—
	112,171	112,171	112,171	—	—	—

	As at 31 March 2009					
	Carrying amount	Total contractual undiscounted cash flow	Repayable within 1 year or on demand	Repayable more than 1 year but less than 2 years	Repayable more than 2 years but less than 5 years	Repayable more than 5 years
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	22,077	22,077	22,077	—	—	—
Other payables and accruals	33,528	33,528	33,528	—	—	—
Bank loan	10,418	14,148	1,439	1,439	4,316	6,954
Other loan	13,779	13,779	13,779	—	—	—
	79,802	83,532	70,823	1,439	4,316	6,954

The Company

	As at 31 December 2007					
	Carrying amount	Total contractual undiscounted cash flow	Repayable within 1 year or on demand	Repayable more than 1 year but less than 2 years	Repayable more than 2 years but less than 5 years	Repayable more than 5 years
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Payables and accruals	749	749	749	—	—	—
Amounts due to subsidiaries	14,989	14,989	14,989	—	—	—
	15,738	15,738	15,738	—	—	—

	As at 31 December 2008					
	Carrying amount	Total contractual undiscounted cash flow	Repayable within 1 year or on demand	Repayable more than 1 year but less than 2 years	Repayable more than 2 years but less than 5 years	Repayable more than 5 years
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Payables and accruals	177	177	177	—	—	—
Amounts due to subsidiaries	883	883	883	—	—	—
	1,060	1,060	1,060	—	—	—

	As at 31 March 2009					
	Carrying amount	Total contractual undiscounted cash flow	Repayable within 1 year or on demand	Repayable more than 1 year but less than 2 years	Repayable more than 2 years but less than 5 years	Repayable more than 5 years
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Payables and accruals	177	177	177	—	—	—
Amounts due to subsidiaries	884	884	884	—	—	—
	1,061	1,061	1,061	—	—	—

(c) ***Interest rate risk***

(i) *Interest rate profile*

The Group's interest rate risk arises primarily from bank loan and cash and cash equivalents.

The following table details the interest rate profile of the Group's interest-generating financial assets and interest-bearing financial liabilities at the balance sheet date:

	As at 31 December						As at 31 March	
	2006		2007		2008		2009	
The Group	**Effective interest rate**		**Effective interest rate**		**Effective interest rate**		**Effective Interest rate**	
	%	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*
Variable rate borrowing								
Bank loan	—	—	—	—	—	—	6.534%	10,418
Variable rate deposits								
Cash and cash equivalents	0.22%	17,676	0.74%	45,899	0.27%	36,777	0.37%	11,013

(ii) *Sensitivity analysis*

A reasonably possible change of 100 basis points in interest rates would have no material impact on the Group's profit or loss for the years ended 31 December 2006, 2007 and 2008 and the three months ended 31 March 2009 and there is no impact on the Group's equity.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date. The analysis is performed on the same basis for the Relevant Period.

(d) ***Foreign currency risk***

(i) *Transactions*

As most of the Group's monetary assets and liabilities are denominated in Renminbi and the Group conducts its business transactions principally in Renminbi and Hong Kong dollars, the exchange rate risk of the Group is not significant.

The Group has not entered into any financial instruments for hedging purpose.

(ii) *Exposure to currency risk*

The following table details the Group's exposure at the balance sheet date to currency risk arising from forecast transactions or recognised assets/(liabilities) denominated in a currency other than the functional currency of the entity to which they relate.

	As at 31 December 2007	
	United States dollars	**Hong Kong dollars**
	USD'000	*HKD'000*
Cash at bank and in hand	483	6,607
Other loan	(4,000)	—
	(3,517)	6,607

	As at 31 December 2008	
	United States dollars	**Hong Kong dollars**
	USD'000	*HKD'000*
Cash at bank and in hand	—	15
Other loan	(4,000)	—
	(4,000)	15

	As at 31 March 2009	
	United States dollars	**Hong Kong dollars**
	USD'000	*HKD'000*
Cash at bank and in hand	—	15
Other loan	(2,000)	—
	(2,000)	15

(iii) *Sensitivity analysis*

The following table indicates the instantaneous change in the Group's profit/(loss) after tax (and retained profits) that would arise if foreign exchange rates to which the Group has significant exposure at the balance sheet date had changed at that date, assuming all other risk variables remained constant.

	Years ended 31 December						Three months ended 31 March	
	2006		2007		2008		2009	
The Group	**Increase/ (decrease) in foreign exchange rates**	**Effect on profit after tax and retained profits**	**Increase/ (decrease) in foreign exchange rates**	**Effect on profit after tax and retained profits**	**Increase/ (decrease) in foreign exchange rates**	**Effect on profit after tax and retained profits**	**Increase/ (decrease) in foreign exchange rates**	**Effect on loss after tax and retained profits**
	%	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*
United States dollars	5%	—	5%	(1,627)	5%	(1,380)	5%	(737)
	(5)%	—	(5)%	1,627	(5)%	1,380	(5)%	737
Hong Kong dollars	5%	—	5%	309	5%	6	5%	1
	(5)%	—	(5)%	(309)	(5)%	(6)	(5)%	(1)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the group entities' profit after tax and equity measured in the respective functional currencies, translated into Renminbi at the exchange rate ruling at the balance sheet date for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to each of the group entities' exposure to currency risk for financial instruments in existence at that date, including balances between group companies which are denominated in a currency other than the functional currencies of the lender or the borrower.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual balance sheet date. In this respect, it is assumed that the pegged rate between the Hong Kong dollars and the United States dollars would be materially unaffected by any changes in movement in value of the United States dollars against other currencies. The analysis is performed on the same basis for the Relevant Period.

(e) ***Fair values***

The carrying amounts of significant financial assets and liabilities approximate to their respective fair values as at 31 December 2006, 2007 and 2008 and 31 March 2009.

The carrying values of trade and other receivables, cash and cash equivalents, trade payables, other payables and accruals, amounts due from related parties, and short term interest-bearing borrowings are estimated to approximate their fair values based on the nature or short-term maturity of these financial instruments.

29 **Significant accounting estimates and judgements**

Key sources of estimation uncertainty

Note 28 contains information about the assumptions and their risk relating to financial instruments. Other key sources of estimation uncertainty are as follows:

(i) *Impairment of trade receivables*

The Group estimates impairment losses for bad and doubtful debts resulting from inability of the customers to make the required payments. The Group bases the estimates on the ageing of the trade receivable balance, customer credit-worthiness, and historical write-off experience. If the financial condition of the customers were to deteriorate, actual write-offs would be higher than estimated.

(ii) *Impairment of non-current assets*

The Directors assess the recoverable amount of non-current assets based on their value in use or on their net selling price (by reference to market prices), taking into account the anticipated future plans for the non-current assets. Estimating the value in the use of an asset involves estimating the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and applying the appropriate discount rate to these future cash flows. Cash flow projections for the remaining useful life of the asset and the most recent financial budgets/forecasts are approved by management.

(iii) *Depreciation*

Items of fixed assets are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation expense to be recorded during the Relevant Period. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

(iv) *Income taxes*

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation.

Deferred tax assets are recognised for temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

30 **Possible impact of amendments, new standards and interpretations issued but not yet effective for the Relevant Period**

Up to the date of issue of the Financial Information, the IASB has issued a number of amendments, new standards and interpretations which are not yet effective in respect of the financial periods included in the Relevant Period and which have not been adopted in the Financial Information:

IFRSs (Amendments)(1)	Improvements to IFRSs 2009
IAS 27 (Revised)(3)	Consolidated and Separate Financial Statements
IAS 39 (Amendment)(3)	Eligible Hedged Items
Amendments to IFRS 5(3)	Non-current Assets Held for Sale and Discontinued Operations
IFRS 3 (Revised)(4)	Business Combinations

IFRIC 9 and IAS 39 (Amendments)(2)	Embedded Derivatives
IFRIC 17(3)	Distributions of Non-cash Assets to Owners
IFRIC 18(4)	Transfers of Assets from Customers

(1) Effective for annual periods beginning on or after 1 January 2010 except the amendments to IFRS 2, "Share-based Payment", IAS 38, "Intangible Assets", IFRIC 9 "Reassessment of Embedded Derivatives" and IFRIC 16 "Hedges of a Net Investment in a Foreign Operation", which are effective for annual periods beginning 1 July 2009.

(2) Effective for annual periods beginning on or after 30 June 2009.

(3) Effective for annual periods beginning on or after 1 July 2009.

(4) Effective for transfers on or after 1 July 2009.

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far, it has concluded that these new and revised IFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

D SUBSEQUENT EVENTS

The following significant transactions took place subsequent to 31 March 2009 and up to the date of this report:

1. Group reorganisation

The Group completed the Reorganisation in preparation for a listing of shares of the Company on the Stock Exchange, details of which are set out in the section headed "Statutory and General Information" in Appendix V to the Prospectus.

2. Share option scheme

Pursuant to the written resolutions of the sole shareholder of the Company passed on 24 August 2009, the Company has conditionally adopted the Share Option Scheme. The principal terms of the Share Option Scheme are set out under the paragraph headed "Share Option Scheme" in Appendix V to the Prospectus.

3. Valuation of properties

For the purpose of the listing of the Company's shares on Main Board of the Stock Exchange, the Group's properties were revalued by CB Richard Ellis, an independent firm of surveyors.

The valuation gave rise to a revaluation surplus of approximately RMB7,558,000 from the carrying amount of the relevant assets at that date. Such revaluation surplus will not be incorporated in the financial statements subsequently prepared for the year ending 31 December 2009. Details of the valuation are set out in Appendix III to the Prospectus.

4. **New bank facility**

In April 2009, a subsidiary of the Group was advanced a bank loan of RMB8,184,000 which was secured, interest-bearing at a floating rate and repayable by 120 instalments over a term of 10 years. The bank loan was secured by a mortgage over the property in Beijing, the PRC, with a carrying value of RMB16,817,000 at 30 April 2009. This bank loan is also secured by guarantees from Mr. Shao and Shanghai Gezhi Advertising Co., Ltd., a subsidiary of the Group. The personal guarantee from Mr. Shao will be replaced by a corporate guarantee from the Company prior to the listing of the Company's shares on the Stock Exchange.

5. **Change of shares' denomination, share consolidation and capitalisation issue**

On 10 August 2009, the authorised share capital of the Company was increased by HK$387,500 by the creation of 387,500,000 new shares of HK$0.001 each, of which 62,000,000 new shares of HK$0.001 each were allotted and issued fully paid to Mr. Shao. Immediately thereafter, the Company then repurchased all of the 8,000,000 issued shares of US$0.001 each at a price of US$8,000 and cancelled 50,000,000 shares of US$0.001 each in the capital of the Company.

On 10 August 2009, resolutions were passed by Mr. Shao (as the sole shareholder of the Company), pursuant to which (i) every 10 shares having a par value of HK$0.001 each in the Company were consolidated into one share having a par value of HK$0.01 each and accordingly, the authorised share capital remained to be HK$387,500 comprising 38,750,000 shares having a par value of HK$0.01 each; and (ii) the number of issued shares and the number of unissued shares (both then having a par value of HK$0.01 each) in the Company were 6,200,000 and 32,550,000 respectively.

Pursuant to a resolution in writing passed by the sole Shareholder (namely, Mr. Shao) on 17 August 2009, the authorised share capital of the Company was increased to HK$80,000,000 by the creation of a further 7,961,250,000 shares of HK$0.01 each in the share capital of the Company to rank pari passu in all respects with the then existing issued shares of HK$0.01 each in the share capital of the Company. On the same date, Mr. Shao applied for 1,800,000 additional shares which were allotted and issued by the Company. Immediately following such issue of new shares, the issued share capital of the Company increased to HK$80,000 divided into 8,000,000 shares.

6. **Disposal of a jointly controlled entity and an associate**

On 23 April 2009, the Group disposed of its entire 50% equity interest in Sichuan Shangdu Media Co., Ltd. to an independent third party for a consideration of RMB298,000 which is the net asset value of Sichuan Shangdu Media Co., Ltd. as at the disposal date. The disposal resulted in no gain or loss to the Group's combined financial statements.

On 11 May 2009, the Group disposed of its entire 20% equity interest in Tianjin Holiday Media Development Co., Ltd. to an independent third party for a consideration of RMB8,101,200. The disposal resulted in a loss of RMB1,468,800 representing the difference between the net proceeds of consideration and net assets of RMB9,570,000 disposed.

7. **Declaration of interim dividend**

Subsequent to 31 March 2009, certain subsidiaries of the Group declared interim dividends in aggregate amounts of RMB81,999,000 which will then settle the amounts due from a director before the listing of the shares of the Company on the Stock Exchange.

E SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group in respect of any period subsequent to 31 March 2009.

Yours faithfully
KPMG
Certified Public Accountants
Hong Kong

For illustrative purpose only, the unaudited pro forma financial information prepared in accordance with Rule 4.29 of the Listing Rules is set forth below to provide the prospective investors with further information on how the proposed listing might have affected the financial position of the Group after the completion of the Share Offer.

The unaudited pro forma financial information is derived according to a number of adjustments. Although reasonable care has been exercised in preparing such information, prospective investors who read the information should bear in mind that these figures are inherently subject to adjustments and may not give a complete picture of the actual financial performance and condition of the Group during the Track Record Period or any further date.

The information set forth in this appendix does not form part of the accountants' report prepared by KPMG, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set forth in appendix I to this prospectus, and is included herein for illustrative purposes only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the accountants' report set forth in appendix I to this prospectus.

A. UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of our adjusted net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules is for illustration purposes only, and is set forth here to illustrate the effect of the Share Offer on our net tangible assets as of 31 March 2009 as if it had taken place on 31 March 2009.

The unaudited pro forma statement of adjusted net tangible assets have been prepared for illustrative purpose only and because of its hypothetical nature, it may not give a true picture of our combined net tangible assets as of 31 March 2009 or any future date following the Share Offer. It is prepared based on our combined net assets as of 31 March 2009 as derived from our combined financial information set forth in the accountants' report in Appendix I, and adjusted as described below. The unaudited pro forma statement of net tangible assets does not form part of the accountants' report as set forth in Appendix I to this prospectus.

	Combined net tangible assets attributable to equity shareholders of our Company as at 31 March 2009	**Estimated net proceeds from the Share Offer**	**Unaudited pro forma adjusted net tangible assets**	**Unaudited pro forma adjusted net tangible assets per Share**	
	RMB'000(1)	*RMB'000*(2)	*RMB'000*	*RMB*(3)	*HK$*(4)
Based on an offer price of HK$1.15 per Share	155,473	82,279	237,752	0.59	0.68
Based on an offer price of HK$1.41 per Share	155,473	104,379	259,852	0.65	0.74

(1) The combined net tangible assets attributable to equity shareholders of our Company as at 31 March 2009 are extracted from the combined financial information of the Group included in the "Accountants' Report" as set out in Appendix I to this prospectus.

(2) The estimated net proceeds from the Share Offer are based on indicative offer prices of HK$1.15 and HK$1.41 per Share, respectively, after deduction of the underwriting fees and other related expenses payable by the Company and takes no account of any Shares which may be issued upon the exercise of the Over-allotment Option or any Shares which may be issued upon the exercise of any options which have been granted or may be granted under the Share Option Scheme.

(3) The unaudited pro forma adjusted net tangible assets per Share is arrived at after adjustments referred to in the preceding paragraphs and on the basis that 400,000,000 Shares (including the Shares in issue as at 31 March 2009, Shares under the Capitalisation Issue and the Share Offer) are in issue but takes no account of any Shares which may be issued upon the exercise of the Over-allotment Option.

(4) The unaudited pro forma adjusted net tangible assets per share amounts in RMB are converted to HK$ with the exchange rate at RMB0.88 to HK$1. No representation is made that the Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.

(5) The Group's property interests as at 30 June 2009 have been valued by CB Richard Ellis Limited, an independent property valuer. The details of such valuation are set out in Appendix III to this prospectus. Our Group will not incorporate the revaluation surplus in its financial statements for the year ending 31 December 2009. It is our Group's accounting policy to state its land and buildings held for own use at cost less accumulated depreciation and any impairment loss in accordance with International Accounting Standard 16, rather than at revalued amounts. With reference to the valuation of our Group's property interests as set out in Appendix III to this prospectus, there was a revaluation surplus of our Group's relevant assets of approximately RMB7.6 million, which has not been included in the above net tangible assets of our Group. If such revaluation surplus was incorporated in our Group's financial statements for the year ending 31 December 2009, an additional depreciation charge of approximately RMB0.2 million per annum would be incurred.

B. Comfort Letter on Unaudited Pro Forma Financial Information

The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the independent reporting accountants of the Company, KPMG, Certified Public Accountants, Hong Kong in respect of the unaudited pro-forma financial information of the Group.

KPMG

8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

28 August 2009

The Board of Directors
Modern Media Holdings Limited

Dear Sirs

We report on the unaudited pro forma financial information ("the Unaudited Pro Forma Financial Information") of the Company and its subsidiaries ("the Group") set out in Appendix II of the prospectus dated 28 August 2009 ("the Prospectus"), which has been prepared by the directors of the Company solely for illustrative purposes to provide information about how the proposed listing of the Company's shares might have affected the financial information of the Group presented. The basis of preparation of the Unaudited Pro Forma Financial Information is set out in Part A of Appendix II to the Prospectus.

RESPONSIBILITIES

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with Paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

It is our responsibility to form an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

BASIS OF OPINION

We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements ("HKSIR") 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company. The engagement did not involve independent examination of any of the underlying financial information.

Our work did not constitute an audit or review made in accordance with Hong Kong Standards on Auditing or Hong Kong Standards on Review Engagements issued by the HKICPA, and accordingly, we do not express any such audit or review assurance on the Unaudited Pro Forma Financial Information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Our procedures on the Unaudited Pro Forma Financial Information have not been carried out in accordance with attestation standards or other standards and practices generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) and accordingly should not be relied upon as if they had been carried out in accordance with those standards and practices.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and because of its hypothetical nature, it does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 31 March 2009 or any future date.

We make no comments regarding the reasonableness of the amount of net proceeds from the proposed listing of the Company's shares, the application of those net proceeds, or whether such use will actually take place as described in the section headed "Future Plans and Use of Proceeds" set out in the Prospectus.

OPINION

In our opinion:

a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

b) such basis is consistent with the accounting policies of the Group; and

c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to Paragraph 4.29(1) of the Listing Rules.

Yours faithfully
KPMG
Certified Public Accountants
Hong Kong

The following is the text of a letter, summary of values and valuation certificate prepared for the purpose of incorporation in this prospectus received from CB Richard Ellis Limited, an independent valuer, in connection with their valuations as at 30 June 2009 of our property interests.

CBRE
CB RICHARD ELLIS
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28 August 2009

The Board of Directors
Modern Media Holdings Limited
9th Floor,
Zung Fu Industrial Building,
No. 1067 King's Road,
Quarry Bay,
Hong Kong

Dear Sirs,

In accordance with your instruction for us to value the property interests held by Modern Media Holdings Limited (hereinafter referred to as the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") in the People's Republic of China (the "PRC") and Hong Kong, we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the capital values of such property interests as at 30 June 2009 (the "Date of Valuation").

Our valuation is our opinion of Market Value which is defined to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."

Our valuation is prepared in accordance with the ''First Edition of The HKIS Valuation Standards on Properties'' published by The Hong Kong Institute of Surveyors (the ''HKIS''). We have also complied with all requirements contained in Paragraph 34(2), (3) of Schedule 3 of the Companies Ordinance (Cap. 32) and Chapter 5, Practice Note 12 and Practice Note 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the ''Listing Rules'').

Our valuation has been made on the assumption that the owner sells the properties on the open market without benefit or burden of any deferred term contract, leaseback, joint venture, management agreement or other similar arrangement, which would serve to affect the values of the property interests.

No allowance has been made in our valuation for any charge, mortgage or amount owing on the property interests nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interests are free from encumbrance, restriction and outgoing of an onerous nature which could affect their values.

The property interests are valued by the direct comparison method on the assumption that each property can be sold with the benefit of vacant possession. Comparison is based on prices realized on actual transactions or asking prices of comparable properties. Comparable properties with similar sizes, characters and locations are analyzed, and carefully weighted against all respective advantages and disadvantages in order to arrive at a fair comparison of value.

For the property interests in Group I which are held by the Group for occupation in the PRC, we have valued the property interests by the direct comparison method.

For the property interests in Group II and Group III which are rented by the Group in the PRC and Hong Kong respectively, we have ascribed "No Commercial Value" to the property interests primarily due to the prohibition against assignment or sub-letting and the lack of substantial profit rent.

In the course of our valuation for the property interests in the PRC, we have been advised by the legal opinion provided by the Group's PRC legal adviser, Jingtian & Gongcheng. We have been provided with extracts from title documents relating to such property interests. We have not, however, searched the original documents to verify ownership or to ascertain the existence of any amendment which do not appear on the copies handed to us. All documents have been used for reference only.

For the property interests in Hong Kong, we have caused searches to be made at the Land Registry in Hong Kong. However, we have not examined the original documents to verify ownership or to ascertain the existence of any lease amendments that may not appear on the copies handed to us.

Under the current planning approval system in China, valuers are not able to undertake any planning approval verification freely and swiftly. We have relied to a considerable extent on the information given by the Group, in particular, but not limited to, planning approvals, statutory notices, easements, occupancy and floor areas. No on-site measurement has been taken. Dimensions, measurements and areas included in the valuation certificate are only approximations. We have assumed that the areas shown on the documents handed to us are correct. We have taken every reasonable care both during inspecting the information provided to us and in making relevant enquiries. We have no reason to doubt the truth and accuracy of the information provided to us by the Company, which is material to the valuation. We were also advised by the Group that no material fact has been omitted from the information provided to us.

We have inspected the properties to such extent as for the purpose of this valuation. In the course of our inspection, we did not notice any serious defect. However, we have not carried out any structural survey nor any test on the building services. Therefore, we are not able to report whether the properties are free of rot, infestation or any other structural defect.

All monetary amounts are stated in Renminbi ("RMB").

We enclose herewith a summary of values and our valuation certificate.

Yours faithfully,
For and on behalf of
CB Richard Ellis Limited
Leo M Y Lo
MHKIS MRICS
Director
Valuation & Advisory Services

Note: Mr. Lo is a member of the Royal Institution of Chartered Surveyors, a member of the Hong Kong Institute of Surveyors. He has over 6 years' valuation experience in the PRC and Hong Kong.

SUMMARY OF VALUES

	Property	Capital Value in existing state as at 30 June 2009 *(RMB)*	Interests attributable to the Group	Capital value attributable to the Group as at 30 June 2009 *(RMB)*
	Group I—Property interests held by the Group for occupation in the PRC			
1.	Units 401&501, China View, Jia No.2 Gongrentiyuchang East Road, Chaoyang District, Beijing City, the PRC	45,200,000	100%	45,200,000
	Sub-total:			45,200,000
	Group II—Property interests rented by the Group in the PRC			
2.	Units A, B & C on 10/F, Exhibition Centre, No. 1 Software Park Road, Zhuhai City, Guangdong Province, the PRC			No Commercial Value
3.	13 Units on 29/F, West Tower, Qiushi Building, Zhuzilin, Shennan Boulevard, Futian District, Shenzhen City, Guangdong Province, the PRC			No Commercial Value
4.	Office units No. 8A to 8H on Level 8, Unit No. 9AB on Level 9 and Unit No. 11F on Level 11, No.111-115, Ti Yu Xi Road, Jianhe Centre, Tianhe District, Guangzhou City, Guangdong Province, the PRC			No Commercial Value

	Property	Capital Value in existing state as at 30 June 2009 *(RMB)*	Interests attributable to the Group	Capital value attributable to the Group as at 30 June 2009 *(RMB)*
5.	Rooms 110, 114, 517 and 518, No.56 Shui Yin Road, Yuexiu District, Guangzhou City, Guangdong Province, the PRC			No Commercial Value
6.	Various office units on the whole floor of Level 49, office unit 5303 on Level 53 and 6 car parking spaces, Hong Kong New World Tower, No.300 Huaihai Road (M), Luwan District, Shanghai City, the PRC			No Commercial Value
7.	Office units 209, 402, 404 and a warehouse on Level 1, Ruijin Business Center, 96 Zhao Jia Bang Road, Luwan District, Shanghai City, the PRC			No Commercial Value
8.	Unit 307, Block 2, No.250 Chuan Chang Road, Xuhui District, Shanghai City, the PRC			No Commercial Value
9.	Unit M on Level 10, No.86 Section 1 of Renmin South Road, Qingyang District, Chengdu City, Sichuan Province, the PRC			No Commercial Value
10	A car parking garage, No.11 Block 5, Wutai Garden, Gulou District, Nanjing City, Jiangsu Province, the PRC			No Commercial Value

	Property	Capital Value in existing state as at 30 June 2009 *(RMB)*	Interests attributable to the Group	Capital value attributable to the Group as at 30 June 2009 *(RMB)*
11	An office unit, No.40 Shanghai Road, Gulou District, Nanjing City, Jiangsu Province, the PRC			No Commercial Value
12	Room 1708, Yindu Building, No. 385 De Sheng Road, Gongshu District, Hangzhou City, Zhejiang Province, the PRC			No Commercial Value
13	A car parking garage, Sheng Du Apartment, No.385 De Sheng Road, Gong Shu District, Hangzhou City, Zhejiang Province, the PRC			No Commercial Value
14	Unit 2413, Fu Si Te Mansion, No.85 Pujiang Road, Nan Gang District, Harbin City, Heilongjiang Province, the PRC			No Commercial Value
15	Unit 103 and 401, Block No.2, Jiulong Mountain Garden, Guangqu Road, Chaoyang District, Beijing City, the PRC			No Commercial Value
16	Unit 3-2-2103, Cheng Ji Trade Center, Northeast of the conjunction of Xi An Road and Chang Sha Road, Heping District, Tianjin City, the PRC			No Commercial Value

	Property	Capital Value in existing state as at 30 June 2009 *(RMB)*	Interests attributable to the Group	Capital value attributable to the Group as at 30 June 2009 *(RMB)*
17	Unit 106, No.84 Ying Kou Dao, Heping District, Tianjin City, the PRC			No Commercial Value
18	Room 1-15-4, Zhengda Plaza, No.16 Tong Ze Street South, Heping District, Shenyang City, Liaoning Province, the PRC			No Commercial Value
19	Unit B37 on Level 2, No.1377 Bao Gang Avenue, Haizhu District, Guangzhou City, Guangdong Province, the PRC			No Commercial Value
	Sub-total:			**No Commercial Value**
	Group III—Property interests rented by the Group in Hong Kong			
20	9th Floor, Zung Fu Industrial Building, No. 1067 King's Road, Quarry Bay, Hong Kong			No Commercial Value
	Sub-total:			**No Commercial Value**
	Total:			45,200,000

Group I — Property interests held by the Group for occupation in the PRC

VALUATION CERTIFICATE

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30 June 2009 *(RMB)*
1.	Units 401&501, China View, Jia No.2 Gongrentiyuchang East Road, Chaoyang District, Beijing City, the PRC	The property comprises two office units, with a total gross floor area of approximately 2,207.28 sq.m., in a 14-storey office building that was completed in 2007. The land use rights of the property is held for a land use term of 50 years with the expiry date on 5 January 2054.	The property is currently occupied by the Group as an office.	45,200,000 (100% interests attributable to the Group: RMB45,200,000)

Notes:

a. Pursuant to the Commodity House Presale Contract entered into between Beijing Sheng Ce Real Estate Development Co., Ltd. (北京勝策房地產開發有限公司) and Shenzhen Yage Zhimei Information Media Co., Ltd. (深圳市雅格致美資訊傳播有限公司) dated 21 July 2007, the property with a total gross floor area of approximately 2,203.23 sq.m. was purchased by the Group for office use at the consideration of RMB37,454,910.

b. Pursuant to the Building Ownership Certificates X Jing Fang Quan Zheng Chao Zi Nos. 644557 and 617621, the property with a total gross floor area of approximately 2,207.28 sq.m. is held by Shenzhen Yage Zhimei Information Media Co., Ltd. (深圳市雅格致美資訊傳播有限公司).

c. As advised by the Group, the property is subject to a mortgage.

d. We have been provided with a legal opinion on the property prepared by the Group's legal adviser which contains, inter alia, the following information:

   i. Shenzhen Yage Zhimei legally and wholly owns the property.

   ii. According to the Real Estate Mortgage Contract Nos. 35265 and 35219 ("Mortgage Contract") dated 27 August 2008 and 5 January 2009 respectively, the property under the Building Ownership Certificates X Jing Fang Quan Zheng Chao Zi Nos. 644557 and 617621 have been mortgaged to Guangzhou Branch of the Bank of East Asia with the loan interest rate of 8.613% and 6.534% for the consideration of RMB10,543,570 and RMB8,183,885 respectively for a term of 10 years.

   iii. Shenzhen Yage Zhimei has the rights to occupy and use the property. Pursuant to the relevant PRC laws and regulations and the relevant terms in the Mortgage Contract, Shenzhen Yage Zhimei also has the rights to lease, sell or transfer the property with the prior written consent from Guangzhou Branch of the Bank of East Asia.

   iv. Shenzhen Yage Zhimei, the owner of the property is a limited liability company established in accordance with the laws of the PRC, is held by PRC nationals and/or entities on behalf of the Group.

Group II — Property interests rented by the Group in the PRC

VALUATION CERTIFICATE

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30 June 2009 *(RMB)*
2.	Units A, B & C on 10/F, Exhibition Centre, No. 1 Software Park Road, Zhuhai City, Guangdong Province, the PRC	The property comprises the whole 10th floor in an industrial building completed in 2006. The total gross floor area of the property is approximately 1,549 sq.m. The property is leased by Zhuhai Southern Software Park Development Co., Ltd (珠海南方軟件園發展有限公司) to the Group via three tenancy agreements for a term of 5 years from 1 September 2008 to 31 August 2013 for a rent free period of 1 year, monthly rents of RMB30,976.2 for the second and the third years and RMB34,073.82 thereafter.	The property is occupied by the Group as an office.	No Commercial Value

Notes:

a. Pursuant to the Realty Title Certificate Yue Fang Di Zheng Zi No. C5220804 dated 4 January 2007, the property with a total gross floor area of approximately 65,134.56 sqm is held by Zhuhai Southern Software Park Development Co., Ltd. (珠海南方軟件園發展有限公司) for industrial use with expiry date on 17 March 2044.

b. We were advised that the owner is an independent third party of the Group.

c. We have been provided with a legal opinion on the property prepared by the Group's legal adviser which contains, inter alia, the following information:

   i. The owner is entitled to lease the property. The tenancy agreements are legal, valid and legally enforceable on both parties.

   ii. Zhuhai Technology, Zhuhai Yinhu and Zhuhai Modern Zhimei ("the Lessee") have the right to occupy and use the property.

   iii. Although the property is for industrial use, the owner has contracted to lease it to the Lessee as an office and the Lessee will not thereby suffer from any administrative penalty in accordance with the relevant PRC laws and regulations.

   iv. The tenancy agreements of the property have been registered.

VALUATION CERTIFICATE

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30 June 2009 *(RMB)*
3.	13 Units on 29/F, West Tower, Qiushi Building, Zhuzilin, Shennan Boulevard, Futian District, Shenzhen City, Guangdong Province, the PRC	The property comprises 13 units on Level 29 in a commercial apartment building completed in 2005. The total gross floor area of the property is approximately 597 sq.m. The Property is leased by Shenzhen Hejiashun Industrial Co., Ltd.(深圳市和佳順實業有限公司) and subleased by Tian Jin Hui Trade (Shenzhen) Co., Ltd.(天金輝貿易深圳有限公司) to the Group via four tenancy agreements for various terms with the latest expiry date on 30 April 2010 for a monthly rent of RMB29,840.	The property is occupied by the Group as an office.	No Commercial Value

Notes:

a. Pursuant to the following Realty Title Certificates dated 28 November 2005, the property with a total gross floor area of approximately 596.80 sq.m. is held by Shenzhen Hejiashun Industrial Co., Ltd. (深圳市和佳順實業有限公司) for commercial apartment use with the expiry date on 13 January 2073.

Realty Title Certificate Number	Unit	Gross Floor Area *(sq.m.)*
Shen Fang Di Zheng Zi No. 3000366121	2901	107.73
Shen Fang Di Zheng Zi No. 3000366119	2902	36.80
Shen Fang Di Zheng Zi No. 3000366128	2903	61.71
Shen Fang Di Zheng Zi No. 3000366129	2905	40.82
Shen Fang Di Zheng Zi No. 3000366122	2906	40.82
Shen Fang Di Zheng Zi No. 3000366123	2908	61.71
Shen Fang Di Zheng Zi No. 3000366124	2909	36.84
Shen Fang Di Zheng Zi No. 3000366125	2910	36.84
Shen Fang Di Zheng Zi No. 3000366126	2911	29.54
Shen Fang Di Zheng Zi No. 3000366127	2912	29.54
Shen Fang Di Zheng Zi No. 3000366115	2913	36.81
Shen Fang Di Zheng Zi No. 3000366118	2915	31.19
Shen Fang Di Zheng Zi No. 3000366114	2916	46.45
	Total:	**596.80**

b. Pursuant to the Certificate issued by Shenzhen Hejiashun Industrial Co., Ltd.(深圳市和佳順實業有限公司) dated 24 April 2009, Tian Jin Hui Trade (Shenzhen) Co., Ltd.(天金輝貿易深圳有限公司) is permitted to sublease Unit 2915 of the property with a total gross floor area of approximately 31.19 sq.m. to the Group.

c. We were advised that the owner is an independent third party of the Group.

d. We have been provided with a legal opinion on the property prepared by the Group's legal adviser which contains, *inter alia*, the following information:

   i. The lessors are entitled to lease the property. The tenancy agreements are legal, valid and legally enforceable on both parties.

   ii. Shenzhen Yazhimei and Shenzhen Yage Zhimei ("the Lessee") have the right to occupy and use the property.

   iii. The property has been used for its prescribed use.

   iv. Except the tenancy agreement of Unit 2915, the remaining tenancy agreements have been registered.

   v. For the tenancy agreement which has not been submitted to the relevant PRC government administrative department for registration, the Lessee will not thereby suffer from any administrative penalty in accordance with the relevant PRC laws and regulations.

VALUATION CERTIFICATE

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30 June 2009 *(RMB)*
4.	Office units No. 8A to 8H on Level 8, Unit No. 9AB on Level 9 and Unit No. 11F on Level 11, No.111-115, Ti Yu Xi Road, Jianhe Centre, Tianhe District, Guangzhou City, Guangdong Province, the PRC	The property comprises 9 office units, with a total gross floor area of approximately 2,026 sq.m., in a 29-storey office tower. The property is leased by Guangzhou Jian Xing Decoration Project Co., Ltd. (廣州市建興裝飾工程有限公司) and Guangzhou Duo Li Property Management Co., Ltd. (廣州市多利物業管理有限公司) to the Group via four tenancy agreements for various terms with the latest expiry date on 31 August 2009 for a monthly rent of RMB163,330.4.	The property is occupied by the Group as an office.	No Commercial Value

Notes:

a. Pursuant to the following Realty Title Certificates, the owner of the following parts of the property with a total gross floor area of approximately 1,715.86 sq.m. is Guangzhou Jian Xing Decoration Project Co., Ltd. (廣州市建興裝飾工程有限公司). The following parts of the property is for office use with commencing date on 21 December 1993.

Real Estate Title Certificate Number	Unit	Gross Floor Area *(sq.m.)*
Sui Fang Di Zheng Zi No.0489140	Unit 8A	158.30
Sui Fang Di Zheng Zi No.0489141	Unit 8B	147.86
Sui Fang Di Zheng Zi No.0489142	Unit 8CD	574.03
Sui Fang Di Zheng Zi No.0489143	Unit 8E	232.51
Sui Fang Di Zheng Zi No.0489144	Unit 8F	314.51
Sui Fang Di Zheng Zi No.0489145	Unit 8G	109.81
Sui Fang Di Zheng Zi No.0489146	Unit 8H	81.33
Sui Fang Di Zheng Zi No.0489166	Unit 11F	96.51
	Total:	**1,714.86**

b. Pursuant to the Realty Title Certificate Sui Fang Di Zheng Zi No.0489147, the owner of Unit 9AB of the property with gross floor area of approximately 311.13 sq.m. is Guangzhou Duo Li Property Co., Ltd. (廣州市多利置業有限公司). This part of the property is for office use with commencing date on 21 December 1993.

c. We were advised that the owners are independent third party of the Group.

d. Pursuant to the Certificate proved by Guangzhou Industrial and Commercial Bureau Archive dated 26 October 2000, Guangzhou Duo Li Property Co., Ltd. (廣州市多利置業有限公司) has been renamed as Guangzhou Duo Li Property Management Co., Ltd. (廣州市多利物業管理有限公司) from 8 October 2000.

e. We have been provided with a legal opinion on the property prepared by the Group's legal adviser which contains, inter alia, the following information:

   i. The owner is entitled to lease the property. The tenancy agreement is legal, valid and legally enforceable on both parties.

   ii. Guangzhou Modern Information, Guangzhou Yage and Zhuhai Technology ("the Lessee") have the right to occupy and use the property.

   iii. The property has been used for its prescribed use.

   iv. The tenancy agreement of the property has been registered.

VALUATION CERTIFICATE

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30 June 2009 *(RMB)*
5.	Rooms 110, 114, 517 and 518, No.56 Shui Yin Road, Yuexiu District, Guangzhou City, Guangdong Province, the PRC	The property comprises 4 office units with a total gross floor area of approximately 315 sq.m.. The building was completed in 1993. The property is leased by Kong Jun Hang Cai Si Zhan Guangzhou Provision Station (空軍航材四站廣州採購供應站) to the Group via two tenancy agreements for various terms with the latest expiry date on 28 February 2010 for a monthly rent of RMB8,543.	The property is occupied by the Group as offices.	No Commercial Value

Notes:

a. Pursuant to the Realty Title Certificate, the owner of the building with a total gross floor area of approximately 23,734.64 sq.m., in which the property is located therein, is The General Logistics Department of PLA (中國人民解放軍總後勤部).

b. We were advised that the owner is an independent third party of the Group.

c. Pursuant to various tenancy agreements entered into between Kong Jun Hang Cai Si Zhan Guangzhou Provision Station (空軍航材四站廣州採購供應站) (Party A) and the Group, Party A agreed to lease the property to the Group and some of the important terms stipulated in the tenancy agreements are, inter alia, as following:

Unit	Contract Number	Tenant	Landlord	Gross Floor Area *(Sq.m.)*	Monthly Rent *(RMB)*	Lease Term
Room 114,517 & 518	No. 92801	Guangzhou Modern Books Co., Ltd. (廣州現代圖書有限公司)	Kong Jun Hang Cai Si Zhan Guangzhou Provision Station (空軍航材四站廣州採購供應站)	225.00	6,743	1 June 2009 - 31 May 2010
Room 110	2009Kong Fang Zu He Zi No.064002	Guangzhou Modern Books Co., Ltd. (廣州現代圖書有限公司)	Kong Jun Hang Cai Si Zhan Guangzhou Provision Station (空軍航材四站廣州採購供應站)	90.00	1,800.00	1 March 2009 - 28 February 2010
			Total:	**315.00**	**8,543**	

i. The current monthly rent of RMB8,543 is agreed.

ii. The rent of Units 114, 517 and 518 is exclusive of management fee and other outgoings, and the rent of Unit 110 is inclusive of management fee but exclusive of other outgoings.

iii. The Group cannot sublet part or whole property to third party without the written consent from Party A.

d. Pursuant to the Jun Dui Dan Wei Dui Wai You Chang Xu Ke Zheng No.KJ060223 (軍隊單位對外有償服務許可證) issued by the owner of the property dated 1 April 2007, Kong Jun Hang Cai Si Zhan Guangzhou Provision Station (空軍航材四站廣州採購供應站) is permitted to sublease the property.

e. We have been provided with a legal opinion on the property prepared by the Group's legal adviser which contains, inter alia, the following information:

i. Party A is entitled to lease the property. The tenancy agreements are legal, valid and legally enforceable on both parties.

ii. Guangzhou Modern Books has the right to occupy and use the property.

iii. The property has been used for its prescribed use.

iv. Although these tenancy agreements have not been submitted to the relevant PRC government administrative department for registration, Guangzhou Modern Books will not thereby suffer from any administrative penalty in accordance with the relevant PRC laws and regulations.

VALUATION CERTIFICATE

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30 June 2009 *(RMB)*
6.	Various office units on the whole floor of Level 49, office unit 5303 on Level 53 and 6 car parking spaces, Hong Kong New World Tower, No.300 Huaihai Road (M), Luwan District, Shanghai City, the PRC	The property comprises a whole floor on Level 49 and an office unit on Level 53 with a total gross floor area of approximately 2,196.74 sq.m. and 4 car parking spaces on Level 7 and 2 car parking spaces on Level 8 in a 60-storey office tower. The property is leased by Shanghai New World Huaihai Property Development Co., Ltd (上海新世界淮海物業發展有限公司.) to the Group via 9 tenancy agreements for various terms with the latest expiry date on 9 December 2009 for a total monthly rent of RMB685,881.6.	The whole floor on Level 49 and Unit 5303 on Level 53 of the property are currently occupied by the Group as offices. The remaining portion of the property is occupied by the Group as car parking spaces.	No Commercial Value

Notes:

a. Pursuant to the Shanghai Certificate of Real Estate Ownership No. Hu Fang Di Lu Zi (2006) Di 003200 Hao dated 9 November 2006 issued by Shanghai Housing and Land Resources Administration Bureau (上海市房屋土地管理局), the owner of the building with a total gross floor area of approximately 130,384.17 sq.m., in which the property is located therein, is Shanghai New World Huaihai Property Development Co., Ltd. (上海新世界淮海物業發展有限公司). The property is for mixed use with the expiry date on 1 December 2044.

b. We were advised that the owner is an independent third party of the Group.

c. Pursuant to various tenancy agreements entered into between Shanghai New World Huaihai Property Development Co., Ltd. (上海新世界淮海物業發展有限公司) (Party A) and the Group, Party A agreed to lease the property to the Group and some of the important terms stipulated in the tenancy agreements are, *inter alia*, as following:

Unit	**Registered Number**	**Tenant**	**Gross Floor Area** *(Sq.m.)*	**Monthly Rent** *(RMB)*	**Lease Term**
Office unit 4904	Lu 200703005107	Shanghai Yage Advertising Co., Ltd. (上海雅格廣告有限公司)	588.51	177,215.1	1 September 2007 - 31 August 2010
Office unit 4901-4903	Lu 200703005109	Shanghai Gezhi Advertising Co., Ltd. (上海格致廣告有限公司)	1,177.0	354,424.1	1 September 2007 - 31 August 2010
Office unit 5303	Lu 200803001618	Shanghai Gezhi Advertising Co., Ltd. (上海格致廣告有限公司)	431.23	144,282.4	1 June 2008 - 31 August 2010
Car parking space No. 7-51	N/A	Shanghai Gezhi Advertising Co., Ltd. (上海格致廣告有限公司)		1,660	16 June 2009 - 15 June 2010
Car parking space No. 7-56	N/A	Shanghai Yage Advertising Co., Ltd. (上海雅格廣告有限公司)		1,660	20 March 2009 - 19 March 2010
Car parking space No. 7-58	N/A	Shanghai Gezhi Advertising Co., Ltd. (上海格致廣告有限公司)		1,660	10 December 2008 - 9 December 2009
Car parking space No. 7-59	N/A	Shanghai Gezhi Advertising Co., Ltd. (上海格致廣告有限公司)		1,660	10 December 2008 - 9 December 2009
Car parking space No. 8-22	N/A	Shanghai Gezhi Advertising Co., Ltd. (上海格致廣告有限公司)		1,660	10 December 2008 - 9 December 2009
Car parking space No. 8-23	N/A	Shanghai Gezhi Advertising Co., Ltd. (上海格致廣告有限公司)		1,660	10 December 2008 - 9 December 2009
		Total:	**2,196.74**	**685,881.6**	

i. The total monthly rent of RMB685,881.6 is agreed.

ii. The rent is exclusive of management fee and other outgoings.

iii. The Group cannot sublet part or whole property to third party without the written consent from Party A.

d. We have been provided with a legal opinion on the property prepared by the Group's legal adviser which contains, inter alia, the following information:

i. The owner is entitled to lease the property. The tenancy agreements are legal, valid and legally enforceable on both parties.

ii. Shanghai Gezhi and Shanghai Yage ("the Lessee") have the right to occupy and use the property.

iii. The property has been used for its prescribed use.

iv. Except the tenancy agreements of the car parking spaces, the remaining tenancy agreements of the property have been registered.

v. For the tenancy agreements which have not been submitted to the relevant PRC government administrative department for registration, the Lessee will not thereby suffer from any administrative penalty in accordance with the relevant PRC laws and regulations.

VALUATION CERTIFICATE

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30 June 2009 *(RMB)*
7.	Office units 209, 402, 404 and a warehouse on Level 1, Ruijin Business Center, 96 Zhao Jia Bang Road, Luwan District, Shanghai City, the PRC	The property comprises 3 office units with a total gross floor area of approximately 271.56 sq.m. and a warehouse with a gross floor area of approximately 40 sq.m. in a 7-storey office building. The property is leased by Shanghai Rong Yuan Real Estate Development Co., Ltd. (上海榮遠房地產開發經營有限公司) and Shanghai Rong Guang Business Center Co., Ltd. (上海榮廣商務中心有限公司) to the Group via three tenancy agreements for a term of 1 year with the latest expiry date on 7 September 2009 for a total monthly rent of RMB22,753.	The property is occupied by the Group as office space, studio and warehouse.	No Commercial Value

Notes:

a. Pursuant to the Building Ownership Certificate Hu Fang Lu Zi No. 0023564 dated 9 July 1995, the owner of the property is Shanghai 11th Knitting Mill (上海針織十一廠).

b. Pursuant to the Certificate dated 30 June 2001 issued by Shanghai 11th Knitting Mill (上海針織十一廠), the building stated in Note a was leased to Shanghai Rong Yuan Real Estate Development Co., Ltd. (上海榮遠房地產開發經營有限公司) for renovation, development and management for a term of 15 years commencing from 1 March 2001.

c. Pursuant to the Consignment Agreement entered into between Shanghai Rong Yuan Real Estate Development Co., Ltd. (上海榮遠房地產開發經營有限公司) and Shanghai Rong Guang Business Center Co., Ltd. (上海榮廣商務中心有限公司), the building stated in Note a was agreed to be operated and managed by Shanghai Rong Guang Business Center Co., Ltd.(上海榮廣商務中心有限公司) from 1 January 2008 to 31 December 2018.

d. We were advised that the owner is an independent third party of the Group.

e. We have been provided with a legal opinion on the property prepared by the Group's legal adviser which contains, *inter alia*, the following information:

   i. The lessors are entitled to lease the property. The tenancy agreements are legal, valid and legally enforceable on both parties.

   ii. Shanghai Yage and Guangzhou Modern Books ("the Lessee") have the right to occupy and use the property.

   iii. The property has been used for its prescribed use.

   iv. The tenancy agreements of unit 404, 402 and 209 have been registered

   v. For the tenancy agreements which have not been submitted to the relevant PRC government administrative department for registration, the Lessee will not thereby suffer from any administrative penalty in accordance with the relevant PRC laws and regulations.

VALUATION CERTIFICATE

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30 June 2009 *(RMB)*
8.	Unit 307, Block 2, No.250 Chuan Chang Road, Xuhui District, Shanghai City, the PRC	The property comprises one warehouse unit with a total gross floor area of approximately 99.4 sq.m. in a 5-storey industrial building completed in 1993. The property is leased by Shanghai Xuhui Business Development Co., Ltd. (上海徐匯商業建設發展有限公司) to the Group for a term of 2 years with the expiry date on 14 August 2009 for a monthly rent of RMB3,930.	The property is occupied by the Group as a warehouse.	No Commercial Value

Notes:

a. Pursuant to the Shanghai Certificate of Real Estate Ownership No. Hu Fang Di Xu (2001) Di 066307 Hao dated 27 November 2001 issued by Shanghai Housing and Land Resources Administration Bureau (上海市房屋土地管理局), the owner of the building with a total gross floor area of approximately 5,682.39 sq.m., in which the property is located therein, is Shanghai Xuhui Business Development Co., Ltd. (上海徐匯商業建設發展有限公司). The property is for industrial use.

b. We were advised that the owner is an independent third party of the Group.

c. Pursuant to the tenancy agreement entered into between Shanghai Xuhui Business Development Co., Ltd. (上海徐匯商業建設發展有限公司) and Shanghai Yage Advertising Co., Ltd. (上海雅格廣告有限公司), the property is leased to the Group and some of the important terms stipulated in the tenancy agreements are, *inter alia*, as following:

   i. The total monthly rent of RMB3,930 is agreed.

   ii. The lease term is commenced from 15 August 2007 to 14 August 2009.

   iii. The rent is exclusive of management fee and other outgoings.

   iv. The Group cannot sublet part or whole property to third party without the written consent from Party A.

d. After the date of valuation, Guangzhou Modern Books Co., Ltd. (廣州現代圖書有限公司) has renewed the tenancy agreement with Shanghai Xuhui Business Development Co., Ltd. (上海徐匯商業建設發展有限公司) for a term of 2 years with the expiry date on 14 August 2011 for a monthly rent of RMB3,930.

e. We have been provided with a legal opinion on the property prepared by the Group's legal adviser which contains, *inter alia*, the following information:

   i. The owner is entitled to lease the property. The tenancy agreements are legal, valid and legally enforceable on both parties.

   ii. Shanghai Yage and Guangzhou Modern Books have the right to occupy and use the property.

   iii. The property has been used for its prescribed use.

   iv. Although the tenancy agreement has not been submitted to the relevant PRC government administrative department for registration, Shanghai Yage and Guangzhou Modern Books will not thereby suffer from any administrative penalty in accordance with the relevant PRC laws and regulations.

VALUATION CERTIFICATE

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30 June 2009 *(RMB)*
9.	Unit M on Level 10, No.86 Section 1 of Renmin South Road, Qingyang District, Chengdu City, Sichuan Province, the PRC	The property comprises an office unit with a total gross floor area of approximately 57 sq.m. on Level 10 in an office building. The property is leased by Sichuan Xinhua Publication Group Co., Ltd. (四川新華發行集團有限公司) to the Group with the term commencing from 15 June 2008 to 31 December 2009 for a monthly rent of RMB5,162.	The property is occupied by the Group as an office.	No Commercial Value

Notes:

a. Pursuant to the Building Ownership Certificate Cheng Fang Quan Zheng Jian Zheng Zi No. 1279330 issued by Housing Management Bureau of Chengdu Municipal (成都市房產管理局), the owner of the building with a total gross floor area of approximately 7,175.20 sqm, in which the property is located therein, is Sichuan Xinhua Publication Group Co., Ltd. (四川新華發行集團有限公司). The property is for office use.

b. We were advised that the owner is an independent third party of the Group.

c. Pursuant to the tenancy agreement No. Chengdu 2008142 entered into between Sichuan Xinhua Publication Group Co., Ltd. (四川新華發行集團有限公司) (Party A) and Guangzhou Modern Information Media Co., Ltd. (廣州現代資訊傳播有限公司), Party A agreed to lease the property to the Group and some of the important terms stipulated in the tenancy agreements are, *inter alia*, as following:

   i. The lease term is from 15 June 2008 to 31 December 2009.

   ii. The total monthly rent of RMB5,162.00 and annual rent of RMB61,944.00 is agreed.

   iii. The rent is exclusive of management fee and other outgoings.

   iv. The Group cannot sublet part or whole property to third party without written consent from Party A.

d. We have been provided with a legal opinion on the property prepared by the Group's legal adviser which contains, *inter alia*, the following information:

   i. The owner is entitled to lease the property. The tenancy agreement is legal, valid and legally enforceable on both parties.

   ii. Guangzhou Modern Information has the right to occupy and use the property.

   iii. The property has been used for its prescribed use.

   iv. Although the tenancy agreement has not been submitted to the relevant PRC government administrative department for registration, Guangzhou Modern Information will not thereby suffer from any administrative penalty in accordance with the relevant PRC laws and regulations..

VALUATION CERTIFICATE

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30 June 2009 *(RMB)*
10.	A car parking garage, No.11 Block 5, Wutai Garden, Gulou District, Nanjing City, Jiangsu Province, the PRC	The property comprises a car parking garage aboveground. As advised by the Group, the total net floor area of the property is approximately 18 sqm. The property is leased by Feng Qipeng (封其鵬) to the Group for a term of 1 year from 10 June 2009 to 10 June 2010 for an annual rent of RMB9,600.	The property is occupied by the Group as a car parking garage.	No Commercial Value

Notes:

a. Pursuant to the Car Parking Garage Use Rights Transfer Agreement entered into between Xin Chang Railway Co., Ltd. (新長鐵路有限責任公司) and Wu Lixiang (吳立香) and Feng Qipeng (封其鵬) dated 11 April 2005, the use rights of the property has been contracted to be held by Wu Lixiang and Feng Qipeng for a term of 60 years from 11 April 2005 to 11 April 2065 as a car parking garage.

b. We were advised that the owner is an independent third party of the Group.

c. Pursuant to the tenancy agreement entered into between Feng Qipeng (封其鵬) (Party A) and Guangzhou Modern Books Co., Ltd. (廣州現代圖書有限公司), Party A agreed to lease the property to the Group and some of the important terms stipulated in the tenancy agreements are, *inter alia*, as following:

  i. The lease term is from 10 June 2009 to 10 June 2010.

  ii. The annual rent of RMB9,600 is agreed.

  iii. The rent is exclusive of management fee and other outgoings.

  iv. The Group cannot sublet part or whole property to third party without written consent from Party A.

d. We have been provided with a legal opinion on the property prepared by the Group's legal adviser which contains, *inter alia*, the following information:

  i. As the title certificate is not available, the validity of the lessor and the tenancy agreement can not be verified. If the tenancy agreement turned out to be invalid, Guangzhou Modern Books should restore the property and the clauses in terms of dispute resolution should be binding on both parties.

  ii. Pursuant to the relevant PRC laws and regulations, Guangzhou Modern Books will not thereby suffer from any administrative penalty for renting the property without any title certificate.

  iii As the tenancy agreement has not been submitted to the relevant PRC government administrative department for registration, Guangzhou Modern Books will not thereby suffer from any administrative penalty in accordance with the relevant PRC laws and regulations.

VALUATION CERTIFICATE

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30 June 2009 (RMB)
11.	An office unit, No.40 Shanghai Road, Gulou District, Nanjing City, Jiangsu Province, the PRC	The property comprises an office unit with a total gross floor area of approximately 23 sq.m. in an office building. The property is leased by Nanjing No. 1 Sanatorium for retired veteran cadres of Combined Services Force of PLA Nanjing Military Region (中國人民解放軍南京軍區聯勤部南京第一離職幹部休養所) to the Group for a term of 1 year commencing from 8 October 2008 to 7 October 2009 for an annual rent of RMB15,000.	The property is occupied by the Group as an office.	No Commercial Value

Notes:

a. Pursuant to the Notification of Real Estate Title (產權說明) issued by Nanjing No. 1 Sanatorium for retired veteran cadres of Combined Services Force of PLA Nanjing Military Region (中國人民解放軍南京軍區聯勤部南京第一離職幹部休養所) dated 1 January 2006, the property is owned by Nanjing No. 1 Sanatorium for retired veteran cadres of Combined Services Force of PLA Nanjing Military Region (中國人民解放軍南京軍區聯勤部南京第一離職幹部休養所).

b. We were advised that the owner is an independent third party of the Group.

c. Pursuant to the tenancy agreement entered into between Nanjing No.1 Sanatorium for retired veteran cadres of Combined Services Force of PLA Nonjing Military Region (中國人民解放軍南京軍區聯勤部南京第一離職幹部休養所) (Party A) and Guangzhou Modern Books Co., Ltd. (廣州現代圖書有限公司), Party A agreed to lease the property to the Group and some of the important terms stipulated in the tenancy agreements are, *inter alia*, as following:

   i. The lease term is for one year from 8 October 2008 to 7 October 2009.

   ii. The total annual rent of RMB15,000.00 is agreed.

   iii. The rent is exclusive of management fee and other outgoings.

   iv. The Group cannot sublet part or whole property to third party without written consent from Party A.

d. We have been provided with a legal opinion on the property prepared by the Group's legal adviser which contains, *inter alia*, the following information:

   i As no title certificate is available, the validity of the lessor and the tenancy agreement can not be verified. If the tenancy agreement turned out to be invalid, Guangzhou Modern Books should restore the property and the clauses in terms of dispute resolution should be binding on both parties.

   ii. Pursuant to the relevant PRC laws and regulations, Guangzhou Modern Books will not thereby suffer from any administrative penalty for renting the property without any title certificate.

   iii. As the tenancy agreement has not been submitted to the relevant PRC government administrative department for registration, Guangzhou Modern Books will not thereby suffer from any administrative penalty in accordance with the relevant PRC laws and regulations.

VALUATION CERTIFICATE

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30 June 2009 *(RMB)*
12.	Room 1708, Yindu Building, No.385 De Sheng Road, Gongshu District Hangzhou City, Zhejiang Province, the PRC	The property comprises 1 unit with net area of approximately 56.90 sq.m. in a 23-storey residential tower. The property is leased by Zhu Guojun (朱國軍) to the Group for a term of 1 year from 1 March 2009 to 28 February 2010 for a monthly rent of RMB1,800.	The property is occupied by the Group as staff dormitory.	No Commercial Value

Notes:

a. Pursuant to the Building Ownership Certificate Hang Fang Quan Zheng Gong Yi Zi No.0336314, the owner of the property with a total gross floor area of approximately 56.90 sq.m. is Zhu Guoju (朱國軍). The property is for residential use.

b. We were advised that the owner is an independent third party of the Group.

c. Pursuant to the tenancy agreement entered into between Zhu Guojun (朱國軍) and Guangzhou Modern Books Co., Ltd. (廣州現代圖書有限公司), the property is leased to the Group and some of the important terms stipulated in the tenancy agreements are, *inter alia*, as following:

   i. The total monthly rent of RMB1,800 is agreed.

   ii. The lease term is commenced from 1 March 2009 to 28 February 2010.

   iii. The Group cannot sublet part or whole property to third party without the written consent from Party A.

d. We have been provided with a legal opinion on the property prepared by the Group's legal adviser which contains, *inter alia*, the following information:

   i. The owner is entitled to lease the property. The tenancy agreement is legal, valid and legally enforceable on both parties.

   ii. Guangzhou Modern Books has the right to occupy and use the property.

   iii. The property has been used for its prescribed use.

   iv. As the tenancy agreement has not been submitted to the relevant PRC government administrative department for registration, Guangzhou Modern Books will not thereby suffer from any administrative penalty in accordance with the relevant PRC laws and regulations.

VALUATION CERTIFICATE

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30 June 2009 *(RMB)*
13.	No. 9 car parking garage, Sheng Du Apartment, No.385 De Sheng Road, Gong Shu District, Hangzhou City, Zhejiang Province, the PRC	As advised by the Group, the property comprises a car parking garage with net floor area of approximately 25 sq.m.. The property is leased by Tang Suchun (湯蘇春) to the Group for a term of 1 year from 1 March 2009 to 28 February 2010 for a monthly rent of RMB650.	The property is occupied by the Group as a car parking garage.	No Commercial Value

Notes:

a. We have not been provided with any title certificate of the property

b. We were advised that the owner is an independent third party of the Group.

c. Pursuant to the tenancy agreement entered into between Tang Suchun (湯蘇春) (Party A) and Guangzhou Modern Books Co., Ltd. (廣州現代圖書有限公司), Party A agreed to lease the property to the Group and some of the important terms stipulated in the tenancy agreements are, *inter alia*, as following:

  i. The lease term is for 1 year from 1 March 2009 to 28 February 2010.

  ii. The total monthly rent of RMB 650.

  iii. The Group cannot sublet part or whole property to third party without the written consent from Party A.

d. We have been provided with a legal opinion on the property prepared by the Group's legal adviser which contains, *inter alia*, the following information:

  i. As the title certificate is not available, the validity of the lessor and the tenancy agreement can not be verified. If the tenancy agreement turned out to be invalid, Guangzhou Modern Books should restore the property and the clauses in terms of dispute resolution should be binding on both parties.

  ii. Pursuant to the relevant PRC laws and regulations, Guangzhou Modern Books will not thereby suffer from any administrative penalty for renting the property without any title certificate.

  iii. Although the tenancy agreement has not been submitted to the relevant PRC government administrative department for registration, Guangzhou Modern Books will not thereby suffer from any administrative penalty in accordance with the relevant PRC laws and regulations.

VALUATION CERTIFICATE

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30 June 2009 *(RMB)*
14.	Unit 2413, Fu Si Te Mansion, No.85 Pujiang Road, Nan Gang District, Harbin City, Heilongjiang Province, the PRC	The property comprises one office unit with a total net floor area of approximately 68 sq.m. in a high-rise office building. The property is leased by Zhang Fuying (張福英) to the Group for a term of 1 year from 22 March 2009 for an annual rent of RMB50,000.	The property is occupied by the Group as an office.	No Commercial Value

Notes:

a. We have not been provided with any title certificate of the property.

b. We were advised that the owner is an independent third party of the Group.

c. Pursuant to the tenancy agreement entered into between Zhang Fuying (張福英) (Party A) and Guangzhou Modern Books Co., Ltd. (廣州現代圖書有限公司), Party A agreed to lease the property to the Group and some of the important terms stipulated in the tenancy agreements are, *inter alia*, as following:

   i. The total annual rent of RMB50,000 is agreed.

   ii. The lease term is commenced from 22 March 2009 to 21 March 2010.

   iii. The rent is inclusive of management fee.

   iv. The Group cannot sublet part or whole property to third party without written consent from Party A.

d. We have been provided with a legal opinion on the property prepared by the Group's legal adviser which contains, *inter alia*, the following information:

   i. As the title certificate is not available, the validity of the lessor and the tenancy agreement can not be verified. If the tenancy agreement turned out to be invalid, Guangzhou Modern Books should restore the property and the clauses in terms of dispute resolution should be binding on both parties.

   ii. Pursuant to the relevant PRC laws and regulations, Guangzhou Modern Books will not thereby suffer from any administrative penalty for renting the property without any title certificate.

   iii. Although the tenancy agreement has not been submitted to the relevant PRC government administrative department for registration, Guangzhou Modern Books will not thereby suffer from any administrative penalty in accordance with the relevant PRC laws and regulations.

VALUATION CERTIFICATE

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30 June 2009 *(RMB)*
15.	Unit 103 and 401, Block No.2, Jiulong Mountain Garden, Guangqu Road, Chaoyang District, Beijing City, the PRC	The property comprises two residential units with a total gross floor area of approximately 432.55 sq.m. in a 14-storey residential building. The property is leased by Hou Guoliang(侯果良) and Yang Fenghua(楊風華) to the Group via two tenancy agreements for various terms with the latest expiry date on 26 May 2010 for a total monthly rent of RMB16,000.	The property is occupied by the Group as staff dormitory.	No Commercial Value

Notes:

a. Pursuant to the Building Ownership Certificates Nos. Jing Fang Quan Zheng Chao Si 04 Zi Di 69358 and Jing Fang Quan Zheng Chao Si 05 Zi Di 105407 issued by Beijing Land Resource and Housing Management Bureau of Chaoyang District (北京市朝陽區國土資源和房屋管理局), the property with a total gross floor area of approximately 432.55 sq.m. is held by Hou Guoliang (侯果良) and Yang Fenghua (楊風華). The property is for residential use with the expiry date on 3 December 2068.

b. We were advised that the owners are independent third party of the Group.

c. Pursuant to tenancy agreements entered into between Hou Guoliang (侯果良) and Yang Fenghua (楊風華) (Party A) and Guangzhou Modern Books Co., Ltd. (廣州現代圖書有限公司) respectively, Party A agreed to lease the property to the Group and some of the important terms stipulated in the tenancy agreements are, *inter alia*, as following:

   i. The lease term of Unit 103 is commenced from 31 May 2009 to 30 May 2012, and the lease term of Unit 401 is commenced from 27 May 2009 to 26 May 2010.

   ii. The total monthly rent of RMB 16,000 is agreed. The rent of Unit 103 is paid by every quarter, and the rent of Unit 401 is paid by every half year.

   iii. The rent is exclusive of management fee and other outgoings.

   iv. The Group cannot sublet part or whole property to third party without the consent from Party A.

d. We have been provided with a legal opinion on the property prepared by the Group's legal adviser which contains, *inter alia*, the following information:

   i. The owners are entitled to lease the property. The tenancy agreements are legal, valid and legally enforceable on both parties.

   ii. Guangzhou Modern Books has the right to occupy and use the property.

   iii. The property has been used for its prescribed use.

   iv. Although the tenancy agreements have not been submitted to the relevant PRC government administrative department for registration, Guangzhou Modern Books will not thereby suffer from any administrative penalty in accordance with the relevant PRC laws and regulations.

VALUATION CERTIFICATE

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30 June 2009 *(RMB)*
16.	Unit 3-2-2103, Cheng Ji Trade Center, Northeast of the conjunction of Xi An Road and Chang Sha Road, Heping District, Tianjin City, the PRC	The property comprises a residential unit with a total gross floor area of approximately 60.02 sq.m. occupying a site area of approximately 3.2 sq.m. in a 49-storey residential tower. The property is leased by Zhu Zeming(朱澤明) to the Group for a term of 1 year from 20 May 2009 to 19 May 2010 for a monthly rent of RMB2,200.	The property is occupied by the Group as staff dormitory.	No Commercial Value

Notes:

a Pursuant to the Realty Title Certificate No. Fang Di Zheng Jin Zi Di 101020802450 Hao co-issued by the municipal government of Tianjin City(天津市人民政府) and Land Resource and Housing Management Bureau of Tianjin City(天津市國土資源和房屋管理局), the property with a total gross floor area of approximately 60.02 sq.m. and occupying a site area of approximately 3.2 is held by Zhu Zeming(朱澤明) for residential use with the expiry date on 4 August 2074.

b We were advised that the owner is an independent third party of the Group.

c Pursuant to tenancy agreement entered into between Zhu Zeming(朱澤明) (Party A) and Guangzhou Modern Books Co., Ltd. (廣州現代圖書有限公司), Party A agreed to lease the property to the Group and some of the important terms stipulated in the tenancy agreements are, *inter alia*, as following:

i. The lease term is commenced from 20 May 2009 to 19 May 2010.

ii. The total monthly rent of RMB 2,200 is agreed.

iii. The rent is exclusive of management fee and other outgoings.

iv. The Group cannot sublet part or whole property to third party without the written consent from Party A.

d We have been provided with a legal opinion on the property prepared by the Group's legal adviser which contains, inter alia, the following information:

i. The owner is entitled to lease the property. The tenancy agreement is legal, valid and legally enforceable on both parties.

ii. Guangzhou Modern Books has the right to occupy and use the property.

iii. The property has been used for its prescribed use.

iv. Although the tenancy agreement has not been submitted to the relevant PRC government administrative department for registration, Guangzhou Modern Books will not thereby suffer from any administrative penalty in accordance with the relevant PRC laws and regulations.

VALUATION CERTIFICATE

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30 June 2009 *(RMB)*
17.	Unit 106, No.84 Ying Kou Dao, Heping District, Tianjin City, the PRC	The property comprises a residential unit with a total net floor area of approximately 23.9 sq.m. in a residential building. The property is leased by Liu Xingya(劉興亞) to the Group for a term of 1 year from 20 May 2009 to 19 May 2010 for an annual rent of RMB10,100.	The property is occupied by the Group as staff dormitory.	No Commercial Value

Notes:

a. Pursuant to the tenancy agreement entered into between Quan Ye Chang Fang Guan Zhan of Heping District Real Estate Company (和平區房產公司勸業場房管站) and Liu Xingya (劉興亞) dated 1 April 2001, the property with a total gross floor area of approximately 23.9 sq.m. was agreed to lease to Liu Xiangya (劉興亞) for residential use with the expiry date on 31 March 2003. We have not been provided with the renewal agreement or any title certificate of the property.

b. We were advised that the owner is an independent third party of the Group.

c. Pursuant to tenancy agreement entered into between Liu Xingya (劉興亞) (Party A) and Guangzhou Modern Books Co., Ltd. (廣州現代圖書有限公司), Party A agreed to lease the property to the Group and some of the important terms stipulated in the tenancy agreements are, *inter alia*, as following:

   i. The lease term is commenced from 20 May 2009 to 19 May 2010.

   ii. The total half year rent of RMB 5,050 is agreed. And the rent is paid by every half year.

   iii. The rent is exclusive of management fee and other outgoings.

d. We have been provided with a legal opinion on the property prepared by the Group's legal adviser which contains, *inter alia*, the following information:

   i. As the title certificate is not available, the validity of the lessor and the tenancy agreement can not be verified. If the tenancy agreement turned out to be valid, Guangzhou Modern Books should restore the property and the clauses in terms of dispute resolution should be binding on both parties.

   ii. Pursuant to the relevant PRC laws and regulations, Guangzhou Modern Books will not thereby suffer from any administrative penalty for renting the property without any title certificate.

   iii. Although the tenancy agreement has not been submitted to the relevant PRC government administrative department for registration, Guangzhou Modern Books will not thereby suffer from any administrative penalty in accordance with the relevant PRC laws and regulations.

VALUATION CERTIFICATE

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30 June 2009 *(RMB)*
18.	Room 1-15-4, Zhengda Plaza, No.16 Tong Ze Street South, Heping District, Shenyang City, Liaoning Province, the PRC	As advised by the Group, the property comprises a unit with net floor area of approximately 100 sq.m. in a residential building. The property is leased by Zhou Hongjun (周紅軍) to the Group for a term of 1 year from 1 November 2008 to 31 October 2009 for a monthly rent of RMB4,000.	The property is occupied by the Group as staff dormitory.	No Commercial Value

Notes:

a. We have not been provided with any title certificate of the property

b. We were advised that the owner is an independent third party of the Group.

c. Pursuant to tenancy agreement entered into between Zhou Hongjun (周紅軍) (Party A) and Guangzhou Modern Books Co., Ltd. (廣州現代圖書有限公司), Party A agreed to lease the property to the Group and some of the important terms stipulated in the tenancy agreements are, *inter alia*, as following:

   i. The lease term is for 1 year from 1 November 2008 to 31 October 2009.

   ii. The total monthly rent of RMB 4,000.

   iii. The rent is inclusive of management fee and heating fee.

   iv. The Group cannot sublet part or whole property to third party during the lease term.

d. We have been provided with a legal opinion on the property prepared by the Group's legal adviser which contains, *inter alia*, the following information:

   i. As the title certificate is not available, the validity of the lessor and the tenancy agreement cannot be verified. If the tenancy agreement turned out to be invalid, Guangzhou Modern Books should restore the property and the clauses in terms of dispute resolution should be binding on both parties.

   ii. Pursuant to the relevant PRC laws and regulations, Guangzhou Modern Books will not thereby suffer from any administrative penalty for renting the property without any title certificate.

   iii. Although the tenancy agreement has not been submitted to the relevant PRC government administrative department for registration, Guangzhou Modern Books will not thereby suffer from any administrative penalty in accordance with the relevant PRC laws and regulations.

VALUATION CERTIFICATE

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30 June 2009 *(RMB)*
19.	Unit B37 on Level 2, No.1377 Bao Gang Avenue, Haizhu District, Guangzhou City, Guangdong Province, the PRC	The property comprises a retail unit with a total gross floor area of approximately 68.2 sq.m. in a commercial podium. The property is leased by Guangdong Hai Cheng Cultural Development Co., Ltd. (廣東海城文化發展有限公司) and Guangzhou Yi Jia Market Development Co., Ltd. (廣州億家市場開發有限公司) to the Group for a term of 3 years from 1 July 2009 to 30 June 2012 for a monthly rent of RMB4,774 and management fee of RMB341 with an annual growth rate of 6%.	The property is occupied by the Group as a retail shop.	No Commercial Value

Notes:

a. We have not been provided with any title certificate of the property.

b. We were advised that the owner is an independent third party of the Group.

c. Pursuant to tenancy agreement entered into between Guangdong Hai Cheng Cultural Development Co., Ltd. (廣東海城文化發展有限公司) and Guangzhou Yi Jia Market Development Co., Ltd. (廣州億家市場開發有限公司) (Party A) and Guangzhou Modern Books Co., Ltd. (廣州現代圖書有限公司), Party A agreed to lease the property to the Group and some of the important terms stipulated in the tenancy agreements are, inter alia, as following:

   i. The property is physically transferred to the Group at 30 June 2009.

   ii. The rent-free period is commenced from 1 July 2009 to 15 July 2009.

   iii. The lease term is commenced from 1 July 2009 to 30 June 2012.

   iv. The total monthly rent of RMB 4,774 is agreed, with an annual growth rate of 6%.

   v. The rent is exclusive of management fee and other outgoings.

   vi. The Group cannot sublet part or whole property to third party without the consent from Party A.

d. We have been provided with a legal opinion on the property prepared by the Group's legal adviser which contains, *inter alia*, the following information:

   i. As the title certificate is not available, the validity of the lessor and the tenancy agreement can not be verified. If the tenancy agreement turned out to be valid, Guangzhou Modern Books should restore the property and the clauses in terms of dispute resolution should be binding on both parties.

   ii. Pursuant to the relevant PRC laws and regulations, Guangzhou Modern Books will not thereby suffer from any administrative penalty for renting the property without any title certificate.

   iii. Although the tenancy agreement has not been submitted to the relevant PRC government administrative department for registration, Guangzhou Modern Books will not thereby suffer from any administrative penalty in accordance with the relevant PRC laws and regulations.

Group III — Property interests rented by the Group in Hong Kong

VALUATION CERTIFICATE

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30 June 2009 *(RMB)*
20.	9th Floor, Zung Fu Industrial Building, No. 1067 King's Road, Quarry Bay, Hong Kong	The property comprises an office unit on the 9th floor in a 14-storey industrial building completed in 1971. The saleable floor area of the property is approximately 13,860.42sq.ft. (1,287.67sq.m.). The property is leased for a term of 2 years from 1 July 2008 to 30 June 2010 for a monthly rent of HK$214,500, exclusive of rates and management fees.	The property is occupied by the Group as an office.	No Commercial Value

Notes:

a. The registered owner of the property is Alco Electronics Limited.

b. We were advised that the registered owner is an independent third party of the Group.

c. The property lies within an area zoned "Commercial" under the Draft Quarry Bay Outline Zoning Plan No. S/H21/26.

Set out below is a summary of certain provisions of the memorandum and articles of association of the Company and of certain aspects of Cayman Islands company law.

1. MEMORANDUM OF ASSOCIATION

The memorandum of association provides that the Company's objects are unrestricted. The objects of the Company are set out in Clause 3 of the memorandum of association which is available for inspection at the address and during the period specified under the paragraph headed "Documents available for inspection" specified in appendix VI to this Prospectus. As an exempted company, the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

2. ARTICLES OF ASSOCIATION

The articles of association of the Company (the "Articles") were adopted on 24 August 2009. The following is a summary of certain provisions of the Articles.

(a) Directors

(i) *Power to allot and issue shares*

Without prejudice to any special rights or restrictions for the time being attaching to any shares or any class of shares, any share may be issued upon such terms and conditions and with such preferred, deferred or other special rights, or such restrictions, whether as regards dividend, voting, return of capital or otherwise, as the Company may from time to time by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Directors may determine) and any preference shares may be issued on terms that they are liable to be redeemed upon the happening of a specified event or upon a given date and either at the option of the Company or at the option of the holder. The Directors may issue warrants to subscribe for any class of shares or securities of the Company on such terms as they may from time to time determine.

All unissued shares in the Company shall be at the disposal of the Directors, who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and generally on such terms they shall in their absolute discretion think fit, but so that no shares shall be issued at a discount.

(ii) *Power to dispose of the assets of the Company or any subsidiary*

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries although the Directors may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or relevant statutes of the Cayman Islands to be exercised or done by the Company in general meeting.

(iii) *Compensation or payments for loss of office*

Payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(iv) *Loans and the giving of security for loans to Directors*

Where the shares of the Company remain listed on the Stock Exchange or on a stock exchange in such other territory as the Directors may from time to time decide, the Company may not make, without the approval of, or ratification by, the Company in general meeting, any loans to, or provide any guarantee, indemnity or security in respect of any loan to a Director or any of his associates, provided that the Articles do not prohibit the granting of any loan or the provision of any guarantee, indemnity or security (i) to be applied for, or in respect of a liability incurred for any business of the Company, (ii) for the purchase by a Director (or the repayment of a loan for his purchase) of a residence where the amount of the loan, the liability under the guarantee or indemnity or the value of the security does not exceed 80 per cent. of the fair market value of such residence nor 5 per cent. of the consolidated net asset value of the Company as shown in its latest audited accounts; provided that any such loan is on normal commercial terms and is secured by a legal charge over the residence; or, (iii) of any amount to, or in respect of a liability of, a company in which the Company has an equity interest, and the amount of such loan, or the liability assumed by the Company under such guarantee, indemnity or security, does not exceed its proportional interest in such company.

(v) *Financial assistance to purchase shares of the Company or its holdings company*

There are no provisions in the Articles relating to the giving by the Company of financial assistance for the purchase, subscription or other acquisition of shares of the Company or of its holding company. The law on this area is summarised in paragraph 4(b) below.

(vi) *Disclosure of interests in contracts with the Company or any of its subsidiaries*

A Director may hold any other office or place of profit with the Company (except that of an auditor) in conjunction with his office of Director for such period and upon such terms as the Directors may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) as the Directors may determine. A Director may be or become a director or other officer of, or be otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profit or other benefit received by him as a director or officer of or from his interest in such other company. The Directors may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as they think fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company. A Director shall not vote or be counted in the quorum on any resolution of the Directors concerning his own appointment or the appointment of any of his associates as the holder of any office or place of profit with the Company or any other company in which the Company is interested (including the arrangement or variation of the terms thereof, or the termination thereof).

Subject to the provisions of the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor will any contract with regard thereto or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. If to the knowledge of a Director, he or any of his associates, is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company, he must declare the nature of his or, as the case may be, his associate(s)' interest at the meeting of the Directors at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest or that of his associates then exists, or in any other case at the first meeting of the Directors after he knows that he or his associate(s) is or has become so interested.

Save as otherwise provided by the Articles, a Director may not vote (nor be counted in the quorum for the voting) on any resolution of the Directors approving any contract or arrangement in which he or any of his associate(s) is to his knowledge materially interested, and if he does so his vote will not be counted, but this prohibition will not apply to any of the following matters, namely:

(aa) any contract or arrangement for the giving to the Director or his associate(s) of any security or indemnity in respect of money lent by him or any of them or obligations undertaken by him for the benefit of the Company;

(bb) any contract or arrangement for the giving by the Company of any security to a third party in respect of a debt or obligation of the Company or any company in which the Company has an interest for which the Director or his associate(s) has himself/themselves guaranteed or secured in whole or in part;

(cc) any contract or arrangement by a Director or his associate(s) to subscribe for shares or debentures or other securities of the Company to be issued pursuant to any offer or invitation to the members or debenture or other securities holders or to the public which does not provide the Director and his associate(s) any privilege not accorded to any other members or debenture or other securities holders or to the public;

(dd) any contract or arrangement concerning an offer of the shares, debentures or other securities of or by the Company for subscription or purchase where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer and/or for the purposes of making any representations, the giving of any covenants, undertakings or warranties or assuming any other obligations in connection with such offer;

(ee) any contract or arrangement in which the Director or his associate(s) is/are interested by virtue only of his/their interest in shares or debentures or other securities of the Company and/or his/their being the offeror or one of the offerors or is interested in one of the offerors for the purchase or effective acquisition of such shares, debentures or other securities;

(ff) any contract or arrangement concerning any company in which he or his associate(s) is/are interested directly or indirectly whether as an officer or an executive or a member, other than a company in which the Director or his associates owns five per cent. or more of the voting equity capital or voting rights of any class of shares of such company (or of any third company through which his interest is derived), excluding shares which carry no voting rights at general meetings and no or nugatory dividend and return of capital rights, and excluding shares held directly or indirectly through the Company;

(gg) any proposal or arrangement for the benefit of employees of the Company or its subsidiaries including a pension fund or retirement, death or disability benefit scheme or personal pension plan under which a Director, his associate(s) and employees of the Company or of any of its subsidiaries may benefit and which has been approved by or is subject to and conditional on approval by the relevant tax authorities for taxation purposes or relates to Directors, associate(s) of Directors and employees of the Company or any of its subsidiaries and does not give the Director or his associate(s) any privilege not accorded to the relevant class of officers of which the Director is a member and to whom such scheme or fund relates;

(hh) any proposal concerning the adoption, modification or operation of any share scheme involving the issue or grant of options over shares or other securities by the Company to, or for the benefit of, the employees of the Company or its subsidiaries under which the Director or his associate(s) may benefit; and

(ii) any contract, agreement, transaction or proposal concerning the purchase and/or maintenance of any insurance policy for the benefit of any Director, his associate(s), officer or employee pursuant to the Articles.

(vii) *Remuneration*

The Directors shall be entitled to receive by way of ordinary remuneration for their services such sum as is from time to time determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as they may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. The foregoing provisions shall not apply to a Director who holds any salaried employment or office in the Company except in the case of sums paid in respect of Directors' fees. The Directors shall also be entitled to be repaid all travelling, hotel and other expenses reasonably incurred by them respectively in or about the performance of their duties as Directors, including their expenses of travelling to and from Directors' meetings, committee meetings or general meetings, or otherwise incurred whilst engaged on the business of the Company or in the discharge of their duties as Directors.

The Directors may grant special remuneration to any Director who performs any special or extra services to or at the request of the Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be arranged. Notwithstanding the foregoing the remuneration of the managing director, joint managing director, deputy managing director or an executive Director or a Director appointed to any other office in the management of the Company may be fixed from time to time by the Directors and may be by way of salary, commission or participation in profits or otherwise or by all or any of those modes and with such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the Directors may from time to time decide. Such remuneration is in addition to his ordinary remuneration as a Director.

The Directors also have power to establish and maintain or procure the establishment and maintenance of any contributory or non-contributory pension or superannuation funds for the benefit of, or to give or procure the giving of donations, gratuities, pensions, allowances or emoluments to, any persons who are or were at any time in the employment or service of the Company, or of any company which is a subsidiary of the Company, or is allied or associated with the Company or with any such subsidiary company, or who are or were at any time directors or officers of the Company or of any such other company as aforesaid, and holding or who have held any salaried employment or office in the Company or such other company, and the spouses, widows, widowers, families and dependants of any such persons and may make payments for or towards the insurance of any such persons. Any Director holding any such employment or office is entitled to participate in and retain for his own benefit any such donation, gratuity, pension, allowance or emolument.

(viii) *Retirement, appointment and removal*

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) will retire from office by rotation provided that every Director shall be subject to retirement at least once every three years. The Directors to retire in every year will be those who have been longest in office since their last election but as between persons who became Directors on the same day those to retire shall (unless they otherwise agree between themselves) be determined by lot.

A Director is not required to retire upon reaching any particular age.

The Directors are entitled to attend and speak at all general meetings.

The number of Directors shall not be fewer than one. A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for breach of any contract of service between him and the Company). Subject to the statutes and the provisions of the Articles, the Company may from time to time in general meeting by ordinary resolution elect any person to be a Director either to fill a casual vacancy or as an additional Director. In addition, the Directors may appoint any person to be a Director either to fill a casual vacancy or as an additional Director but so that the number of

Directors so appointed shall not exceed the maximum number determined from time to time by the members in general meeting. Any Director so appointed shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at the meeting.

The Directors may from time to time entrust to and confer upon the chairman, deputy chairman, managing director, joint managing director, deputy managing director or executive director of the Company all or any of the powers of the Directors that they may think fit, provided that the exercise of all powers by such Director shall be subject to such regulations and restrictions as the Directors may from time to time make and impose. The Directors may delegate any of their powers to committees consisting of such member or members of their body and such other persons as they think fit, and they may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall in the exercise of the powers so delegated conform to any regulations that may from time to time be imposed upon it by the Directors.

(ix) *Borrowing powers*

The Directors may from time to time at their discretion exercise all the powers of the Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of the Company and to mortgage or charge its undertaking, property and uncalled capital or any part thereof. The Directors may raise or secure the payment or repayment of such sum or sums in such manner and upon such terms and conditions in all respects as they think fit and in particular, but subject to the provisions of the Companies Law, by the issue of debentures, debenture stock, bonds or other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Note: The provisions summarised above, in common with the Articles in general, may be varied with the sanction of a special resolution of the Company.

(x) *Qualification shares*

Directors of the Company are not required under the Articles to hold any qualification shares.

(xi) *Indemnity to Directors*

The Articles contain provisions that provide indemnity to, among other persons, the Directors from and against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty in their respective offices or trusts, except such (if any) as they shall incur or sustain through their own fraud or dishonesty.

(b) **Alterations to constitutive documents**

The memorandum of association of the Company may be altered by the Company in general meeting. The Articles may also be amended by the Company in general meeting. As more fully described in paragraph 3 below, the Articles provide that, subject to certain exceptions, a special resolution is required to alter the memorandum of association, to approve any alteration to the Articles and to change the name of the Company.

(c) **Alterations of capital**

The Company may from time to time by ordinary resolution:

(i) increase its share capital;

(ii) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; on any consolidation of fully paid shares into shares of larger amount, the Board may settle any difficulty which may arise as it thinks expedient and in particular (but without prejudice to the generality of the foregoing) may, as between the holders of the shares to be consolidated, determine which particular shares are to be consolidated into a consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;

(iii) divide its shares into several classes and attach thereto respectively any preferential, deferred, qualified or special rights, privileges or conditions;

(iv) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled;

(v) sub-divide its shares or any of them into shares of smaller amount than is fixed by the memorandum of association, subject nevertheless to the Companies Law, and so that the resolution whereby any shares are sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares;

(vi) change the currency of denomination of its share capital; and

(vii) make provision for the issue and allotment of shares which do not carry any voting rights.

The Company may by special resolution reduce its issued share capital, any capital redemption reserve fund or other undistributable reserve in any manner authorised and subject to any conditions prescribed by law. The Company may apply its share premium account in any manner permitted by law.

(d) **Variation of rights of existing shares or classes of shares**

If at any time the capital is divided into different classes of shares, all or any of the special rights (unless otherwise provided for by the terms of issue of that class) attached to any class may, subject to the provisions of the Companies Law, be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will mutatis mutandis apply, save as to the provisions regarding the quorum of meetings, as to which see paragraph 2(s) below.

(e) **Special resolutions — majority required**

For so long as any part of the issued capital of the Company remains listed on the Stock Exchange, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their respective duly authorised representatives, or by proxy, at a general meeting of which notice of not less than 21 clear days' and not less than ten (10) clear business days, specifying the intention to propose the resolution as a special resolution, has been duly given. However, at all times while any part of the issued capital of the Company remains listed on the Stock Exchange, except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than 95 per cent. in nominal value of the shares giving that right, (or, in the case of an annual general meeting, by all members) a resolution may be proposed and passed as a special resolution at a meeting of which notice of less than 21 clear days' and less than ten (10) clear business days has been given.

(f) **Voting rights**

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote for every share of which he is the holder which is fully paid or credited as fully paid (but so that no amount paid or credited as paid on a share in advance of calls or instalments is treated for the foregoing purposes as paid on the share). So long as the shares are listed on the Stock Exchange, where any member is, under the Listing Rules (as defined in the Articles), required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member (whether by way of proxy or, as the case may be, corporate representative) in contravention of such requirement or restriction shall not be counted. On a poll, a member entitled to more than one vote need not use all his votes or cast all his votes in the same way.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of a poll.

Where a shareholder is a clearing house (as defined in the Articles) or a nominee of a clearing house, it may authorise such persons as it thinks fit to act as its representatives at any meeting of the Company or at any meeting of any class of shareholders provided that the authorisation shall specify the number and class of shares in respect of which each such representative is so authorised. Each person so authorised under the provisions of the Articles shall be entitled to exercise the same rights and powers as if such person was the registered holder of the shares of the Company held by the clearing house (or its nominees) in respect of the number and class of shares specified in the relevant authorisation.

(g) **Requirements for annual general meetings**

For so long as any part of the issued capital of the Company remains listed on the Stock Exchange, an annual general meeting must be held once in every year and within not more than 15 months after the last preceding annual general meeting or such longer period as is permissible or not prohibited under the rules of the Stock Exchange on which any securities of the Company are listed with the permission of the Company.

(h) **Accounts and audit**

The Directors shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipts and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by law or are necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts are to be kept at the principal office of the Company or at such other place as the Directors think fit and shall always be open to the inspection of the Directors. No member (not being a Director) or other person has any right to inspect any account or book or document of the Company except as conferred by the Companies Law or ordered by a court of competent jurisdiction or authorised by the Directors or by the Company in general meeting.

The Directors shall from time to time cause to be prepared and laid before the Company at its annual general meeting such profit and loss accounts, balance sheets, group accounts (if any) and reports and so long as any shares in the Company are listed on the Stock Exchange, the accounts of the Company shall be prepared and audited based on the generally accepted accounting principles of Hong Kong or the International Financial Reporting Standards or such other standards as the Stock Exchange may permit. Every balance sheet of the Company shall be signed on behalf of the Directors by two Directors and a copy of every balance sheet (including every document required by law to be comprised therein or attached or annexed thereto) and profit and loss account which is to be laid before the Company at its annual general meeting, together with a copy of the Directors' report and a copy of the auditors' report, shall not less than 21 days before the date of the meeting, be sent to every member of, and every holder of debentures of, the Company and every other person entitled to receive notices of general meetings of the Company under the Companies Law or of the Articles. Subject to due compliance with the Companies Law and the rules of the Stock Exchange, and to obtaining all necessary consents, if any, required thereunder and such consents being in full force and effect, such requirements shall be deemed satisfied in relation to any person by sending to the person in any manner not prohibited by the Companies Law and instead of such copies, a summary financial statement derived from the Company's annual financial statements and the directors' report thereon, which shall be in the form and containing the information required by applicable laws and regulation, provided that any person who is otherwise entitled to the annual financial statements of the Company and the directors' report thereon may, if he so requires by notice in writing served on the Company, demand that the Company sends to him, in addition to a summary financial statement, a complete printed copy of the Company's annual financial statement and the directors' report thereon. If all or any of the shares or debentures of the Company are for the time being (with the consent of the Company) listed or dealt in on any stock exchange, there shall be forwarded to such stock exchange such number of copies of such documents as may for the time being be required under its regulations or practice.

Auditors shall be appointed and their duties regulated in accordance with the Articles. Save as otherwise provided by such provisions the remuneration of the auditors shall be fixed by or on the authority of the Company at each annual general meeting, but in respect of any particular year, the Company in general meeting may delegate the fixing of such remuneration to the Directors.

(i) Notices of meetings and business to be conducted thereat

For so long as any part of the issued capital of the Company remains listed on the Stock Exchange, an annual general meeting shall be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days and any extraordinary general meeting at which the passing of a special resolution is to be considered shall be called by notice of not less than twenty-one (21) clear days and not less than ten (10) clear business days. All other extraordinary general meetings may be called by notice of not less than fourteen (14) clear days and not less than ten (10) clear business days. The notice shall specify the place, the day and the hour of meeting and particulars of resolutions to be considered at the meeting and, in case of special business, the general nature of that business.

(j) Transfer of shares

All transfers of shares must be effected by transfer in writing in the usual or common form or so long as any shares in the Company are listed on the Stock Exchange, such standard form prescribed by the Stock Exchange or in any other form acceptable to the Board and may be under hand only or, if the transferor or transferee is a clearing house or its nominee(s), by hand, by machine imprinted signature or by such other means of execution as the Directors may approve from time to time; and an instrument of transfer must be executed by or on behalf of the transferor and by or on behalf of the transferee and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof, provided that the Directors may in their absolute discretion dispense with the requirement for the production of a transfer in writing before registering a transfer of a share, and may accept mechanically executed transfers in any case.

The Directors may, in their absolute discretion, at any time and from time to time transfer or agree to transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the Directors otherwise agree, no shares on the principal register shall be transferred to any branch register nor shall shares on any branch register be transferred to the principal register or any other register. All transfers and other documents of title must be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the transfer office for that register.

The Directors may in their absolute discretion and without assigning any reason therefor, refuse to register any transfer of any shares (not being fully paid shares) to a person of whom they do not approve and they may refuse to register the transfer of any shares (not being fully paid shares) on which the Company has a lien. The Directors may also refuse to register a transfer of shares (whether fully paid or not) in favour of more than four persons jointly or any share issued under any share option scheme for employees upon which a restriction on transfer imposed thereby shall subsist, or where the transfer is to an infant or a person of unsound mind or under other legal disability. If the Directors refuse to register a transfer, they must within two months after the date on which the transfer was lodged with the Company send to the transferor and transferee notice of the refusal and (if the shares concerned are fully paid shares) the reasons(s) for such refusal.

The Directors may, if applicable, decline to recognise an instrument of transfer unless the instrument of transfer is properly stamped, is in respect of only one class of share and is lodged at the relevant registration or transfer office accompanied by the relevant share certificate(s) and such other evidence as they may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may, on giving notice by advertisement in one English and one Chinese newspaper circulating in Hong Kong, be suspended at such times and for such periods as the Directors may from time to time determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole 30 days in any year.

(k) **Power for the Company to purchase its own shares**

The Articles provide that the power of the Company to purchase or otherwise acquire its shares is exercisable by the Directors upon such terms and conditions as they think fit subject to the conditions prescribed by the Companies Law.

(l) **Power of any subsidiary to own securities in the Company**

There are no provisions in the Articles relating to ownership of securities in the Company by a subsidiary.

(m) **Dividends and other methods of distribution**

The Company in general meeting may declare dividends in any currency but no dividend may exceed the amount recommended by the Directors. The Company may also make a distribution out of share premium account subject to the provisions of the Companies Law.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends will be apportioned and paid pro rata according to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid. No amount paid on a share in advance of calls will for this purpose be treated as paid on the shares. The Directors may retain any dividends or other moneys payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Directors may deduct from any dividend or bonus payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared on the share capital of the Company, the Directors may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid, provided that the members entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid in lieu of the whole or such part of the dividend as the Directors may think fit.

The Company may also upon the recommendation of the Directors by an ordinary resolution resolve in respect of any particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared the Directors may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends, bonuses or other distributions or the proceeds of the realisation of any of the foregoing unclaimed for one year after having been declared may be invested or otherwise made use of by the Directors for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions or proceeds as aforesaid unclaimed for six years after having been declared may be forfeited by the Directors and, upon such forfeiture, shall revert to the Company and, in the case where any of the same are securities in the Company, may be re-allotted or re-issued for such consideration as the Directors think fit.

(n) **Proxies**

Any member of the Company entitled to attend and vote at a meeting of the Company or a meeting of the holders of any class of shares in the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him to vote on his behalf at a general meeting of the Company or at a class meeting. At any general meeting, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy. Proxies need not be members of the Company.

A proxy shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise as if it were an individual member.

(o) **Corporate representatives**

A corporate member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint any person or persons as its representative to attend and vote on its behalf. A corporate member represented by its representative is deemed to be present in person at the relevant meeting and its representative may vote on a poll on any resolution put at such meeting.

(p) **Calls on shares and forfeiture of shares**

The Directors may from time to time make such calls as it may think fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment thereof made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20 per cent. per annum as the Directors shall fix from the day appointed for the payment thereof to the time of actual payment, but the Directors may waive payment of such interest wholly or in part. The Directors may, if they think fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20 per cent. per annum as the Directors may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment thereof, the Directors may, at any time thereafter during such time as any part of the call or instalment remains unpaid, serve a notice on him requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice will name a further day (not earlier than the expiration of fourteen days from the date of the notice) on or before which the payment required by the notice is to be made, and it will also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all moneys which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Directors shall in their discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20 per cent. per annum as the Board may prescribe.

(q) **Inspection of register of members**

For so long as any part of the share capital is listed on the Stock Exchange, any member may inspect the principal or branch register of the Company maintained in Hong Kong without charge and require the provision to him of copies or extracts thereof in all respect as if the Company were incorporated under and is subject to the Companies Ordinance (Cap. 32) of the laws of Hong Kong.

(r) **Inspection of register of Directors**

There are no provisions in the Articles relating to the inspection of the register of Directors and Officers of the Company, since the register is not open to inspection (as to which see paragraph 4(k) below).

(s) **Quorum for meetings and separate class meetings**

For all purposes the quorum for a general meeting shall be two members present in person and entitled to vote (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting convened to sanction the modification of class rights, the necessary quorum shall not be less than two persons holding or representing by proxy one-third in nominal value of the issued shares of that class and, where such meeting is adjourned for want of quorum, the quorum for the adjourned meeting shall be any two members present in person and entitled to vote or by proxy (whatever the number of shares held by them).

(t) **Rights of the minorities in relation to fraud or oppression**

There are no provisions in the Articles relating to rights of minority members in relation to fraud or oppression. However, certain remedies are available to members of the Company under Cayman Islands company law as summarised in paragraph 4(e) below.

(u) **Procedures on liquidation**

A resolution for a court or voluntary winding up of the Company must be passed by way of a special resolution.

If the Company shall be wound up, the surplus assets remaining after payment to all creditors are to be divided among the members in proportion to the capital paid up on the shares held by them respectively, and if such surplus assets shall be insufficient to repay the whole of the paid up capital, they are to be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them respectively, all subject to the rights of any shares issued on special terms and conditions.

If the Company shall be wound up (whether the liquidation is voluntary or by the court), the liquidator may, with the sanction of a special resolution, divide among the members in specie or kind the whole or any part of the assets of the Company and whether the assets consist of property of one kind or properties of different kinds and the liquidator may, for such purposes, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division is to be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any one or more class or classes of property and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like sanction, shall think fit, but so that no member shall be compelled to accept any shares or other assets upon which there is a liability.

(v) **Untraceable members**

The Company may sell the shares of any member if: (i) dividends or other distributions have been declared by the Company on at least three occasions during a period of 12 years and these dividends or distributions have been unclaimed on such shares; (ii) the Company has published an advertisement of its intention to sell such shares in English and in Chinese in one leading English and (unless unavailable) one leading Chinese newspaper circulating in the territory of the stock exchange on which the ordinary share capital of the Company is listed and a period of three months has elapsed since the date of the first publication of such notice; (iii) the Company has not at any time during the said periods of 12 years and three months received any indication of the existence of the member who is the holder of such shares or of a person entitled to such shares by death, bankruptcy or operations of law; and (iv) the Company has notified the stock exchange on which the ordinary share capital of the Company is listed of its intention to sell such shares. The net proceeds of any such sale will belong to the Company and upon the receipt of such net proceeds by the Company, the Company will become indebted to the former holder of such shares for an amount equal to the amount of such net proceeds.

(w) **Stock**

The Company may by ordinary resolution convert any fully paid shares into stock, and may from time to time by like resolution reconvert any stock into fully paid shares of any denominations. The holders of stock may transfer the same or any part thereof in the same manner, and subject to the same regulations as and subject to which the shares from which the stock arose might prior to conversion have been transferred or as near thereto as circumstances admit, but the Directors may from time to time, if they think fit, fix the minimum amount of stock transferable and restrict or prohibit the transfer of fractions of that minimum, but so that such minimum shall not exceed the nominal amount of the shares from which the stock arose. No warrants to bearer shall be issued in respect of any stock. The holders of stock shall, according to the amount of the stock held by them, have the same rights, privileges and advantages as regards dividends, participation in assets on a winding-up, voting at meetings, and other matters, as if they held the shares from which the stock arose, but no such privilege of the Company shall be conferred by an amount of stock which would not, if existing in shares, have conferred such privilege or advantage. All such of the provisions of the Articles as are applicable to paid up shares shall apply to stock, and the words "share" and "shareholder" and "member" therein shall include "stock" and "stockholder".

(x) **Other provisions**

The Articles provide that, to the extent that it is not prohibited by and is in compliance with the Companies Law, if any rights attaching to any warrants which the Company may issue after the date of this prospectus shall remain exercisable and the Company does any act which would result in the subscription price under such warrants being reduced below the par value of a Share, a subscription right reserve shall be established and applied in paying up the shortfall between the subscription price and the par value of a Share on any exercise of the warrants.

3. VARIATION OF MEMORANDUM AND ARTICLES OF ASSOCIATION

Subject to the rights of the Company set out in paragraph 2(c) above to amend its capital by ordinary resolution, the memorandum of association of the Company may be altered by the Company by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the memorandum of association (subject as provided above) or the Articles or to change the name of the Company. For these purposes, a resolution is a special resolution if it has been passed by a majority of not less than three-fourths of the votes cast by such members of the Company as, being entitled to do so, vote in person or, in the case of such members as are corporations, by their respective duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice of not less than 21 clear days and not less than ten (10) clear business days specifying the intention to propose the resolution as a special resolution has been duly given. Except in the case of an annual general meeting, the requirement of not less than 21 clear days' notice and not less than ten (10) clear business days notice may be waived by a majority in number of the members having the right to attend and vote at the relevant meeting, being a majority together holding not less than 95 per cent. in nominal value of the shares giving that right.

4. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of the Cayman Islands company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman Islands company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". The share premium account may be applied by a company subject to the provisions of its memorandum and articles of association in such manner as the company may from time to time determine including, but without limitation:

(i) in paying distributions or dividends to members;

(ii) in paying up unissued shares of the company to be issued to members of the company as fully paid bonus shares;

(iii) in redeeming or purchasing its shares as provided in the Companies Law;

(iv) in writing off (aa) the preliminary expenses of the company; or

(bb) the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; or

(v) in providing for the premium payable on redemption of any shares or of any debentures of the company.

No dividend or distribution may be paid to members out of the share premium account unless immediately following the date of the proposed payment, the company is able to pay its debts as they fall due in the ordinary course of business.

A company may issue preference shares and redeemable preference shares.

The Companies Law does not contain any express provisions dealing with the variation of rights of holders of different classes of shares.

(b) **Financial assistance to purchase shares of a company or its holding company**

There is no statutory restriction in the Cayman Islands against the provision of financial assistance for the purchase, subscription or other acquisition of its shares, though on English common law principles, the directors have a duty to act in good faith for a proper purpose in the best interests of the company, and moreover, there are restrictions on any act which amounts to a reduction of capital. Accordingly, it may, depending on the circumstances be legitimate for the directors to authorise the provision by a company of financial assistance for the purchase, subscription or other acquisition of its own shares, or the shares of its holding company.

(c) **Redemption and Purchase of shares and warrants by a company and its subsidiaries**

A company may, if authorised by its articles of associations issue redeemable shares and, purchase its own shares, including any redeemable shares. Purchases and redemptions may only be effected out of the profits of the company or out of the proceeds of a fresh issue of shares made for the purpose, or, if so authorised by its articles of association and subject to the provisions of the Companies Law, out of capital. Any premium payable on a redemption or purchase over the par value of the shares to be purchased must be provided for out of profits of the company or out of the company's share premium account, or, if so authorised by its articles of association and subject to the provisions of the Companies Law, out of capital. Any purchase by a company of its own shares may be authorised by its directors or otherwise by or in accordance with the provisions of its articles. A payment out of capital for a redemption or purchase of a company's own shares is not lawful unless immediately following the date of the proposed payment the company is able to pay its debts as they fall due in the ordinary course of business. The shares so purchased or redeemed will be treated as cancelled and the company's issued, but not its authorised, capital will be diminished accordingly.

A company is not prohibited from purchasing and may purchase its own subscription warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and in certain circumstances, may acquire such shares. A company, whether a subsidiary or a holding company, may only purchase its own shares for cancellation if it is authorised to do so in its articles of association.

(d) **Dividends and distributions**

A company may not pay a dividend, or make a distribution out of share premium account unless immediately following the date on which the payment is proposed to be made, the company is able to pay its debts as they fall due in the ordinary course of business.

(e) **Protection of minorities**

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of a company to challenge (a) an act which is ultra vires the company or illegal (b) an act which constitutes a fraud against the minority and the wrong doers are themselves in control of the company, or (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of company (not being a bank) having a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the court shall direct.

Any shareholder of a company may petition the court which may make a winding up order if the court is of the opinion that it is just and equitable that the company shall be wound up.

Generally, claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the memorandum and articles of association of the company.

(f) **Management**

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary is required, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(g) **Accounting and auditing requirements**

The Companies Law requires a company to cause proper records of accounts to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company and (iii) the assets and liabilities of the company. A company is required to keep such books of account as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

(h) **Exchange control**

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(i) **Taxation**

There are no income, corporation, capital gains or other taxes in effect in the Cayman Islands on the basis of the present legislation. No capital or stamp duties are levied in the Cayman Islands on the issue, transfer or redemption of Shares.

(j) **Stamp duty**

Certain documents (which do not include contract, notes for the sale and purchase of, or instruments of transfer of, shares in Cayman Islands companies) are subject to stamp duty which is generally calculated on an ad valorem basis.

(k) **Inspection of corporate records**

Neither the members of a company nor the general public have the right to inspect the register of directors and officers, the minutes, accounts or, in the case of any exempted company, the register of members. The register of mortgages and charges must be kept at the registered office of the company and must be open to inspection by any creditor or member at all reasonable times.

Members of the public have no right to inspect the constitutive documents of a company but the memorandum and articles of association must be forwarded to any member of the company upon request. If no articles of association have been registered with the Registrar of Companies, each member has the right to receive copies of special resolutions of members upon request upon payment of a nominal fee.

The location of the registered office of a company is available to the general public upon request to the Registrar of Companies.

(l) **Winding up**

A company may be wound up by the Cayman Islands court on application presented by the company itself, its creditors or its contributors. The Cayman Islands court also has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Cayman Islands court, just and equitable that such company be wound up.

A company may be wound up voluntarily when the members so resolve in general meeting, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum of association expires, or the event occurs on the occurrence of which the memorandum of association provides that the company is to be dissolved. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above. Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval.

Where a resolution has been passed for the voluntary winding up of a company, the court may make an order that the winding up should continue subject to the supervision of the court with such liberty to creditors, contributors or others to apply to the court as the court may think fit.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purposes of winding up the affairs of the company and distributing its assets. If the liquidator at any time forms the opinion that such company will not be able to pay its debts in full, he is obliged to summon a meeting of creditors.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting requires at least one month's notice called by Public Notice in the Cayman Islands or otherwise as the Registrar of Companies may direct.

FURTHER INFORMATION ABOUT THE COMPANY AND ITS SUBSIDIARIES

1. Incorporation of the Company

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 8 March 2007, with an authorised share capital of US$50,000 initially divided into 50,000 Shares of US$1 each.

The Company is subject to the relevant laws and regulations of the Cayman Islands. Its constitution comprises a memorandum of association and the Articles of Association. A summary of certain relevant parts of its constitution and certain relevant aspects of the Companies Law is set out in Appendix IV to this prospectus.

2. Changes in share capital of the Company

(a) ***Changes in authorised share capital and issued share capital***

As at the date of incorporation of the Company, the Company had an authorised share capital of US$50,000 divided into 50,000 shares of US$1 each. On the same date, the one subscriber's share in the Company then held by the subscriber, namely Offshore Incorporations (Cayman) Limited was transferred to Mr. Shao at the consideration of US$1. Subsequently on 8 May 2007, a resolution was passed by Mr. Shao (as the sole shareholder of the Company) pursuant to which the said one issued share (then having a par value of US$1) was sub-divided into 1,000 shares of US$0.001 each, and the number of authorised shares of the Company became 50,000,000 shares having a par value of US$0.001 each. On the same date (i.e. 8 May 2007), Mr. Shao applied for 7,999,000 additional ordinary shares of US$0.001 each which were allotted and issued by the Company. Immediately following such issue of new shares, Mr. Shao remained as the sole shareholder of the Company holding 8,000,000 shares of US$0.001 each.

On 10 August 2009, the authorised share capital of the Company was increased by HK$387,500 by the creation of 387,500,000 new shares of HK$0.001 each, of which 62,000,000 new shares of HK$0.001 each were allotted and issued fully paid to Mr. Shao. Immediately thereafter, the Company then repurchased all of the 8,000,000 issued shares of US$0.001 each at a price of US$8,000 and cancelled 50,000,000 shares of US$0.001 each in the capital of the Company.

On 10 August 2009, resolutions were passed by Mr. Shao (as the sole shareholder of the Company), pursuant to which (i) every 10 shares having a par value of HK$0.001 each in the Company were consolidated into one Share having a par value of HK$0.01 each and, accordingly, the authorised share capital remained to be HK$387,500 comprising 38,750,000 Shares having a par value of HK$0.01 each; and (ii) the number of issued Shares and the number of unissued Shares (both then having a par value of HK$0.01 each) in the Company were 6,200,000 and 32,550,000 respectively.

Pursuant to a resolution in writing passed by the sole Shareholder (namely, Mr. Shao) on 17 August 2009, the authorised share capital of the Company was increased to HK$80 million by the creation of a further 7,961,250,000 Shares. On the same date, Mr. Shao applied for 1,800,000 additional Shares which were allotted and issued by the Company. Immediately following such issue of new Shares, the issued share capital of the Company increased to HK$80,000 divided into 8,000,000 Shares.

Immediately following completion of the Share Offer and the Capitalisation Issue but without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option or the options which may be granted under the Share Option Scheme, 400 million Shares will be issued fully paid or credited as fully paid, and 7,600 million Shares will remain unissued. In the event that the Over-allotment Option is exercised in full, 415 million Shares will be issued fully paid or credited as fully paid, and 7,585 million Shares will remain unissued. Other than pursuant to the exercise of the Over-allotment Option or the options which may be granted under the Share Option Scheme, the Directors do not have any present intention to issue any of the authorised but unissued share capital of the Company and, without the prior approval of the Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of the Company.

Save as disclosed herein and in paragraphs 2 and 3 of this Appendix, there has been no alteration in the share capital of the Company since its incorporation.

(b) ***Founder shares***

The Company has no founder shares, management shares or deferred shares.

3. **Resolutions in writing of the sole Shareholder passed on 24 August 2009**

On 24 August 2009, pursuant to resolutions in writing passed by the sole Shareholder:

(a) the Company approved and adopted its existing Articles of Association;

(b) conditional on (aa) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in the Shares in issue and to be issued as mentioned in this prospectus; (bb) the Offer Price having been determined; (cc) the execution and delivery of the Underwriting Agreements on or before the respective dates as mentioned in this prospectus; and (dd) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise, in each case on or before the day falling 30 days after the date of this prospectus:

(i) the Share Offer and the Over-allotment Option were approved and the Directors were authorised to allot and issue of the Offer Shares pursuant to the Share Offer and such number of Shares as may be required to be allotted and issued upon the exercise of the Over-allotment Option;

(ii) the rules of the Share Option Scheme, the principal terms of which are set out in paragraph 15 of this Appendix, were approved and adopted and the Directors were authorised to approve any amendments to the rules of the Share Option Scheme as may be acceptable or not objected by the Stock Exchange, and at their absolute discretion to grant options to subscribe for Shares thereunder, to allot, issue and deal with Shares pursuant to the exercise of options which may be granted under the Share Option Scheme and to take all such steps as may be necessary, desirable or expedient to implement the Share Option Scheme;

(iii) conditional on the share premium account being credited as a result of the Share Offer, the Directors were authorised to capitalise HK$2,920,000 standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par 292,000,000 Shares for allotment and issue to Shareholders whose names appear on the register of members of the Company at the close of business on 24 August 2009 (or as they may direct) in proportion (as nearly as possible without involving fractions so that no fraction of a Share shall be allotted and issued) to their then existing shareholdings in the Company so that the Shares to be allotted and issued pursuant to this resolution should rank pari passu in all respects with the then existing issued Shares and the Directors were authorised to give effect to such capitalisation;

(iv) a general unconditional mandate was given to the Directors to exercise all powers of the Company to allot, issue and deal with, otherwise than by way of rights issue, scrip dividend schemes or similar arrangements in accordance with the Articles of Association, or pursuant to the exercise of any options which may be granted under the Share Option Scheme, or under the Share Offer or the Capitalisation Issue or upon the exercise of the Over-allotment Option, Shares with an aggregate nominal amount of not exceeding the sum of (aa) 20% of the aggregate nominal amount of the share capital of the Company in issue immediately following the completion of the Share Offer and the Capitalisation Issue (excluding the Shares which may be issued pursuant to the exercise of the Over-allotment Option or exercise of options that may be granted under the Share Option Scheme); and (bb) the aggregate nominal amount of the share capital of the Company which may be purchased by the Company pursuant to the authority granted to the Directors as referred to in paragraph (v) below, until the conclusion of the next annual general meeting of the Company, or the date by which the next annual general meeting of the Company is required by the Articles of Association or any applicable Cayman Islands law to be held, or the passing of an ordinary resolution by Shareholders of the Company revoking or varying the authority given to the Directors, whichever occurs first; and

(v) a general unconditional mandate ("**Repurchase Mandate**") was given to the Directors to exercise all powers of the Company to purchase Shares with an aggregate nominal amount of not exceeding 10% of the aggregate nominal amount of the share capital of the Company in issue and to be issued immediately following completion of Share Offer and the Capitalisation Issue (excluding the Shares which may be issued pursuant to the exercise of the Over-allotment Option or exercise of options that may be granted under the Share Option Scheme), until the conclusion of the next annual general meeting of the Company, or the date by which the next annual general meeting of the Company is required by the Articles of Association or any applicable Cayman Islands law to be held, or the passing of an ordinary resolution by the Shareholders revoking or varying the authority given to the Directors, whichever occurs first; and

(vi) the extension of the general mandate to allot, issue and deal with Shares to include the nominal amount of Shares which may be purchased or repurchased pursuant to paragraph (v) above.

4. **Reorganisation**

The companies comprising the Group underwent the Reorganisation to rationalise the Group's structure in preparation for the Listing of the Shares on the Stock Exchange as follows:

(a) on 8 May 2009, the Company transferred the entire issued share capital in Top Finance Holdings Limited (being one share having a par value of US$1) to Mr. Shao at the consideration of US$1;

(b) by an agreement dated 15 April 2009 entered into between Mr. Zhou Hui (an employee of Guangzhou Modern Books) and Guangzhou Modern Information, Mr. Zhou Hui agreed to transfer his equity interest in Guangzhou Modern Books (then held on trust by Mr. Zhou Hui for Mr. Shao, being 10% of the entire equity interest in Guangzhou Modern Books and which 10% interest had a face value of RMB301,000) to Guangzhou Modern Information at the consideration of RMB301,000. The filings of such change in equity-holder in Guangzhou Modern Books with the relevant administration of industry and commerce were effected on 12 May 2009. Following such transfer and as at 12 May 2009, Guangzhou Modern Books was held as to 90% by Mr. Shao and as to 10% by Guangzhou Modern Information;

(c) by an agreement dated 15 April 2009 entered into between Mr. Shao and Guangzhou Modern Books, Mr. Shao agreed to transfer his interest in Beijing Yage (being 20% of the entire equity interest in Beijing Yage and which 20% interest had a face value of RMB100,000) to Guangzhou Modern Books at the consideration of RMB100,000. The filings of such change in equity-holder in Beijing Yage with the relevant administration of industry and commerce were effected on 24 April 2009. Following such transfer and as at 24 April 2009, Beijing Yage was held as to 80% by Guangzhou Modern Information and as to 20% by Guangzhou Modern Books;

(d) by an agreement dated 13 April 2009 entered into between Guangzhou Modern Information and Ms. Zhong, Ms. Zhong agreed to transfer her interest in Zhuhai Yinhu (then held on trust by Ms. Zhong for Mr. Shao, being 10% of the entire equity interest in Zhuhai Yinhu and which 10% interest had a face value of RMB50,000) to Guangzhou Modern Information at the consideration of RMB50,000. The filings of such change in equity-holder in Zhuhai Yinhu with the relevant administration of industry and commerce were effected on 4 May 2009. Following such transfer and as at 4 May 2009, Zhuhai Yinhu was held as to 90% by Mr. Shao and as to 10% by Guangzhou Modern Information;

(e) by an agreement dated 15 April 2009 entered into between Shenzhen Yage Zhimei and Zhuhai Modern Zhimei, Shenzhen Yage Zhimei agreed to transfer its interest in Guangzhou Yage (being the entire equity interest in Guangzhou Yage and which had a face value of RMB500,000) to Zhuhai Modern Zhimei at the consideration of RMB500,000. The filings of such change in equity-holder in Guangzhou Yage with the relevant administration of industry and commerce were effected on 12 May 2009. Following such transfer and as at 12 May 2009, Guangzhou Yage was held as to 100% by Zhuhai Modern Zhimei;

(f) by an agreement dated 10 April 2009 entered into between Guangzhou Modern Books and Guangzhou Modern Information, Guangzhou Modern Information agreed to transfer part of its interest in Shanghai Yage (being 10% of the entire equity interest in Shanghai Yage and which had a face value of RMB50,000) to Guangzhou Modern Books at the consideration of RMB50,000. The filings of such change in equity-holder in Shanghai Yage with the relevant administration of industry and commerce were effected on 4 May 2009. Following such transfer and as at 4 May 2009, Shanghai Yage was held as to 90% by Guangzhou Modern Information and as to 10% by Guangzhou Modern Books;

(g) by an agreement dated 23 April 2009 entered into between Zhuhai Modern Zhimei and an Independent Third Party, Zhuhai Modern Zhimei agreed to transfer its interest in Sichuan Shangdu (being 50% of the entire equity interest in Sichuan Shangdu and which 50% interest had a face value of RMB1,000,000) to the Independent Third Party at the consideration of RMB298,000. The filings of such change in equity-holder in Zhuhai Modern Zhimei with the relevant administration of industry and commerce were effected on 15 May 2009. Following such transfer and since 15 May 2009, Sichuan Shangdu was excluded from the Group;

(h) by an agreement dated 6 May 2009 entered into between Shanghai Yage and Mr. Shao, Shanghai Yage agreed to transfer its interest in Shanghai Senyin (then held on trust by Shanghai Yage for Mr. Shao, being 95% of the entire equity interest in Shanghai Senyin and which 95% interest had a face value of RMB950,000) to Mr. Shao at the consideration of RMB100,000. The filings of such change in equity-holder in Shanghai Senyin with the relevant administration of industry and commerce were effected on 13 May 2009. Following such transfer and since 13 May 2009, Shanghai Senyin was excluded from the Group;

(i) by an agreement dated 11 May 2009 entered into between Zhuhai Modern Zhimei and an Independent Third Party (as supplemented by an agreement dated 12 May 2009 between the same parties), Zhuhai Modern Zhimei agreed to transfer its interest in Tianjin Holiday (being 20% of the entire equity interest in Tianjin Holiday and which 20% interest had a face value of RMB4,000,000) to the Independent Third Party at the consideration of RMB8,101,200. The filings of such change in equity-holder in Tianjin Holiday with the relevant administration of industry and commerce were effected on 18 May 2009. Following such transfer and since 18 May 2009, Tianjin Holiday was excluded from the Group;

(j) by an agreement dated 8 August 2009 entered into between Guangzhou Modern Information and Shanghai Senyin, Guangzhou Modern Information agreed to transfer its interest in Guangzhou Xiandai (being 20% of the entire equity interest in Guangzhou Xiandai and which 20% interest had a face value of RMB100,000) to Shanghai Senyin at the consideration of RMB100,000. The filings of such change in equity-holder in Guangzhou Xiandai with the relevant administration of industry and commerce are expected to be made on 25 August 2009;

(k) on 24 August 2009, Mr. Shao entered into a deed of covenants with the Company pursuant to which Mr. Shao has, as a controlling shareholder of the Company, given certain undertakings (including the non-competition undertakings in favour of the Group (details of which are set out under the paragraph headed "Non-Competition Undertakings" in the section headed "Relationship with the Controlling Shareholder" of this prospectus)), in consideration of the Company agreeing to apply for the Listing at the request of Mr. Shao and to procure Zhuhai Technology and Modern Media (HK) (where applicable) to enter into the Contractual Arrangements; and

(l) on 24 August 2009, all the agreements constituting the Contractual Arrangements (being the material contracts (1) to (23) referred to in paragraph 8 of this Appendix) were entered into between Zhuhai Technology, Modern Media (HK), the PRC Operational Entities and Mr. Shao (where applicable).

5. Changes in share capital of subsidiaries

The changes in the share capital of the subsidiaries of the Company are listed in the accountants' report set out in Appendix I to this prospectus.

In addition to the Reorganisation described in paragraph 4 above, the following alterations in the share capital of each of the Company's subsidiaries took place within the two years immediately preceding the date of this prospectus:

(a) in November 2007, the total investment amount of Zhuhai Technology (which was then equivalent to its registered capital) was resolved to be increased from HK$3,250,000 to HK$10,000,000, the same of which was approved and registered in December 2007. In June 2009, the total investment amount of Zhuhai Technology was further resolved and approved to be increased to HK$60,000,000, while its registered capital was resolved and approved to be increased to HK$35,000,000. Up to the Latest Practicable Date, the said approved increase in the registered capital of Zhuhai Technology has not been registered or paid up, while the paid up capital of Zhuhai Technology amounted to HK$4,600,000; and

(b) in January 2008, the total investment amount of Zhuhai Modern Zhimei (which was equivalent to its registered capital) was resolved and approved to be increased from HK$6,000,000 to HK$10,000,000, the same of which was registered in February 2008. In June 2008, in view of the fact that the economic status of Zhuhai Modern Zhimei was approved to be changed from a wholly foreign-owned enterprise to a domestic company (whose sole equity holder then changed from Modern Media (HK) to Mr. Shao), the total investment amount of Zhuhai Modern Zhimei (which was equivalent to its registered capital) was approved to be changed to RMB8,950,000 (the then RMB equivalent of HK$10,000,000).

Save as disclosed herein and in paragraph 4 of this Appendix, there has been no alteration in the share capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this prospectus.

6. **Repurchase by the Company of its own securities**

This paragraph includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase by the Company of its own securities.

(a) ***Shareholders' approval***

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company listed on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

Note: Pursuant to a resolution in writing passed by the sole Shareholder of the Company on 24 August 2009, the Repurchase Mandate was given to the Directors authorising any repurchase by the Company of Shares on the Stock Exchange or any other stock exchange on which the securities of the Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, of up to 10% of the aggregate nominal amount of the share capital of the Company immediately following completion of Share Offer and the Capitalisation Issue (excluding the Shares which may be issued pursuant to the exercise of the Over-allotment Option or exercise of options that may be granted under the Share Option Scheme), such mandate will expire at the conclusion of the next annual general meeting of the Company, or the date by which the next annual general meeting of the Company is required by the Articles of Association or applicable Cayman Islands law to be held, or the passing of an ordinary resolution by the Shareholders in general meeting revoking or varying the same, whichever occurs first.

(b) ***Source of funds***

Repurchases must be paid out of funds legally available for the purpose in accordance with the Articles of Association and the Companies Law. A listed company may not repurchase its own securities on the Main Board for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Under Cayman Islands laws, any repurchases by the Company may be made out of profits of the Company or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if authorised by its Articles of Association and subject to the Companies Law, out of capital. Any premium payable on a redemption or purchase over the par value of the Shares to be repurchased must be provided for out of profits or the share premium account of the Company or, if authorised by its Articles of Association and subject to the Companies Law, out of capital.

(c) ***Reasons for repurchases***

The Directors believe that it is in the best interests of the Company and its Shareholders for the Directors to have general authority from the Shareholders to enable the Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made if the Directors believe that such repurchases will benefit the Company and its Shareholders.

(d) ***Funding of repurchases***

In repurchasing securities, the Company may only apply funds legally available for such purpose in accordance with its Articles of Association, the Listing Rules and the applicable laws of the Cayman Islands.

On the basis of the current financial position of the Group as disclosed in this prospectus and taking into account the current working capital position of the Group, the Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of the Group as compared with the position disclosed in this prospectus. However, the Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Group or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Group.

Assuming that the Over-allotment Option is not exercised, the exercise in full of the Repurchase Mandate, on the basis of 400,000,000 Shares in issue immediately after the listing of the Shares on the Main Board, would result in up to 40,000,000 Shares being repurchased by the Company during the period in which the Repurchase Mandate remains in force.

Assuming that the Over-allotment Option is exercised in full and on the basis of 415,000,000 Shares in issue immediately after the exercise of the Over-allotment Option, the exercise in full of the Repurchase Mandate, would result in up to 41,500,000 Shares being repurchased by the Company during the period in which the Repurchase Mandate remains in force.

(e) ***General***

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates currently intends to sell any Shares to the Company or its subsidiaries.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

If, as a result of a securities repurchase, a Shareholder's proportionate interest in the voting rights of the Company is increased, such increase will be treated as an acquisition for the purpose of the Hong Kong Code on Takeovers and Mergers ("**Takeovers Code**"). Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with rule 26 of the Takeovers Code. Save as aforesaid, the Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

No connected person (as defined in the Listing Rules) of the Company has notified the Company that he has a present intention to sell Shares to the Company, or has undertaken not to do so if the Repurchase Mandate is exercised.

7. Registration under Part XI of the Companies Ordinance

The Company has been registered in Hong Kong under Part XI of the Companies Ordinance as a non-Hong Kong company and our principal place of business in Hong Kong is at 9th Floor, Zung Fu Industrial Building, No. 1067 King's Road, Quarry Bay, Hong Kong. In compliance with the requirements of the Companies Ordinance, Mok Chun Ho, Neil of 9th Floor, Zung Fu Industrial Building, No. 1067 King's Road, Quarry Bay, Hong Kong has been appointed as our agent for the acceptance of service of process and any notice required to be served on our Company in Hong Kong.

FURTHER INFORMATION ABOUT THE BUSINESS OF THE GROUP

8. Summary of material contracts

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of the Group within the two years preceding the date of this prospectus and are or may be material:

(1) the Management and Consultation Services Agreement dated 24 August 2009 entered into between Zhuhai Technology with Guangzhou Modern Information, Guangzhou Modern Books, Zhuhai Yinhu and Zhuhai Modern Zhimei (collectively the "**Publishing and Investment Holding Entities**"), pursuant to which the Publishing and Investment Holding Entities will engage Zhuhai Technology on an exclusive basis to provide consultation services in, among others, the management, sales and marketing, enterprise management and other supporting services in connection with their business and in return, Zhuhai Technology will charge for such services rendered.

(2) the Management and Consultation Services Agreement dated 24 August 2009 entered into between Zhuhai Technology with Shanghai Gezhi, Beijing Yage Zhimei, Shenzhen Yage Zhimei and Guangzhou Yage (collectively the "**Sales Entities**"), pursuant to which the Sales Entities will engage Zhuhai Technology on an exclusive basis to provide consultation services in, among others, the management, sales and marketing, enterprise management and other supporting services in connection with their business and in return, Zhuhai Technology will charge for such services rendered.

(3) the Management and Consultation Services Agreement dated 24 August 2009 entered into between Zhuhai Technology with Beijing Yage and Shanghai Yage (collectively the "**Production Entities**"), pursuant to which the Production Entities will engage Zhuhai Technology on an exclusive basis to provide consultation services in, among others, the management, sales and marketing, enterprise management and other supporting services in connection with their business and in return, Zhuhai Technology will charge for such services rendered.

The fees to be charged by Zhuhai Technology pursuant to the Management and Consultation Services Agreements under items (1) to (3) above are based on the total revenue of the respective PRC Operational Entities, after deducting all the related costs of sales, expenses and taxes as audited by such certified public accountants of the PRC, and the duration of such Management and Consultation Services Agreements is stated in the section headed "Business — Contractual Arrangements — (iv) Management and Consultation Services Agreements" of this prospectus.

(4) The Equity Pledge Agreement dated 24 August 2009 entered into between Zhuhai Technology and Mr. Shao whereby Mr. Shao granted a continuing first priority security interests over all his direct equity interests in Guangzhou Modern Information to Zhuhai Technology for guaranteeing the payment of the services fees under the relevant Management and Consultation Services Agreement mentioned in item (1) above.

(5) The Equity Pledge Agreement dated 24 August 2009 entered into between Zhuhai Technology, Mr. Shao and Guangzhou Modern Information whereby Mr. Shao and Guangzhou Modern Information granted a continuing first priority security interests over their respective direct equity interests in Guangzhou Modern Books to Zhuhai Technology for guaranteeing the payment of the services fees under the relevant Management and Consultation Services Agreement mentioned in item (1) above.

(6) The Equity Pledge Agreement dated 24 August 2009 entered into between Zhuhai Technology, Mr. Shao and Guangzhou Modern Information whereby Mr. Shao and Guangzhou Modern Information granted a continuing first priority security interests over their respective direct equity interests in Zhuhai Yinhu to Zhuhai Technology for guaranteeing the payment of the services fees under the relevant Management and Consultation Services Agreement mentioned in item (1) above.

(7) The Equity Pledge Agreement dated 24 August 2009 entered into between Zhuhai Technology and Zhuhai Yinhu whereby Zhuhai Yinhu granted a continuing first priority security interests over its direct equity interests in Zhuhai Modern Zhimei to Zhuhai Technology for guaranteeing the payment of the services fees under the relevant Management and Consultation Services Agreement mentioned in item (1) above.

(8) The Equity Pledge Agreement dated 24 August 2009 entered into between Zhuhai Technology and Zhuhai Modern Zhimei whereby Zhuhai Modern Zhimei granted a continuing first priority security interests over its direct equity interests in Shanghai Gezhi to Zhuhai Technology for guaranteeing the payment of the services fees under the relevant Management and Consultation Services Agreement mentioned in item (2) above.

(9) The Equity Pledge Agreement dated 24 August 2009 entered into between Zhuhai Technology and Zhuhai Modern Zhimei whereby Zhuhai Modern Zhimei granted a continuing first priority security interests over its direct equity interests in Beijing Yage Zhimei to Zhuhai Technology for guaranteeing the payment of the services fees under the relevant Management and Consultation Services Agreement mentioned in item (2) above.

(10) The Equity Pledge Agreement dated 24 August 2009 entered into between Zhuhai Technology and Zhuhai Modern Zhimei whereby Zhuhai Modern Zhimei granted a continuing first priority security interests over its direct equity interests in Shenzhen Yage Zhimei to Zhuhai Technology for guaranteeing the payment of the services fees under the relevant Management and Consultation Services Agreement mentioned in item (2) above.

(11) The Equity Pledge Agreement dated 24 August 2009 entered into between Zhuhai Technology and Zhuhai Modern Zhimei whereby Zhuhai Modern Zhimei granted a continuing first priority security interests over its direct equity interests in Guangzhou Yage to Zhuhai Technology for guaranteeing the payment of the services fees under the relevant Management and Consultation Services Agreement mentioned in item (2) above.

(12) The Equity Pledge Agreement dated 24 August 2009 entered into between Zhuhai Technology, Guangzhou Modern Information and Guangzhou Modern Books whereby Guangzhou Modern Information and Guangzhou Modern Books granted a continuing first priority security interests over their respective equity interests in Shanghai Yage to Zhuhai Technology for guaranteeing the payment of the services fees under the relevant Management and Consultation Services Agreement mentioned in item (3) above.

(13) The Equity Pledge Agreement dated 24 August 2009 entered into between Zhuhai Technology, Guangzhou Modern Information and Guangzhou Modern Books whereby Guangzhou Modern Information and Guangzhou Modern Books granted a continuing first priority security interests over their respective equity interests in Beijing Yage to Zhuhai Technology for guaranteeing the payment of the services fees under the relevant Management and Consultation Services Agreement mentioned in item (3) above.

Pursuant to the Equity Pledge Agreements under items (4) to (13) above, Zhuhai Technology is entitled to all dividends derived from the pledged equity interests. Zhuhai Technology is entitled to exercise its rights to sell the pledged equity interests on occurrence of any non-payment of services fees to Zhuhai Technology under the respective Management and Consultation Services Agreements.

(14) The Business Operation Agreement dated 24 August 2009 entered into between Zhuhai Technology with Guangzhou Modern Books, Zhuhai Yinhu, Guangzhou Modern Information, Zhuhai Modern Zhimei and Mr. Shao, whereby Guangzhou Modern Books, Zhuhai Yinhu, Guangzhou Modern Information and Zhuhai Modern Zhimei have undertaken, among others, not to enter into any material business transaction without the prior written consent of Zhuhai Technology and undertaken to appoint individuals as nominated by Zhuhai Technology to be the directors and key management of the Publishing and Investment Holding Entities.

(15) The Business Operation Agreement dated 24 August 2009 entered into between Zhuhai Technology with Shanghai Gezhi, Beijing Yage Zhimei, Shenzhen Yage Zhimei, Guangzhou Yage and Zhuhai Modern Zhimei, whereby Shanghai Gezhi, Beijing Yage Zhimei, Shenzhen Yage Zhimei and Guangzhou Yage have undertaken, among others, not to enter into any material business transaction without the prior written consent of Zhuhai Technology and undertaken to appoint individuals as nominated by Zhuhai Technology to be the directors and key management of the Sales Entities.

(16) The Business Operation Agreement dated 24 August 2009 entered into between Zhuhai Technology with Shanghai Yage, Beijing Yage, Guangzhou Modern Information and Guangzhou Modern Books, whereby Shanghai Yage and Beijing Yage have undertaken, among others, not to enter into any material business transaction without the prior written consent of Zhuhai Technology and to appoint individuals as nominated by Zhuhai Technology to be the directors and key management of the Production Entities.

Pursuant to the Business Operation Agreements under items (14) to (16) above, nominees of Zhuhai Technology are authorised to exercise the rights of shareholders of the PRC Operational Entities so as to ensure that any dividend and/or capital gain derived from the equity interests in the PRC Operational Entities, distributable reserve and proceeds from the realisation of any assets by the PRC Operational Entities which are distributable in accordance with applicable laws and the constitutional documents of each of the PRC Operational Entities received thereof shall be paid to Zhuhai Technology as soon as practicable but in any event no later than three days from the receipt of the payment or distribution.

(17) The Option Agreement dated 24 August 2009 entered into between Modern Media (HK), Mr. Shao, Guangzhou Modern Information, Guangzhou Modern Books, Zhuhai Yinhu and Zhuhai Modern Zhimei, whereby Modern Media (HK) has been granted options to acquire, directly or though one or more nominees, the entire equity interest in Guangzhou Modern Books, Zhuhai Yinhu, Guangzhou Modern Information and Zhuhai Modern Zhimei at nil consideration or the minimum amount as permitted by the applicable PRC laws, while Modern Media (HK) may exercise such options at any time and in any manner at its sole discretion subject to compliance with the PRC laws, and other rights as summarised in the section headed "Business — Contractual Arrangements — (ii) Option Agreements" of this prospectus.

(18) The Option Agreement dated 24 August 2009 entered into between Modern Media (HK), Zhuhai Modern Zhimei, Shanghai Gezhi, Beijing Yage Zhimei, Shenzhen Yage Zhimei and Guangzhou Yage, whereby Modern Media (HK) has been granted options to acquire, directly or though one or more nominees, the entire equity interest in Shanghai Gezhi, Beijing Yage Zhimei, Shenzhen Yage Zhimei and Guangzhou Yage at nil consideration or the minimum amount as permitted by the applicable PRC laws, while Modern Media (HK) may exercise such options at any time and in any manner at its sole discretion subject to compliance with the PRC laws, and other rights as summarised in the section headed "Business — Contractual Arrangements — (ii) Option Agreements" of this prospectus..

(19) The Option Agreement dated 24 August 2009 entered into between Modern Media (HK), Guangzhou Modern Information, Guangzhou Modern Books, Shanghai Yage and Beijing Yage, whereby Modern Media (HK) has been granted options to acquire, directly or though one or more nominees, the entire equity interest in Shanghai Yage and Beijing Yage at nil consideration or the minimum amount as permitted by the applicable PRC laws, while Modern Media (HK) may exercise such options at any time and in any manner at its sole discretion subject to compliance with the PRC laws, and other rights as summarised in the section headed "Business — Contractual Arrangements — (ii) Option Agreements" of this prospectus.

(20) The Proxy Agreement dated 24 August 2009 entered into by Zhuhai Technology, Mr. Shao and Guangzhou Modern Information pursuant to which (i) Guangzhou Modern Information has undertaken, among others, that it shall authorise Mr. Shao to exercise its shareholders' rights in each of Zhuhai Yinhu and Guangzhou Modern Books in the interests of and/or based on the instruction from Zhuhai Technology and, in case any dividend and/or capital gain is derived from the equity interests in Zhuhai Yinhu and Guangzhou Modern Books, the same shall be paid by Guangzhou Modern Information to Zhuhai Technology as soon as practicable but in any event no later than three days from the receipt of the payment; and (ii) Mr. Shao has undertaken, among others, that he shall exercise the shareholders' rights in each of Guangzhou Modern Books, Zhuhai Yinhu and Guangzhou Modern Information in the interests of and/or based on the instruction from Zhuhai Technology and, in case any dividend and/or capital gain is derived from the equity interests in the said entities, the same shall be paid by Mr. Shao to Zhuhai Technology as soon as practicable but in any event no later than three days from the receipt of the payment.

(21) The Proxy Agreement dated 24 August 2009 entered into by Zhuhai Technology, Mr. Shao and Zhuhai Modern Zhimei pursuant to which (i) Zhuhai Modern Zhimei has undertaken, among others, to authorise Mr. Shao to exercise the shareholders' rights in each of Shanghai Gezhi, Beijing Yage Zhimei, Shenzhen Yage Zhimei and Guangzhou Yage in the interests

of and/or based on the instruction from Zhuhai Technology and, in case any dividend and/or capital gain is derived from the equity interests in the said entities, the same shall be paid to Zhuhai Technology as soon as practicable but in any event no later than three days from the receipt of the payment; and (ii) Mr. Shao has undertaken, among others, that in the course of the aforesaid authorisation from Zhuhai Modern Zhimei, in case any dividend and/or capital gain is derived from the equity interests in the said entities, the same shall be paid to Zhuhai Technology as soon as practicable but in any event no later than three days from the receipt of the payment.

(22) The Proxy Agreement dated 24 August 2009 entered into by Zhuhai Technology, Mr. Shao, Guangzhou Modern Information and Guangzhou Modern Books, pursuant to which (i) Guangzhou Modern Information and Guangzhou Modern Books have undertaken, among others, to authorise Mr. Shao to exercise the shareholders' rights in each of Shanghai Yage and Beijing Yage in the interests of and/or based on the instruction from Zhuhai Technology and, in case any dividend and/or capital gain is derived from the equity interests in the said entities, the same shall be paid to Zhuhai Technology as soon as practicable but in any event no later than three days from the receipt of the payment; and (ii) Mr. Shao has undertaken, among others, that in the course of the aforesaid authorisation from Guangzhou Modern Information and Guangzhou Modern Books, in case any dividend and/or capital gain is derived from the equity interests in the said entities, the same shall be paid to Zhuhai Technology as soon as practicable but in any event no later than three days from the receipt of the payment.

(23) The Trademark Transfer Agreement dated 24 August 2009 entered into between Guangzhou Modern Information and Zhuhai Technology, pursuant to which (i) Guangzhou Modern Information has granted an option to Zhuhai Technology to acquire certain trademarks (upon their application for registration in the PRC having been completed) regarding the PRC Magazines and it business at a nominal consideration of RMB1 or such other minimum amount as required by the applicable PRC laws; (ii) prior to Zhuhai Technology's exercise of such option, Zhuhai Technology and its nominees may use the trademarks free from payment of royalty; and (iii) Guangzhou Modern Information has been restrained from licensing the trademarks to any third party without Zhuhai Technology's prior written consent.

(24) A deed of covenants dated 24 August 2009 and made between Mr. Shao and the Company pursuant to which Mr. Shao has given, among others, certain undertakings (including the non-compete undertakings as summarised in the section headed "Relationship with the Controlling Shareholder — Non-Competition Undertakings — Undertakings given by Mr. Shao" of this prospectus) in favour of the Group.

(25) A deed of indemnity dated 24 August 2009 executed by Mr. Shao in favour of the Company (for itself and as trustee for its subsidiaries stated therein) containing the indemnities in respect of estate duty, taxation and other liabilities more particularly referred to in paragraph 16 of this Appendix.

(26) The Public Offer Underwriting Agreement.

9. **Intellectual Property Rights of the Group**

Trademarks

As at the Latest Practicable Date, the following trademarks were subjects of the Group's applications for trademark registration in the PRC, which registration has not yet been granted:

Trademark	Class *(Note 1)*	Application number	Date of application
	35	5968620	29 March 2007
現代傳播 Modern Media	41	6159041	11 July 2007
現代傳播 Modern Media	35	6159042	11 July 2007
周末 MODERN WEEKLY INTERNATIONAL NEWS, BUSINESS & LIFESTYLE 画报	16	6167094	16 July 2007
周末 MODERN WEEKLY BUSINESS 画报	16	6167095	16 July 2007
周末 MODERN WEEKLY CITYLIFE 画报	16	6167096	16 July 2007
周末 MODERN WEEKLY LIFESTYLE 画报	16	6167097	16 July 2007
新视线	16	6171449	18 July 2007
优家 You Family	16	6347959	29 October 2007
大 声 展 Get It Louder	41	6517104	18 January 2008
大 声 展 Get It Louder	42	6517128	18 January 2008
优家画报U+	16	7476142	17 June 2009

Trademark	Class *(Note 1)*	Application number	Date of application
AutoLife 汽车生活	16	7497791	25 June 2009
LIFEMAGAZINE	16	7567548	24 July 2009
Lifestyle Of Health And Sustainability	16	7567547	24 July 2009
Lifestyle Of Health And Sustainability O	16	7567546	24 July 2009
Métropole	16	*(Note 2)*	

Notes:

1. The products and/or services being applied for trademark registration under classes 16, 41 and 42 above include books, printed publications, newspapers, journals, magazines (periodicals) and news publications; while the products and/or services being applied for trademark registration under class 35 above include advertising and communication, direct mail advertising, publication of advertising and promotional brochures, advertising and promotions, and advertising agency respectively.

2. While our Company has engaged 中國國際貿易促進委員會專利商標事務所 (CCPIT Patent and Trademark Law Office) in August 2009 to arrange for the registration of this trademark in connection with one of our PRC Magazines, "大都市"(Metropolis), as at the Latest Practicable Date, we have yet to receive acknowledgment of receipt from 國家工商行政管理總局商標局 (The PRC Trademark Office of the SAIC*) regarding such application. Accordingly, information on the application number and date of application are not inserted for this trademark under registration.

As at the Latest Practicable Date, the following trademarks in series were subjects of the Group's application for trademark registration in Hong Kong, which registration has not yet been granted:

Trademark (in series)	Class (Note)	Application number	Date of filing
現代傳播 Modern Media 現代傳播 Modern Media	16, 35, 41 and 42	301326753	17 April 2009

Note: The products and/or services covered under class 16 include printed matter, magazines, newsletters, pamphlets, brochures, books. The products and/or services covered under class 35 include sale of advertising spaces in printed media, production and design of advertisements, advertising, business management consultancy, marketing and promotional services and sales (retail) of computer software. The products and/or services covered under class 41 include provision of training, organising cultural exchange activities, event and exhibition management (organising), publishing and distribution of printed media. The products and/or services covered under class 42 include research and development of computer software, after-sale services of computer software, namely making tailor-made modifications (custom design) to standard model of the computer software in order to suit clients' specific requirements.

As at the Latest Practicable Date, the Group was the registered proprietor and beneficial owner of the following registered trademarks in Hong Kong:

Trademark	Class (Note)	Trade Mark number	Expiry date
CITY MAGAZINE	16, 41	200310474AA	11 April 2017
號外	16, 41	200310476AA	11 April 2017

Note: The products covered under Class 16 are magazines. The services covered under Class 41 are the publishing of magazines.

Computer software copyright

As at the Latest Practicable Date, the Group obtained certificate of computer software copyright form 中華人民共和國國家版權局 (National Copyright Administration of the PRC*). The name of the product registered is 現代傳播媒體管理系統 V2.00 (Modern Media Management System V2.00*), with registration number 粵 DGY-2008-0552 (Yue DGY-2008-0552*).

Domain Name

To protect the names of the PRC magazines and City Magazine and the names of some of the Group companies from possible infringement by persons registering such names or similar as domain names, the Group has registered over 100 domain names. As at the Latest Practicable Date, the following domain names were registered and principally used by the Group's in its business operations:

Domain name	Name of Registrant	Registration Date	Expiry Date
modernmedia.com.cn	Guangzhou Modern Information	20 November 2002	20 November 2010
modernweekly.com	Guangzhou Modern Information	31 December 2002	30 December 2011
theoutlookmagazine.com	Guangzhou Modern Information	15 August 2002	15 August 2011
chinalifemagazine.com	Guangzhou Modern Information	7 July 2009	7 July 2011
cityhowwhy.com.hk	City Howwhy	9 March 2006	15 March 2012
caranddream.com.cn	Guangzhou Modern Information	24 September 2007	24 September 2011
uplusweekly.com	Guangzhou Modern Information	29 October 2008	29 October 2011
lohasliving.com.cn	Guangzhou Modern Information	2 July 2007	2 July 2011
metro-man.com.cn	Guangzhou Modern Information	20 August 2009	20 August 2011

10. **Further information about the Group's PRC establishments**

The Company has indirect equity interest in the registered capital of two companies established in the PRC. Further, ten companies established in the PRC (i.e. the PRC Operational Entities) are regarded as subsidiaries of the Company by way of the Contractual Arrangements. A summary of the corporate information of these enterprises as at the Latest Practicable Date is set out as follows:

(1) (i) Name of the enterprise: 現代傳播(珠海)科技有限公司 (Modern Media (Zhuhai) Technology Co., Ltd.*)

(ii) Economic nature: Wholly foreign-owned enterprise

(iii) Registered owner: Modern Media (HK)

(iv) Total investment amount: HK$10,000,000 (approved to be increased to HK$60,000,000 in June 2009)

	(v)	Registered capital:	HK$10,000,000 (approved to be increased to HK$35,000,000 in June 2009, HK$4,600,000 of which has been paid up, HK$5,000,000 of which is required to be paid up by 30 September 2009 while the remaining unpaid registered capital thereafter is required to be paid within 24 months from when the renewed business licence of Zhuhai Technology is issued)
	(vi)	Attributable interest to the Company:	100%
	(vii)	Term of operation:	20 years, from 13 April 2006 to 13 April 2026
	(viii)	Scope of business:	research and development, production and sale of software and after-sale service of software, provision of consultancy service on project planning and social economic information and enterprise management and enterprise image planning (other than those prohibiting foreign investment)
	(ix)	Locations of branches:	Shenzhen, Shanghai, Guangzhou and Beijing
(2)	(i)	Name of the enterprise:	雅致美信息諮詢(深圳)有限公司 (Yazhimei Information Consultation (Shenzhen) Co., Ltd.*)
	(ii)	Economic nature:	Wholly foreign-owned enterprise
	(iii)	Registered Owner:	City Howwhy
	(iv)	Total investment amount:	HK$2,000,000
	(v)	Registered capital:	HK$2,000,000 (fully paid-up)
	(vi)	Attributable interest to the Company:	100%
	(vii)	Term of operation:	15 years, from 16 August 2007 to 16 August 2022
	(viii)	Scope of business:	provision of consultancy services in economic information, project investment planning and enterprise management
(3)	(i)	Name of the enterprise:	廣州現代資訊傳播有限公司 (Guangzhou Modern Information Media Co., Ltd.*)
	(ii)	Economic nature:	a domestic limited liability company
	(iii)	Registered owner:	Mr. Shao
	(iv)	Registered capital:	RMB1,100,000 (fully paid-up)
	(v)	Attributable interest to the Company:	100%

	(vi)	Term of operation:	Indefinite
	(vii)	Scope of business:	advertisement design, production and agency; retail of local books, newspapers and periodicals (with valid operating permit held with an expiry date of 31 March 2013); planning and coordination of cultural activities and exhibitions
(4)	(i)	Name of the enterprise:	廣州現代圖書有限公司 (Guangzhou Modern Books Co., Ltd.)
	(ii)	Economic nature:	a domestic limited liability company
	(iii)	Registered owner:	Mr. Shao (90%), Guangzhou Modern Information (10%)
	(iv)	Registered capital:	RMB3,010,000 (fully paid-up)
	(v)	Attributable interest to the Company:	100%
	(vi)	Term of operation:	Indefinite
	(vii)	Scope of business:	provision of consultancy services for books information; book presentation design, wholesale and retail of local books, newspapers and periodicals (valid up to 31 March 2013)
(5)	(i)	Name of the enterprise:	珠海市銀弧廣告有限公司 (Zhuhai Yinhu Advertising Co., Ltd.*)
	(ii)	Economic nature:	a domestic limited liability company
	(iii)	Registered owners:	Mr. Shao (90%), Guangzhou Modern Information (10%)
	(iv)	Registered capital:	RMB500,000 (fully paid-up)
	(v)	Attributable interest to the Company:	100%
	(vi)	Term of operation:	10 years, from 30 March 2001 to 30 March 2011
	(vii)	Scope of business:	design, production, publication and agency services for various international and PRC advertisement
(6)	(i)	Name of the enterprise:	珠海現代致美文化傳播有限公司 (Zhuhai Modern Zhimei Culture Media Co., Ltd.*)
	(ii)	Economic nature:	a domestic limited liability company
	(iii)	Registered owner:	Zhuhai Yinhu
	(iv)	Registered capital:	RMB8,950,000 (fully paid-up)

	(v)	Attributable interest to the Company:	100%
	(vi)	Term of operation:	20 years, from 23 October 2006 to 23 October 2026
	(vii)	Scope of business:	design, production and publication of advertisements, advertising agency, provision of consultancy services on corporate investment and economic information
(7)	(i)	Name of the enterprise:	北京現代雅格廣告有限公司 (Beijing Modern Yage Advertising Co., Ltd.*)
	(ii)	Economic nature:	a domestic limited liability company
	(iii)	Registered owner:	Guangzhou Modern Information (80%), Guangzhou Modern Books (20%)
	(iv)	Registered capital:	RMB500,000 (fully paid-up)
	(v)	Attributable interest to the Company:	100%
	(vi)	Term of operation:	20 years, from 15 January 2002 to 14 January 2022
	(vii)	Scope of business:	design, production, publication and agency for advertisements; organising cultural exchange activities and exhibitions
(8)	(i)	Name of the enterprise:	上海雅格廣告有限公司 (Shanghai Yage Advertising Co., Ltd.*)
	(ii)	Economic nature:	a domestic limited liability company
	(iii)	Registered owner:	Guangzhou Modern Information (90%), Guangzhou Modern Books (10%)
	(iv)	Registered capital:	RMB500,000 (fully paid-up)
	(v)	Attributable interest to the Company:	100%
	(vi)	Term of operation:	10 years, from 17 June 2002 to 16 June 2012
	(vii)	Scope of business:	design and production of various advertisements and agency services for and advertising business in the PRC
(9)	(i)	Name of the enterprise:	上海格致廣告有限公司 (Shanghai Gezhi Advertising Co., Ltd.*)
	(ii)	Economic nature:	a domestic limited liability company
	(iii)	Registered owner:	Zhuhai Modern Zhimei

	(iv)	Registered capital:	RMB500,000 (fully paid-up)
	(v)	Attributable interest to the Company:	100%
	(vi)	Term of operation:	20 years, from 16 January 2006 to 15 January 2026.
	(vii)	Scope of business:	design, production, agency services, distribution of advertisements and consultancy service
(10)	(i)	Name of the enterprise:	北京雅格致美廣告傳播有限公司 (Beijing Yage Zhimei Advertising Media Co., Ltd.*)
	(ii)	Economic nature:	a domestic limited liability company
	(iii)	Registered owner:	Zhuhai Modern Zhimei
	(iv)	Registered capital:	RMB500,000 (fully paid-up)
	(v)	Attributable interest to the Company:	100%
	(vi)	Term of operation:	20 years, from 29 March 2006 to 28 March 2026.
	(vii)	Scope of business:	design, production publication and agency services for advertisement in the PRC; organising cultural and art exchange activities and exhibitions
(11)	(i)	Name of the enterprise:	深圳市雅格致美資訊傳播有限公司 (Shenzhen Yage Zhimei Information Media Co., Ltd.*)
	(ii)	Economic nature:	a domestic limited liability company
	(iii)	Registered owner:	Zhuhai Modern Zhimei
	(iv)	Registered capital:	RMB2,000,000 (fully paid-up)
	(v)	Attributable interest to the Company:	100%
	(vi)	Term of operation:	10 years, from 8 June 2005 to 8 June 2015.
	(vii)	Scope of business:	advertising business
(12)	(i)	Name of the enterprise:	廣州雅格廣告有限公司 (Guangzhou Yage Advertising Co., Ltd.*)
	(ii)	Economic nature:	a domestic limited liability company
	(iii)	Registered owner:	Zhuhai Modern Zhimei
	(iv)	Registered capital:	RMB500,000 (fully paid-up)

(v)	Attributable interest to the Company:	100%
(vi)	Term of operation:	Not applicable
(vii)	Scope of business:	design, production, publication and agency services for advertisement, organising enterprise ceremony, enterprise image building

FURTHER INFORMATION ABOUT DIRECTORS, MANAGEMENT AND STAFF AND EXPERTS

11. Directors

(a) ***Disclosure of interests***

(i) Mr. Shao is interested in the Reorganisation referred to in paragraph 4 of this Appendix.

(ii) Mr. Wang Shi is the chairman of 萬科企業股份有限公司 (China Vanke Co., Ltd.*), a company which had transactions with the Group during the Track Record Period. Such transactions are expected to continue after Listing with an annual transaction amount of not exceeding RMB3 million. Mr. Wang Shi and his associates taken together do not exercise (or control the exercise of) in aggregate 30% or more of the voting power at general meetings of 萬科企業股份有限公司 (China Vanke Co., Ltd.*), and do not control the composition of a majority of the board of directors of 萬科企業股份有限公司 (China Vanke Co., Ltd.*).

(iii) Mr. Jiang Nanchun is the chairman and the chief executive of 分眾傳媒控股有限公司 (Focus Media Holding Limited), a company which had transactions with the Group during the Track Record Period. Such transactions are expected to continue after Listing with an annual transaction amount of not exceeding RMB3 million. Mr. Jiang Nanchun and his associates taken together do not exercise (or control the exercise of) in aggregate 30% or more of the voting power at general meetings of 分眾傳媒控股有限公司 (Focus Media Holding Limited) and do not control the composition of a majority of the board of directors of 分眾傳媒控股有限公司 (Focus Media Holding Limited).

(iv) Save as disclosed in this prospectus, none of the Directors or their associates was engaged in any dealings with the Group during the two years preceding the date of this prospectus.

(b) ***Particulars of service contracts***

Each of the executive Directors has entered into a service contract with the Company pursuant to which each of them agreed to act as an executive Director for an initial term of three years commencing from 1 September 2009.

Each of these executive Directors is entitled to a basic salary subject to an annual increment after 1 January 2010 at the discretion of the Directors of not more than 20% of the annual salary immediately prior to such increase. In addition, each of the executive Directors is also entitled to a discretionary management bonus provided that the aggregate amount of the bonuses payable to all the executive Directors for any financial year of the Company may not exceed 10% of the audited combined or, as the case may be, consolidated net profit of the Group (after taxation and minority interests and payment of such bonuses but before extraordinary or exceptional items) in respect of that financial year of the Company. An executive Director may not vote on any resolution of the Directors regarding the amount of the management bonus payable to him. The current basic annual salaries of the executive Directors are as follows:

Name	**Annual salary**
	RMB'000
Mr. Shao	1,068
Mr. Cui Jianfeng	413
Mr. Li Jian	1,083
Mr. Mok Chun Ho, Neil	814
Mr. Wong Shing Fat	1,733
Total:	5,111

Each of the independent non-executive Directors has been appointed for an initial term of two years commencing from 1 September 2009. Each of the independent non-executive Director is entitled to a director's fee of RMB10,000 per month (or its HK$ equivalent). Save for directors' fees, none of the independent non-executive Directors is expected to receive any other remuneration for holding their office as an independent non-executive Director.

Save as aforesaid, none of the Directors has or is proposed to have a service contract with the Company or any of its subsidiaries (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

(c) ***Directors' remuneration***

(i) During the year ended 31 December 2008, the aggregate emoluments paid by the Group to the Directors was approximately RMB7.2 million (equivalent to HK$8.18 million).

(ii) Under the arrangements currently in force, the aggregate emoluments payable by the Group to the Directors for the year ending 31 December 2009 are estimated to be approximately RMB5,231,000.

(iii) None of the Directors or any past directors of any member of the Group has been paid any sum of money for each of the three years ended 31 December 2008 and the three months ended 31 March 2009 as (i) an inducement to join or upon joining the Company; or (ii) for loss of office as a director of any member of the Group or of any other office in connection with the management of the affairs of any member of the Group.

(iv) There has been no arrangement under which a Director has waived or agreed to waive any emoluments for each of the three years ended 31 December 2008 and the three months ended 31 March 2009.

(d) ***Interests and short positions of Directors in the Shares, underlying Shares or debentures of the Company and its associated corporations***

So far as the Directors are aware, immediately following the completion of the Share Offer and the Capitalisation Issue (and taking no account of any Shares which may be allotted and issued pursuant to the Share Option Scheme or the exercise of the Over-allotment Option), the interests and short positions of the Directors in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) once the Shares are listed, or which will be required, pursuant to section 352 of the SFO to be entered in the register referred to therein, or which will be required to notify the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules once the Shares are listed, will be as follows:

Long positions in the Company:

Name of Director	The Company	Capacity	Number of Shares (Note 1)	Approximate percentage of shareholding
Mr. Shao (Note 2)	The Company	Beneficial owner	300,000,000 (L)	75%

Long positions in the associated corporations of the Company:

Name of Director	Name of associated corporation	Capacity	Approximate percentage of equity interest
Mr. Shao	Beijing Yage	Interest of controlled corporations *(Note 3)*	100%
Mr. Shao	Beijing Yage Zhimei	Interest of a controlled corporation *(Note 4)*	100%
Mr. Shao	Guangzhou Modern Information	Beneficial owner	100%
Mr. Shao	Guangzhou Modern Books	Beneficial owner	90%
		Interest of a controlled corporation *(Note 5)*	10%
Mr. Shao	Guangzhou Yage	Interest of a controlled corporation *(Note 6)*	100%

Name of Director	Name of associated corporation	Capacity	Approximate percentage of equity interest
Mr. Shao	Shanghai Gezhi	Interest of a controlled corporation *(Note 7)*	100%
Mr. Shao	Shanghai Yage	Interest of controlled corporations *(Note 8)*	100%
Mr. Shao	Shenzhen Yage Zhimei	Interest of a controlled corporation *(Note 9)*	100%
Mr. Shao	Zhuhai Modern Zhimei	Interest of a controlled corporation *(Note 10)*	100%
Mr. Shao	Zhuhai Yinhu	Beneficial owner	90%
		Interest of a controlled corporation *(Note 11)*	10%

Notes:

1. The letter "L" denotes the Director's long position in the Shares.

2. Subject to any borrowing arrangement which may be effected under the Stock Borrowing Agreement, 300,000,000 Shares will on the Listing Date be beneficially owned by Mr. Shao.

3. Beijing Yage is held as to 80% by Guangzhou Modern Information and as to 20% by Guangzhou Modern Books. Mr. Shao is accordingly deemed by the SFO to be interested in the equity interest in Beijing Yage held by Guangzhou Modern Information and Guangzhou Modern Books, both of which are Mr. Shao's controlled corporations.

4. Beijing Yage Zhimei is held as to 100% by Zhuhai Modern Zhimei, the equity interest of which is wholly held by Zhuhai Yinhu, which in turn is held as to 90% by Mr. Shao and as to 10% by Guangzhou Modern Information. Mr. Shao is accordingly deemed by the SFO to be interested in the equity interest in Beijing Yage Zhimei held by Zhuhai Modern Zhimei which is Mr. Shao's indirect controlled corporation.

5. Guangzhou Modern Books is held as to 90% by Mr. Shao and as to 10% by Guangzhou Modern Information. Mr. Shao is accordingly deemed by the SFO to be interested in the 10% equity interest in Guangzhou Modern Books held by Guangzhou Modern Information, which is Mr. Shao's controlled corporation.

6. Guangzhou Yage is held as to 100% by Zhuhai Modern Zhimei, the equity interest of which is wholly held by Zhuhai Yinhu, which in turn is held as to 90% by Mr. Shao and as to 10% by Guangzhou Modern Information. Mr. Shao is accordingly deemed by the SFO to be interested in the equity interest in Guangzhou Yage held by Zhuhai Modern Zhimei which is Mr. Shao's indirect controlled corporation.

7. Shanghai Gezhi is held as to 100% by Zhuhai Modern Zhimei, the equity interest of which is wholly held by Zhuhai Yinhu, which in turn is held as to 90% by Mr. Shao and as to 10% by Guangzhou Modern Information. Mr. Shao is accordingly deemed by the SFO to be interested in the equity interest in Shanghai Gezhi held by Zhuhai Modern Zhimei which is Mr. Shao's indirect controlled corporation.

8. Shanghai Yage is held as to 90% by Guangzhou Modern Information and as to 10% by Guangzhou Modern Books. Mr. Shao is accordingly deemed by the SFO to be interested in the equity interest in Shanghai Yage held by Guangzhou Modern Information and Guangzhou Modern Books, both of which are Mr. Shao's controlled corporations.

9. Shenzhen Yage Zhimei is held as to 100% by Zhuhai Modern Zhimei, the equity interest of which is wholly held by Zhuhai Yinhu, which in turn is held as to 90% by Mr. Shao and as to 10% by Guangzhou Modern Information. Mr. Shao is accordingly deemed by the SFO to be interested in the equity interest in Shenzhen Yage Zhimei held by Zhuhai Modern Zhimei which is Mr. Shao's indirect controlled corporation.

10. Zhuhai Modern Zhimei is held as to 100% by Zhuhai Yinhu, the equity interest of which is held as to 90% by Mr. Shao and as to 10% by Guangzhou Modern Information. Mr. Shao is accordingly deemed by the SFO to be interested in the equity interest in Zhuhai Modern Zhimei held by Zhuhai Yinhu, 90% of which equity interest is beneficially held by Mr. Shao while he is deemed interested in 10% of which as his (indirect) controlled corporation.

11. Zhuhai Yinhu is held as to 90% by Mr. Shao and as to 10% by Guangzhou Modern Information. Mr. Shao is accordingly deemed by the SFO to be interested in the 10% equity interest in Zhuhai Yinhu held by Guangzhou Modern Information which is Mr. Shao's controlled corporation.

12. Interest discloseable under the SFO and substantial Shareholders

So far as the Directors are aware, immediately following the completion of the Share Offer and the Capitalisation Issue (but without taking account of any Shares which may be taken up under the Share Offer and any Shares which may be allotted and issued upon the exercise of the Over-allotment Option), the following persons (other than the Directors or chief executive officer of the Company) will have an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and who will be expected, directly or indirectly, to be interested in 10% or more of the Shares:

Name	Capacity	Number of Shares	Approximate percentage of shareholding
ZHOU Shao-min (周少敏)	Interest of spouse	300,000,000	75%

13. Connected transactions and related party transactions

Save as disclosed in this prospectus and note 27 of the accountants' report of the Company set out in Appendix I to this prospectus, during the two years immediately preceding the date of this prospectus, the Group has not engaged in any other material connected transactions or related party transactions.

14. Disclaimers

Save as disclosed in this prospectus:

(i) and taking no account of any Shares which may be taken up or acquired under the Share Offer or upon the exercise of the Over-allotment Option or the options granted or which may be granted under the Share Option Scheme, the Directors are not aware of any person who will, immediately following the completion of the Share Offer and the Capitalisation Issue, have an interest or a short position in Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group;

(ii) none of the Directors has for the purpose of Divisions 7 and 8 of Part XV of the SFO or the Listing Rules, nor is any of them taken to or deemed to have under such provisions of the SFO, any interests or short position in the Shares or underlying Shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) or any interests which will have to be entered in the register to be kept by the Company pursuant to section 352 of the SFO or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules once the Shares are listed on the Main Board;

(iii) none of the Directors nor the experts named in paragraph 21 of this Appendix has been interested in the promotion of, or has any direct or indirect interest in any assets acquired or disposed of by or leased to, any member of the Group within the two years immediately preceding the date of this prospectus, or which are proposed to be acquired or disposed of by or leased to any member of the Group nor will any Director apply for Shares either in his own name or in the name of a nominee;

(iv) none of the Directors nor the experts named in paragraph 21 of this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of the Group taken as a whole; and

(v) none of the experts named in paragraph 21 of this Appendix has any shareholding in any member in the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member in the Group.

OTHER INFORMATION

15. Share Option Scheme

(a) ***Summary of terms***

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by a resolution in writing passed by the sole Shareholder on 24 August 2009:

(i) *Purposes of the scheme*

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. Given that the Directors are entitled to determine any performance targets to be achieved as well as the minimum period that an option must be held before an option can be exercised on a case by case basis, and that the exercise price of an option cannot in any event fall below the price stipulated in the Listing Rules or such higher price as may be fixed by the Directors, it is expected that grantees of an option will make an effort to contribute to the development of the Group so as to bring about an increased market price of the Shares in order to capitalise on the benefits of the options granted.

(ii) *Who may join*

The Directors (which expression shall, for the purpose of this paragraph 15, include a duly authorised committee thereof) may, at its absolute discretion, invite any person belonging to any of the following classes of participants, to take up options to subscribe for Shares:

(aa) any employee (whether full-time or part-time, including any executive director but excluding any non-executive director) of the Company, any of its subsidiaries or any entity ("**Invested Entity**") in which the Group holds an equity interest ("**Eligible Employee**");

(bb) any non-executive directors (including independent non-executive directors) of the Company, any of its subsidiaries or any Invested Entity;

(cc) any supplier of goods or services to any member of the Group or any Invested Entity;

(dd) any customer of the Group or any Invested Entity;

(ee) any person or entity that provides research, development or other technological support to the Group or any Invested Entity;

(ff) 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;

(gg) any adviser (professional or otherwise) or consultant to any area of business or business development of the Group or any Invested Entity; and

(hh) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement and growth of the Group,

and, for the purposes of the Share Option Scheme, the options may be granted to any company wholly owned by one or more persons belonging to any of the above classes of participants. For avoidance of doubt, the grant of any options by the Company for the subscription of Shares or other securities of the Group to any person who falls within any of the above classes of participants shall not, by itself, unless the Directors otherwise determined, be construed as a grant of option under the Share Option Scheme.

The eligibility of any of the above class of participants to the grant of any option shall be determined by the Directors from time to time on the basis of the Directors' option as to his contribution to the development and growth of the Group.

(iii) *Maximum number of Shares*

(aa) The maximum number of Shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of the Group shall not in aggregate exceed 30% of the issued share capital of the Company from time to time.

(bb) The total number of Shares which may be issued upon 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) to be granted under the Share Option Scheme and any other share option scheme of the Group shall not in aggregate exceed 10% of the Shares in issue on the day on which trading of the Shares commence on the Main Board ("**General Scheme Limit**").

(cc) Subject to (aa) above but without prejudice to (dd) below, the Company may issue a circular to its Shareholders and seek approval of its Shareholders in general meeting to refresh the General Scheme Limit provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share options scheme of the Group shall not exceed 10% of the Shares in issue as at the date of approval of the refreshed limit and for the purpose of calculating the refreshed limit, options (including those outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme and any other share option scheme of the Group) previously granted under the Share Option Scheme and any other share option scheme of the Group will not be counted. The circular sent by the Company to its Shareholders shall contain, among other information, the information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules.

(dd) Subject to (aa) above and without prejudice to (cc) above, the Company may seek separate Shareholders' approval in general meeting to grant options beyond the General Scheme Limit or, if applicable, the refreshed limit referred to in (cc) above to participants specifically identified by the Company before such approval is sought. In such event, the Company must send a circular to its Shareholders containing a general description of the specified participants, the number and terms of options to be granted, the purpose of granting options to the specified participants with an explanation as to how the terms of the options serve such purpose and such other information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules.

(iv) *Maximum entitlement of each participant*

The total number of Shares issued and which may fall to be issued upon 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 participant in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being ("**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 shall be subject to the issue of a circular to the Shareholders and the Shareholders' approval in general meeting of the Company with such participant and his associates abstaining from voting. The number and terms (including the exercise price) of options to be granted to such participant must be fixed before Shareholders' approval and the date of 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 17.03(9) of the Listing Rules.

(v) *Grant of options to connected persons*

(aa) Any grant of options under the Share Option Scheme to a director, chief executive or substantial shareholder of the Company or any of their respective associates (as defined under the Listing Rules) must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options).

(bb) Where any grant of options to a substantial Shareholder of the Company or an independent non-executive Director or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

(i) representing in aggregate over 0.1% of the Shares in issue; and

(ii) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK$5 million;

such further grant of options must be approved by Shareholders of the Company in general meeting. The Company must send a circular to the Shareholders. All connected persons of the Company must abstain from voting at such general meeting, except that any connected person may vote against the relevant resolution at the general meeting provided that his intention to do so has been stated in the circular. Any vote taken at the meeting to approve the grant of such options must be taken on a poll. Any change in the terms of options granted to a substantial shareholder or an independent non-executive director of the Company or any of their respective associates must be approved by the Shareholders of the Company in general meeting.

(vi) *Time of acceptance and exercise of option*

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 on a day after the date upon which the offer for the grant of options is made but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination thereof. Unless otherwise determined by the Directors and stated in the offer of 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.

(vii) *Performance targets*

Unless the Directors otherwise determined and stated in the offer of the grant of options to a grantee, a grantee is not required to achieve any performance targets before any options granted under the Share Option Scheme can be exercised.

(viii) *Subscription price for Shares and consideration for the option*

The subscription price per Share under the Share Option Scheme will 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 on the date of the offer of grant, which must be a Business Day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of a Share.

A nominal consideration of HK$1 is payable on acceptance of the grant of an option.

(ix) *Ranking of Shares*

(aa) Shares allotted upon the exercise of an option will be subject to all the provisions of the Articles of Association of the Company and will rank *pari passu* in all respects with the fully paid Shares in issue on the date on which the option is duly exercised or, if that date falls on a day when the register of members of the Company is closed, the first day of the re-opening of the register of members ("**Exercise Date**") and accordingly will entitle the holders thereof to participate in all dividends or other distributions paid or made on or after the Exercise Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the Exercise Date. A Share allotted upon the exercise of an option shall not carry voting rights until the completion of the registration of the grantee on the register of members of the Company as the holder thereof.

(bb) Unless the context otherwise requires, references to "**Shares**" in this paragraph include references to shares in the ordinary equity share capital of the Company of such nominal amount as shall result from a subdivision, consolidation, re-classification or reduction of the share capital of the Company from time to time.

(x) *Restrictions on the time of grant of options*

No offer for grant of options shall be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been announced in accordance with the requirements of the Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of (aa) the date of the meeting of the Directors for the approval of the Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and (bb) the last date on which the Company must publish its announcement of its results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules) and ending on the date of the announcement of the results, no option may be granted.

The Directors may not grant any option to a participant who is a Director during the periods or times in which Directors are prohibited from dealing in shares pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers prescribed by the Listing Rules or any corresponding code or securities dealing restrictions adopted by the Company.

(xi) *Period of the Share Option Scheme*

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.

(xii) *Rights on ceasing employment*

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee for any reason other than death, ill-health or retirement in accordance with his contract of employment or for serious misconduct or other grounds referred to in sub-paragraph (xiv) below before exercising his option in full, the option (to the extent not already exercised) will lapse on the date of cessation and will not be exercisable unless the Directors otherwise determine in which event the grantee may exercise the option (to the extent not already exercised) in whole or in part within such period as the Directors may determine following the date of such cessation, which will be taken to be the last day on which the grantee was at work with the Group or the Invested Entity whether salary is paid in lieu of notice or not.

Eligible Employee means any employee (whether full time or part time employee, including any executive director but not any non-executive director) of the Company, any of its subsidiaries or any Invested Entity.

(xiii) *Rights on death, ill-health or retirement*

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee by reason of his death, ill-health or retirement in accordance with his contract of employment before exercising the option in full, his personal representative(s), or, as appropriate, the grantee may exercise the option (to the extent not already exercised) in whole or in part within a period of twelve months following the date of cessation which date shall be the last day on which the grantee was at work with the Group or the Invested Entity whether salary is paid in lieu of notice or not or such longer period as the Directors may determine.

(xiv) *Rights on dismissal*

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee by reason that he has been guilty of serious misconduct or has committed any act of bankruptcy or has become insolvent or has made any arrangements or composition with his creditors generally, or has been convicted of any criminal offence (other than an offence which in the opinion of the Directors does not bring the grantee or the Group or the Invested Entity into disrepute), his option will lapse automatically and will not in any event be exercisable on or after the date of cessation to be an Eligible Employee.

(xv) *Rights on breach of contract*

If the Directors shall at their absolute discretion determine that (aa) (1) the grantee of any option (other than an Eligible Employee) or his associate has committed any breach of any contract entered into between the grantee or his associate on the one part and the Group or any Invested Entity on the other part; or (2) that the grantee has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his creditors generally; or (3) the grantee could no longer make any contribution to the growth and development of the Group by reason of the cessation of its relations with the Group or by other reason whatsoever; and (bb) the option granted to the grantee under the Share Option Scheme shall lapse, his option will lapse automatically and will not in any event be exercisable on or after the date on which the Directors have so determined.

(xvi) *Rights on a general offer, a compromise or arrangement*

If a general or partial offer, whether by way of take-over offer, share re-purchase offer, or scheme of arrangement or otherwise in like manner is made to all the holders of Shares, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror, the Company shall use all reasonable endeavours to procure that such offer is extended to all the grantees on the same terms, mutatis mutandis, and assuming that they will become, by the exercise in full of the options granted to them, shareholders of the Company. If such offer becomes or is declared unconditional, a grantee shall be entitled to exercise his option (to the extent not already exercised) to its full extent or to the extent specified in the grantee's notice to the Company in exercise of his option at any time before the close of such offer (or any revised offer) or the record date for entitlements under such scheme of arrangement, as the case may be. Subject to the above, an option will lapse automatically (to the extent not exercised) on the date on which such offer (or, as the case may be, revised offer) closes.

(xvii) *Rights on winding up*

In the event of a resolution being proposed for the voluntary winding-up of the Company during the option period, the grantee may, subject to the provisions of all applicable laws, by notice in writing to the Company at any time not less than two Business Days before the date on which such resolution is to be considered and/or passed, exercise his option (to the extent not already exercised) either to its full extent or to the extent specified in such notice in accordance with the provisions of the Share Option Scheme and the Company shall allot and issue to the grantee the Shares in respect of which such grantee has exercised his option not less than one Business Day before the date on which such resolution is to be considered and/or passed whereupon the grantee shall accordingly be entitled, in respect of the Shares allotted and issued to him in the aforesaid manner, to participate in the distribution of the assets of the Company available in liquidation pari passu with the holders of the Shares in issue on the day prior to the date of such resolution. Subject thereto, all options then outstanding shall lapse and determine on the commencement of the winding-up of the Company.

(xviii) *Grantee being a company wholly owned by eligible participants*

If the grantee is a company wholly owned by one or more eligible participants:

(i) sub-paragraphs (xii), (xiii), (xiv) and (xv) shall apply to the grantee and to the options to such grantee, mutatis mutandis, as if such options had been granted to the relevant eligible participant, and such options shall accordingly lapse or fall to be exercisable after the event(s) referred to in sub-paragraphs (xii), (xiii), (xiv) and (xv) shall occur with respect to the relevant eligible participant; and

(ii) the options granted to the grantee shall lapse and determine on the date the grantee ceases to be wholly owned by the relevant eligible participant provided that the Directors may in their absolute discretion decide that such options or any part thereof shall not so lapse or determine subject to such conditions or limitations as they may impose.

(xix) *Adjustments to the subscription price*

In the event of a capitalisation issue, rights issue, subdivision or consolidation of Shares or reduction of capital of the Company whilst an option remains exercisable, such corresponding alterations (if any) certified by the auditors for the time being of or an independent financial adviser to the Company as fair and reasonable will be made to the number or nominal amount of Shares, the subject matter of the Share Option Scheme and the option so far as unexercised and/or the option price of the option concerned, provided that (i) any adjustments shall give a grantee the same proportion of the issued share capital to which he was entitled prior to such alteration; (ii) the issue of Shares or other securities of the Group as consideration in a transaction may not be regarded as a circumstance requiring adjustment; and (iii) no adjustment shall be made the effect of which would be to enable a Share to be issued at less than its nominal value. In addition, in respect of any such adjustments, other than any made on a capitalisation issue, such auditors or independent financial adviser must confirm to the Directors in writing that the adjustments satisfy the requirements of the relevant provision of the Listing Rules.

(xx) *Cancellation of options*

Any cancellation of options granted but not exercised must be subject to the consent of the relevant grantee and the approval of the Directors.

When the Company cancels any option granted to a grantee but not exercised and issues new option(s) to the same grantee, the issue of such new option(s) may only be made with available unissued options (excluding the options so cancelled) within the General Scheme Limit or the new limits approved by the Shareholders pursuant to sub-paragraphs (iii) (cc) and (dd) above.

(xxi) *Termination of the Share Option Scheme*

The Company may by resolution in general meeting at any time terminate the Share Option Scheme and in such event no further options shall be offered but in all other respects the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any options (to the extent not already exercised) granted prior to the termination or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options (to the extent not already exercised) granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(xxii) *Rights are personal to the grantee*

An option is personal to the grantee and shall not be transferable or assignable.

(xxiii) *Lapse of option*

An option shall lapse automatically (to the extent not already exercised) on the earliest of:

(aa) the expiry of the period referred to in paragraph (vi);

(bb) the expiry of the periods or dates referred to in paragraph (xii), (xiii), (xiv), (xv), (xvii) and (xviii);

(cc) the date on which the Directors shall exercise the Company's right to cancel the option by reason of a breach of paragraph (xxii) by the grantee in respect of that or any other options.

(xxiv) *Others*

(aa) The Share Option Scheme is conditional on the Listing Committee of the Stock Exchange granting the listing of and permission to deal in, such number of Shares to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, such number being not less than that of the General Scheme Limit.

(bb) The terms and conditions of the Share Option Scheme relating to the matters set out in Rule 17.03 of the Listing Rules shall not be altered to the advantage of grantees of the options except with the approval of the Shareholders in general meeting.

(cc) Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of options granted must be approved by the Shareholders of the Company in general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme.

(dd) The amended terms of the Share Option Scheme or the options shall comply with the relevant requirements of Chapter 17 of the Listing Rules.

(ee) Any change to the authority of the Directors or the scheme administrators in relation to any alteration to the terms of the Share Option Scheme shall be approved by the Shareholders of the Company in general meeting.

(b) ***Present status of the Share Option Scheme***

(i) *Approval of the Listing Committee required*

The Share Option Scheme is conditional on the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, such number of Shares to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, such number being not less than that of the General Scheme Limit.

(ii) *Application for approval*

Application has been made to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Shares to be issued within the General Scheme Limit pursuant to the exercise of any options which may be granted under the Share Option Scheme.

(iii) *Grant of option*

As at the date of this prospectus, no options have been granted or agreed to be granted under the Share Option Scheme.

(iv) *Value of options*

The Directors consider it inappropriate to disclose the value of options which may be granted under the Share Option Scheme as if they had been granted as at the Latest Practicable Date. Any such valuation will have to be made on the basis of certain option pricing model or other methodology, which depends on various assumptions including, the exercise price, the exercise period, interest rate, expected volatility and other variables. As no options have been granted, certain variables are not available for calculating the value of options. The Directors believe that any calculation of the value of options as at the Latest Practicable Date based on a number of speculative assumptions would not be meaningful and would be misleading to investors.

16. **Estate duty, tax and other indemnities**

Mr. Shao ("**Indemnifier**") has entered into a deed of indemnity with and in favour of the Company (for itself and as trustee for each of its present subsidiaries) (being the material contract referred to in paragraph 8 of this Appendix) to provide indemnities on a joint and several basis in respect of, among other matters, any liability for Hong Kong estate duty which might be incurred by any member of the Group and/or its associated companies by reason of any transfer of property (within the meaning of section 35 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong)) to any member of the Group on or before the date on which the Share Offer becomes unconditional.

Under the deed of indemnity, the Indemnifier has also given indemnities to the Group in relation to taxation which might be payable by any member of the Group in respect of any income, profits or gains earned, accrued or received on or before the date on which the Share Offer becomes unconditional. The Indemnifier has given further indemnities in favour of the Group in connection with certain legal irregularities of our leased properties in the PRC. With respect to the seven properties used as car parking space, office, staff dormitory and retail shop (details of which are set out in properties numbered 10, 11,13,14,17,18 and 19 in Appendix III to this prospectus), in the event that any third party seeks to assert their ownership right against the lessors of the aforesaid properties and/or challenges those leases in future, the Indemnifier has agreed, subject to the provisions of the deed of indemnity, to indemnify us against any damages, losses or liabilities as a result of such claim and/or challenge not otherwise recoverable by us from the lessors. With respect to the non-registration of certain tenancy agreements regarding sixteen properties leased by us in the PRC (details of which are set out in properties numbered 3 (in respect of unit 2915 only), 5, 6 (in respect of the car parking spaces only), 7 (in respect of a warehouse on L1 only), 8-19 in Appendix III to this prospectus), the Indemnifier has agreed, subject to the provisions of the deed of indemnity, to indemnify us against any damages, losses or liabilities as a result of such non-registration if the same leads to our eviction from the aforesaid properties and that relocation would be required.

As at the Latest Practicable Date, a total amount of RMB22,079,000 ("**Guangzhou Zhongde Receivables**") was owing from Guangzhou Zhongde to the Group, details of which are set out under the paragraph headed "Amount due from related parties - (ii) amount due from related companies" in the "Financial Information" section of this prospectus and note 21(b) in Appendix I to this prospectus. It has been agreed by the Group with Guangzhou Zhongde that the Guangzhou Zhongde Receivables will be settled by instalments of RMB600,000 every two-months starting from January 2010 until full settlement in 2015. In such connection, the Indemnifier has given indemnities under the deed of indemnity to the effect that where Guangzhou Zhongde fails to repay to the Group any instalment in accordance with the agreed settlement terms for repayment of the Guangzhou Zhongde Receivables, the Indemnifier shall forthwith pay the overdue instalment in full to the Group, and that the Indemnifier will indemnify the Group against any losses, costs and expenses arising therefrom or in connection therewith. While our Company has been advised by our PRC legal adviser that, among others, no PRC laws has prescribed that penalty will be imposed on the Group by any court of the PRC in respect of such amount advanced to Guangzhou Zhongde, in the event that we shall be subject to any penalty arising from the Guangzhou Zhongde Receivables, the Indemnifier has also agreed to indemnify our Group in full of such penalty (if any).

The Directors have been advised that no material liability for estate duty is likely to fall on the Company or any of its subsidiaries in the Cayman Islands, BVI and the PRC.

The deed of indemnity does not cover any claim and the Indemnifier shall be under no liability under the deed of indemnity in respect of any taxation:

(a) to the extent that provision has been made for such taxation in the audited accounts of the Company or any of its subsidiaries up to 31 March 2009; or

(b) to the extent that such taxation or liability for such taxation falling on any member of the Group in respect of their accounting period commencing on 1 April 2009 and ending on the Listing Date, where such taxation or liability would not have arisen but for some act or omission of, or transaction voluntarily effected, by any member of the Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) without the prior written consent or agreement of the Indemnifiers other than any such act, omission or transaction:

(i) carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets after 31 March 2009; or

(ii) carried out, made or entered into pursuant to a legally binding commitment created on or before 31 March 2009 or pursuant to any statement of intention made in the prospectus; or

(c) to the extent that such claim arises or is incurred as a result of the imposition of taxation as a consequence of any retrospective change in the law or the interpretation or practice thereof by the Hong Kong Inland Revenue Department or any other relevant authority coming into force after the date of the deed of indemnity or to the extent such claim arises or is increased by an increase in rates of taxation after the date of the deed of indemnity with retrospective effect; or

(d) to the extent that any provision or reserve made for taxation in the audited accounts of any member of the Group for each of the three years ended 31 December 2008 and the three months ended 31 March 2009 and which is finally established to be an over-provision or an excessive reserve in which case the Indemnifiers' liability (if any) in respect of such taxation shall be reduced by an amount not exceeding such provision or reserve, provided that the amount of any such provision or reserve applied referred to in this item (d) to reduce the Indemnifiers' liability in respect of taxation shall not be available in respect of any such liability arising thereafter.

17. **Litigation**

Neither the Company nor any of its subsidiaries is engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance is known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries, that would have a material adverse effect on the results of operations or financial condition of the Group.

18. **Sponsor**

The Sponsor has made an application for and on behalf of the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus and any Shares that may be issued upon the exercise of the Over-allotment Option or any Shares to be issued within the General Scheme Limit pursuant to the exercise of any options which may be granted under the Share Option Scheme on the Main Board.

19. **Preliminary expenses**

The estimated preliminary expenses of the Company are approximately HK$23,400 and are payable by the Group.

20. **Promoter**

The promoter of the Company is Mr. Shao. Save as disclosed herein, within the two years immediately preceding the date of this prospectus, no cash, securities, amount or other benefit has been paid, allotted or given to any promoter in connection with the Share Offer of the related transactions described in this prospectus.

21. **Qualifications of experts**

The qualifications of the experts who have given opinions or advices in this prospectus are as follows:

Name	**Qualification**
ICBC International Capital Limited	a licensed corporation under the SFO permitted to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities (as defined in the SFO)
Conyers Dill & Pearman	Cayman Islands attorneys at law
KPMG	Certified Public Accountants
Jingtian & Gongcheng	Legal advisors to the Company as to PRC law
CB Richard Ellis Limited	Independent property valuer

22. **Consents of experts**

Each of ICBC International, Conyers Dill & Pearman, KPMG, Jingtian & Gongcheng and CB Richard Ellis Limited has given and has not withdrawn its written consents to the issue of this prospectus with copies of their reports, letters, valuation, opinions or summaries of opinions (as the case may be) and the references to its names or summaries of opinions included herein in the form and context in which they respectively appear.

23. **Binding Effect**

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance so far as applicable.

24. **Taxation of holders of Shares**

Dealings in Shares registered on the Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty. Intending holders of Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in Shares. It is emphasised that none of the Company, the Directors or the other parties involved in the Share Offer can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares.

Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

The sale, purchase and transfer of Shares are subject to Hong Kong stamp duty, the current rate of which is 0.2% of the consideration or, if higher, the value of the Shares being sold or transferred.

Under present Cayman Islands law, transfers and other dispositions of Shares are exempt from Cayman Islands stamp duty.

25. **Miscellaneous**

(a) Save as disclosed herein:

(i) within two years immediately preceding the date of this prospectus:

(aa) no share or loan capital of the Company or of any of its subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;

(bb) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of the Company or any of its subsidiaries;

(cc) no commission has been paid or payable for subscribing or agreeing to subscribe, or procuring or agreeing to procure the subscriptions, for any Share in the Company or any of its subsidiaries; and

(dd) no amount or benefit has been paid or given or intended to be paid or given to the promoter of the Company;

(ii) no share or loan capital of the Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(iii) there has been no material adverse change in the financial position or prospects of the Group since 31 March 2009 (being the date to which the latest audited combined financial statements of the Group were made up); and

(iv) there has not been any interruption in the business of the Group which may have or has had a material adverse effect on the financial position of the Group.

(b) Subject to the provisions of the Companies Law, the register of members of the Company will be maintained in the Cayman Islands by Butterfield Fulcrum Group (Cayman) Limited and a branch register of members of the Company will be maintained in Hong Kong by Tricor Investor Services Limited. Unless the Directors otherwise agree, all transfers and other documents of title of Shares must be lodged for registration with and registered by, the Company's branch share registrar in Hong Kong and may not be lodged in the Cayman Islands.

(c) All necessary arrangements have been made to enable the Shares to be admitted into CCASS.

26. **Bilingual prospectus**

The English language and Chinese language version of this prospectus are being published separately, in reliance upon the exemption provided under section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were copies of the **WHITE**, **YELLOW** and **PINK** Application Forms, the written consents referred to in sub-paragraph 22 headed "Consents of experts" in Appendix V to this prospectus and copies of the material contracts referred to in sub-paragraph 8 headed "Summary of material contracts" in Appendix V to this prospectus.

Copies of the following documents will be available for inspection at the office of Chiu & Partners at 41st Floor, Jardine House, 1 Connaught Place, Central, Hong Kong during normal business hours up to and including 11 September 2009:

(a) the memorandum of association of the Company and the Articles of Association;

(b) the accountants' report prepared by KPMG, the text of which is set out in Appendix I to this prospectus;

(c) the comfort letter prepared by KPMG on the unaudited pro forma financial information of the Group, the text of which is set out in Appendix II to this prospectus;

(d) the letter, summary of values and valuation certificate relating to the property interests of the Group prepared by CB Richard Ellis Limited, the texts of which are set out in Appendix III to this prospectus;

(e) the letter of advice prepared by Conyers Dill & Pearman referred to in Appendix IV to this prospectus, summarising certain aspects of Cayman Islands company law;

(f) the material contracts referred to in the sub-paragraph 8 headed "Summary of material contracts" under the paragraph headed "Further information about the business of the Group" in Appendix V to this prospectus;

(g) the service contracts with the Directors, referred to in the sub-paragraph 11(b) headed "Particulars of service contracts" under paragraph headed "Further information about Directors, management and staff and experts" in Appendix V to this prospectus;

(h) the written consents referred to in sub-paragraph 22 headed "Consents of experts" under the paragraph headed "Other information" in Appendix V to this prospectus;

(i) the legal opinions prepared by Jingtian & Gongcheng in respect of certain aspects of our Group and the property interests of our Group in the PRC;

(j) the rules of the Share Option Scheme; and

(k) the Companies Law.

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