Modern Media Holdings Limited **Annual Report 2009**

現代傳播控股有限公司2009年年報

Stock code: 72

徐冰以他獨特的英文字塊呈獻 MODERN MEDIA

MODERN MEDIA, by Xu Bing
9th September, 2009

Had been invited by Thomas Shao, chairman of Modern Media Holdings Limited ("Modern Media"), well-known contemporary artist Xu Bing created an unique work, written "MODERN MEDIA", on September 9th, 2009, the day Modern Media officially became a listed company on HKEx main board.
The work is in Square Calligraphy category, which is viewed as the revolution of writing, translation of the amazing bond between eastern and western civilizations, and contemporary expression of the traditional art of Calligraphy.
The current Art Director of Life Magazine under Modern Media, Mr. Xu, was honored with MacArthur Award in 1999, and also granted a Lifetime Achievement Award by Southern Graphic Council for print work. As Mr. Shao considers, this piece of work by Xu Bing represents something essential of the company: bridging the eastern and western culture, spreading modern spirit, while remaining the innovation mind.

徐冰作品“MODERN MEDIA”
2009年9月9日題

2009年9月9日，藉現代傳播控股有限公司("現代傳播")於香港交易所主板上市之際，著名當代藝術家徐冰應董事長邵忠之邀進行獨家創作，該作品為現代傳播的英文"MODERN MEDIA"題寫，屬於徐冰"方塊英文書法"(Square Calligraphy)系列。該系列作品被視為：對"寫字"本身進行的"革命"，對東西方文明之間不可思議的關係詮釋，"書法"這個傳統藝術 形式在當代藝術範疇的現代表現。徐冰曾在1999年獲得美國文化界最高獎——麥克阿瑟天才獎(MacArthur Award)，被全美版畫家協會授予"版畫藝術終身成就獎"，他亦是現代傳播旗下雜誌《生活月刊》的藝術總監。現代傳播董事長邵忠認為：徐冰為現代傳播書寫的這個作品，代錶了本公司的一個重要的特質：跨越東西文化，傳揚現代精神，並保持著永恆的革新精神。

contents

company vision 公司視野

To be the most respectable and influential integrated media group in Greater China creating sustainable value for shareholders

大中華區最受尊重及最具影響力的綜合傳播集團，為股東持續創造價值


HUHEHAOTE
SHENYANG
NEIMENGGU
HEBEI
XINJIANG
JILIN LIAONING
現代傳播控股有限公司
MODERN MEDIA HOLDINGS LIMITED


GANSU
QINGHAI
SHANXI
NINGXIA
HENAN
SHANDONG

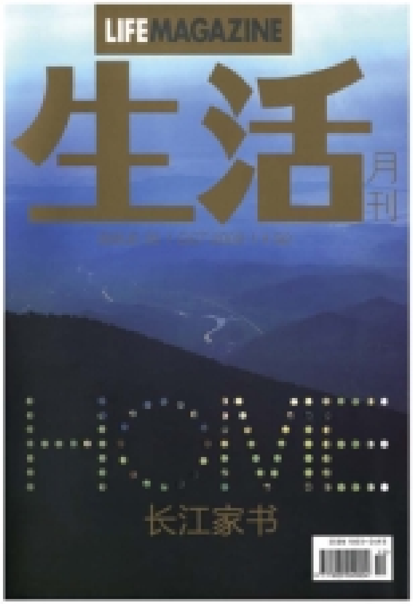
milestones (major awards and recognitions)
大事紀(主要獎項及嘉許)

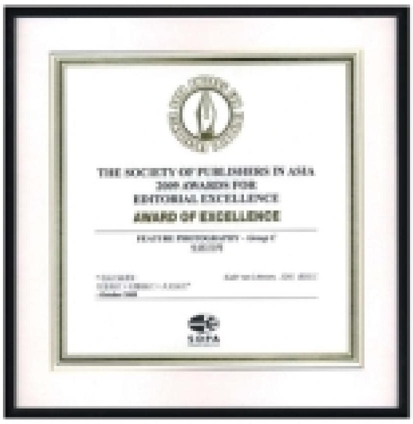
2009

Magazine
雜誌

The Outlook Magazine
Awards for Editorial Excellence:
Honorable Mention for Magazine Design by
The Society of Publishers in Asia

新視線
亞洲出版業協會頒發卓越新聞獎：
卓越雜誌設計獎





Life Magazine
Awards for Editorial Excellence:
Award for Excellence for Feature Photography
by Society of Publishers in Asia

生活月刊
亞洲出版業協會頒發卓越新聞獎：
卓越特寫攝影獎

City Magazine
Awards for Editorial Excellence:
Award for Excellence for Magazine Design by
The Society of Publishers in Asia

號外
亞洲出版業協會頒發卓越新聞獎：
卓越雜誌設計獎

Modern Weekly

Top 10 Magazines of Golden TVS-New Century in the Southern Festival of Reading

China Most Valuable Media for Investment by StanChina

週末畫報

南方閱讀盛典評選的「金南方」新世紀10年最受讀者關注十大雜誌

史坦國際頒發中國最具投資價值媒體

Corporate
企業

Modern Media

Top 10 China Media Company Most Worth Investing In and Cooperating With in 2008-2009 by Chuanmei Magazine Society

現代傳播

傳媒雜誌社提名為二零零八年至二零零九年中國十大最具投資合作價值傳媒產業有限公司

Personal
個人

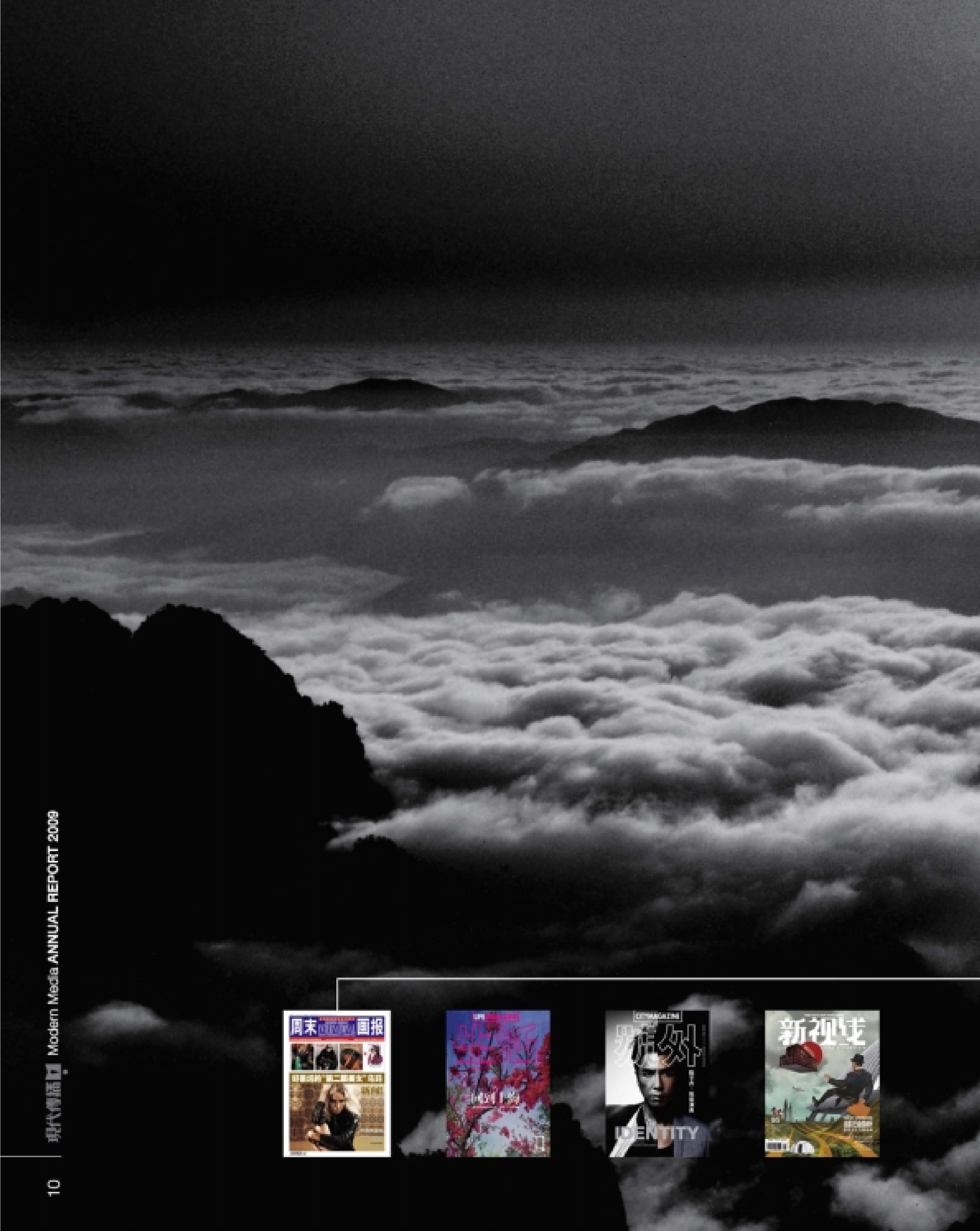
Shao Zhong

Prominent Contributing Person in China Media Industry by StanChina

邵忠

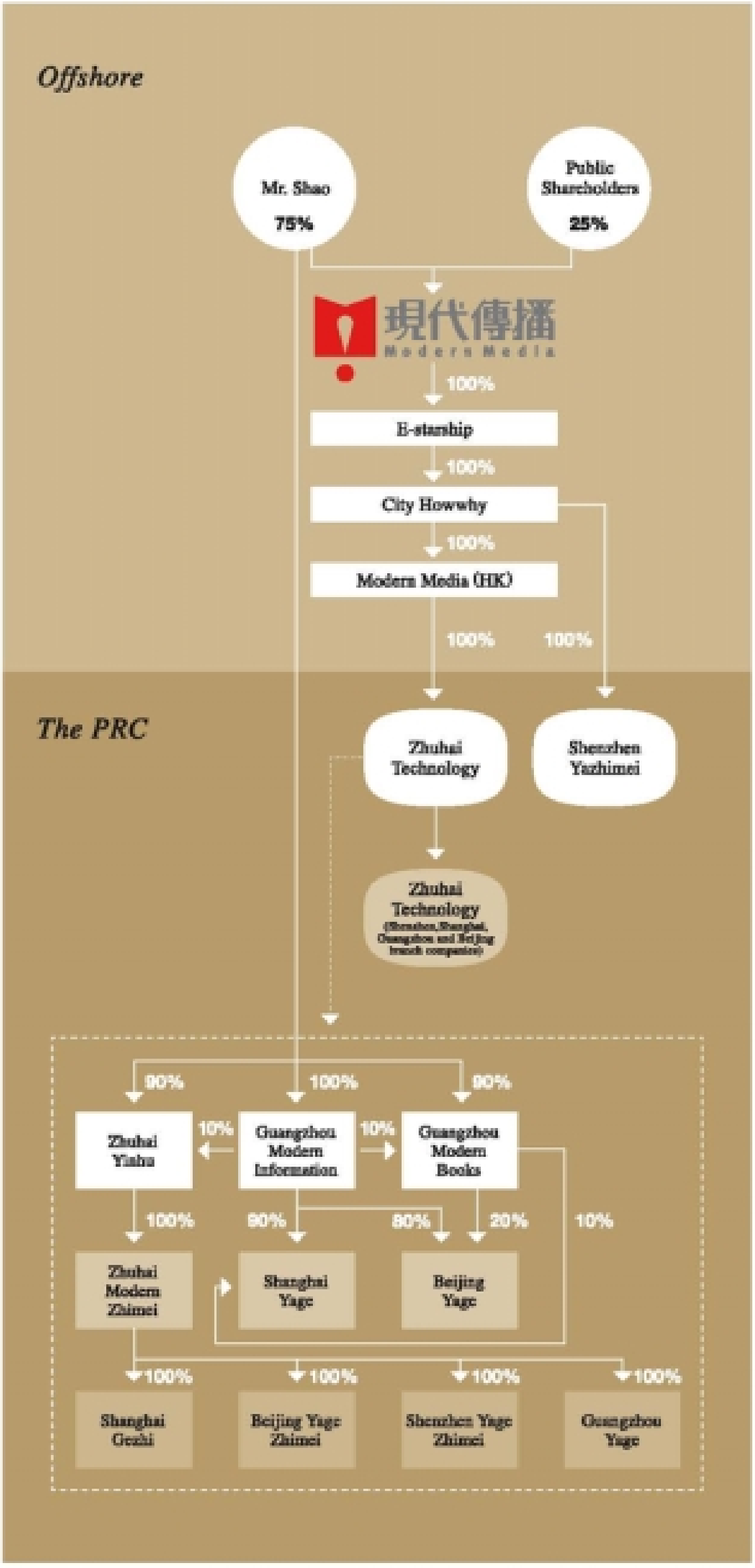
史坦國際頒發中國傳媒產業貢獻人物

group of publications 出版刊物




优家画报 U+
汽车生活
上海大众途观
大都市
METROPOLE
NATURALISM

corporate structure



corporate information

BOARD OF DIRECTORS

Executive Directors

Mr. Shao Zhong *(Chairman)*

Mr. Wong Shing Fat

Mr. Li Jian

Mr. Mok Chun Ho, Neil

Mr. Cui Jianfeng

Independent Non-executive Directors

Mr. Jiang Nanchun

Mr. Wang Shi

Mr. Au-Yeung Kwong Wah

AUDIT COMMITTEE

Mr. Au-Yeung Kwong Wah *(Chairman)*,

Mr. Jiang Nanchun and Mr. Wang Shi

REMUNERATION COMMITTEE

Mr. Wong Shing Fat *(Chairman)*,

Mr. Jiang Nanchun and Mr. Au-Yeung Kwong Wah

COMPANY SECRETARY

Mr. Mok Chun Ho, Neil *(FCPA (Practising), ATIHK)*

AUTHORISED REPRESENTATIVES

Mr. Mok Chun Ho, Neil

Mr. Cui Jianfeng

COMPLIANCE ADVISER

ICBC International Capital Limited

Level 18, Three Pacific Place

1 Queen's Road East

Hong Kong

AUDITORS

KPMG

Certified Public Accountants

8th Floor, Prince's Building

10 Chater Road, Central

Hong Kong

LEGAL ADVISERS AS TO HONG KONG LAW

Chiu & Partners

40th Floor, Jardine House

1 Connaught Place

Hong Kong

PRINCIPAL PLACE OF BUSINESS IN THE PRC

Units A, B & C, 10/F, Exhibition Centre

No. 1 Software Park Road, Zhuhai City

Guangdong Province, the PRC

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

9th Floor, Zung Fu Industrial Building

No. 1067 King's Road, Quarry Bay

Hong Kong

PRINCIPAL BANKERS IN HONG KONG

Hang Seng Bank Limited

Nanyang Commercial Bank Limited

PRINCIPAL BANKERS IN THE PRC

China Merchants Bank

(Shanghai Branch, Xujiahui Sub-branch)

The Bank of East Asia (China) Limited

(Guangzhou Branch)

REGISTERED OFFICE

Scotia Centre
4th Floor, P.O. Box 2804
George Town
Grand Cayman KY1-1112
Cayman Islands

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 609
Grand Cayman KY1-1107
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

STOCK CODE

Stock code: 72

WEBSITE

www.modernmedia.com.cn

board of directors 董事會

執行董事
黃承發

Wong Shing Fat
Executive Director

執行董事
莫峻皓

Mok Chun Ho, Neil
Executive Director

主席
邵忠

Shao Zhong
Chairman

執行董事
崔劍鋒

Cui Jianfeng
Executive Director

執行董事
厲劍

Li Jian
Executive Director


HON


BEIJING


GKONG

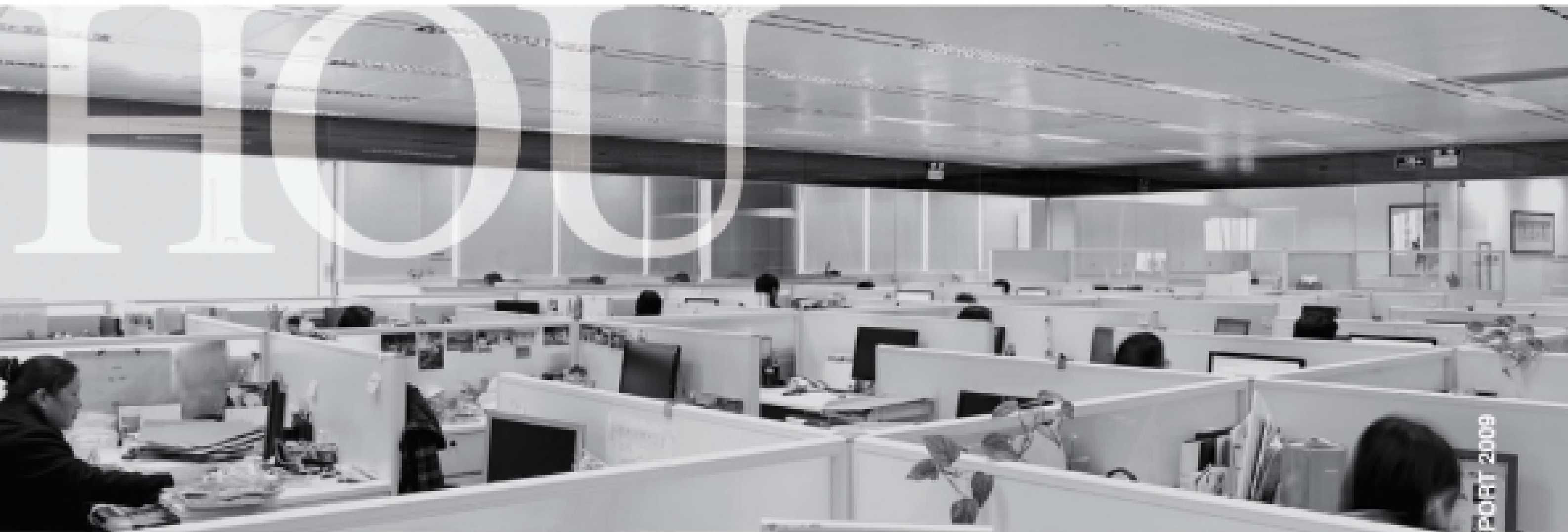

SHENZH


THE
SOFTPOWER
LEARNING
CENTRE


ZHUHAI


SH
GUANGZ


ANGHAI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chairman's statement主席報告

主席
邵忠

Shao Zhong
Chairman

chairman's statement

On behalf of the Board of Directors (the "Board") of Modern Media Holdings Limited ("Modern Media" or the "Company"), it is my great pleasure to announce the results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2009.

Through the years, the mission of Modern Media has been "Spreading the word about modern China and promoting the trend on the international scene". Over the years, we had splashed our boundless creativity on promoting the development of the cultural industry. In 2009, we realised our dream of stepping onto the stage of the international capital market by the sheer strength and motivation of our will and creativity. On 9 September 2009, with the welcoming support from institutional investors and the public, we were successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited. Tapping into the international capital market meant not only increased recognition and consolidation of the Group's capital structure, it also symbolised a new era in the history of the Group that is well-positioned to capture the forthcoming golden decade of the media industry.

During the year under review, the Group's turnover was approximately RMB333.2 million (2008: approximately RMB347.8 million). Profit attributable to equity shareholders of the Company amounted to approximately RMB31.2 million (2008: approximately RMB45.0 million). Earnings per share amounted to RMB0.09 (2008: RMB0.15).

In a year of global economic turmoil, the operating environment in 2009 was extremely challenging. In the first half year, the Group's results inevitably were suffered from the impact. Despite this, the Group went on to fully elaborate its creativity and unrelenting perseverance against adversity, where we faced the challenges head-on through prudent planning and the implementation of a number of initiatives. As the global economy slowly recovered and leveraging on the very favourable fundamentals of the China advertising market, the Group successfully turned around from losses to profits in the second half year. The satisfying performance of the overall business in mainland China and Hong Kong during the year under review was contributed by the dedicated efforts of all staff of the Group.

Against the backdrop of a still shaky marco-environment, the Group remained focused on moving forward its business strategies. In December 2008, the Group launched "U+ Weekly", a women's lifestyle weekly, which successfully filled up the void in the high end women's lifestyle weekly market of China, and lured significant advertising placements from advertisers in the categories of female cosmetic products, fashion, jewelry, etc. Now, the Group has become one of the few media enterprises in China that publish two best-selling weeklies. The two magazines are expected to sustain momentum for the future revenue of the Group.

"Observing modern China from a global perspective, influencing the international trend with Chinese originality" is the spirit we mobilise to exploit our potential competitive edge, with an aim to strengthen our industrial position and capture opportunities. We believe that China's economy will continue to boom in 2010, while advertising demands will step up exponentially. The stimulus package promulgated by the PRC government has already made its impact on the actual economy and facilitated domestic consumption. With regard to external economies, as global economy recovers gradually after the financial crisis, and coupled with the World Expo 2010 which will be held in Shanghai, the whole world will set its eyes on China. As the market sentiment heats up and boosts up the economy and advertising demands, a favourable market environment will be shaped up for the business development of Modern Media. We are fully confident with our business prospects, and we will strive to become the most influential and respectable integrated media group in China.

Looking into the coming year, a strategic 3-dimension development plan has been formulated for the Group. It includes strengthening existing revenue from core print media business, extending new print media business and diversifying the business to new non print media business.

We will continue to strengthen our market promotion and extend our existing distribution network, so as to consolidate the leading position of "Modern Weekly" and "U+ Weekly" in the market. Besides, riding on the success of "U+ Weekly" in the high end feminine weekly market, we will produce a series of multimedia products that are related to "U+ Weekly", in order to provide integrated marketing services for our clients.

In order to broaden revenue from our print media business, we are expanding our distribution network from Tier 1 cities, such as Beijing, Shanghai and Guangzhou; to selected cities as for our expansion into Tier 2 cities so as to further expand our China advertising market. Hangzhou was chosen as our pilot Tier 2 city for expansion. Continuing on our philosophy of "searching for a modern China and spreading the global perspective", we will co-operate with famous international publishers to publish lifestyle magazines in Chinese version in the PRC, with a view to optimising the Group's magazine portfolio.

As modern information technology changes every second, Modern Media is determined to progress closely in line with the media development trend to maintain its leading position in the media industry. The transformation from print media to multimedia, and the diversification from a single business, represents our initiatives to expand outside the realm of print magazines into multimedia platforms and other media businesses. Starting from mobile magazines, digital publishing and television production, we plan to tap into multimedia business through a wide array of channels ranging from China news headlines, international trends, merchandise information to small town gossips. These are expected to fulfil the wide-ranging needs of our readers, audience and advertising clients, and this direction of development is expected to turn into a highlighted area of growth for Modern Media.

Creativity stems from inspiration and quality originates from the pursuit thereof. We believe the success of cultural industry is highly dependent upon its talents. As such, the Group completed the implementation of an employee share award plan with a term of 10 years, in order to recognize and reward the contribution of eligible employees for their contribution to the Group. The Group believes this plan will serve as a further morale boost that will help promote the long-term growth of the Group.

With the concerted co-operation of all employees as well as the full support and reassurance from our clients, shareholders and business partners, the Group flexibly coped with changes in business environment to capture new opportunities, and progressed to a new era of excellence. We will build upon our past experience to seize the day and strive for a brighter prospect. Looking forward, Modern Media will endeavour to make great achievements in both China and the international scene.

Shao Zhong
Chairman

management discussion and analysis

RESULT SUMMARY

The adverse impact stemmed from the global financial turmoil gradually phased out in 2009. Although brand advertisers in general scaled back their advertising spending during the year ended 31 December 2009 (the "year"), the Group had managed to rein in and mitigate the impact on the Group's operation and it had seen an uptick for its business during the second half of the year. For the year, the Group's turnover amounted to approximately RMB333.2 million, which represented only a slight decrease of 4.2% as compared with that for year 2008. The Group successfully reversed its loss position for the first half of 2009 and recorded a net profit of RMB31.2 million for the year, despite a 30.7% decrease as compared with year 2008. The Group believes that its operating performance had remarkably recovered, despite the fact that the recovery of global economy and business environment are still on a shaky ground.

Although business environment to the Group remained challenging and uncertain during the second half of 2009, the Group closely monitored the impact and dedicated persistent efforts with a view to lifting the advertising revenue derived from the Group's magazine portfolio and utilitsing the resources prudently. As a result, the Group's had achieved a significant growth in both turnover and operating profit during the second half of 2009 through (i) increasing the public awareness and recognition of "Modern Weekly" which is the Group's flagship magazine and the leader in the high quality Chinese-language lifestyle weekly market, (ii) launching intensive promotion campaign for "U+ Weekly" that is recognized by the high-end feminine reader market as a high quality women's lifestyle weekly and (iii) publishing more supplements as well as organizing more customer events so as to increase advertising opportunities. We achieved turnover of approximately RMB197.2 million for the second half of 2009, translating into a growth of 4.3% as compared with approximately RMB189.1 million for the same period in 2008. Coupled with an array of cost control measures implemented, the Group recorded profit before taxation of approximately RMB48.8 million for the second half of 2009, representing a growth of 50% as compared with RMB32.5 million in the second half of 2008.

(A) BUSINESS REVIEW

Advertising

The PRC

During the year, the Group operated two weekly and five monthly magazines in the PRC. These magazines contributed an aggregate advertising revenue of approximately RMB317.8 million (2008: RMB327.8 million), representing a modest decrease of approximately 3.1% on a yearly basis. In spite of the tough business environment faced by the Group, we still managed to generate profit from the flagship magazine, "Modern Weekly" which is recognized by the brand advertisers as an effective promotion vehicle for their advertising campaign. Moreover, "U+ Weekly", a women's lifestyle magazine launched at the end of 2008, is well-received in the high-end feminine reader market and has been ranked first in terms of circulation in the market (Source: Beijing Kai Yuan Circulation Research Company). With that, it triumphantly lured increasing advertising placements from the brand advertisers spanning from cosmetic products, fashion, jewelry, to other fast moving consumer goods. These magazines recorded a combined advertising revenue of approximately RMB188.3 million (2008: RMB184.5 million) for the second half of 2009, represent an increase of approximately 2.0%.

Hong Kong

In Hong Kong, the Group publishes a monthly magazine, "City Magazine" and provides advertising agency services for the PRC magazines operated by the Group, which accounted for approximately 6.3% of the Group's total advertising revenue for the year. Over the past few years, many brand advertisers have relocated their headquarters and reallocated their marketing and promotion expenditures to the PRC, resulting in the increasing number of the Group's advertising customers shifting their spending from our Hong Kong subsidiaries to our PRC subsidiaries. With the shifting of marketing and promotion expenditures of brand advertisers to the PRC, our operation in Hong Kong recorded a decrease in the revenue of approximately RMB10.3 million when compared with that of the year 2008, represent a decrease of approximately 32.7%.

Circulation

Thanks to satisfactory operation of the magazines distribution network in the PRC, our incessant efforts in expanding the network and the official launch of magazine "U+ Weekly", the circulation revenue in 2009 increased by approximately 3.9% to RMB14.1 million in 2009 from RMB13.6 million in 2008.

(B) BUSINESS OUTLOOK

With the gradual recovery of global economy, resilient China economy growth coupled with the World Expo 2010 which will be held in Shanghai, the prospect of the advertising market in the PRC remains promising and it has been shaping up a favourable business environment for the Group's operation.

Global economy has seen stabilization in the wake of the stimulus packages implemented by government of different countries in response to the fallout of financial tsunami that surfaced in the third quarter in 2008. As the negative impact of financial tsunami has gradually subsided, consumer confidence has recuperated and so is the business confidence. As such, companies, which scaled back the advertising expenditure during the financial crisis, are spending more on advertising and promotion so as to capture the escalating market opportunities and expand their businesses. Among which, producers in the upmarket fashion, jewelry, cosmetic, automobile, digital products, branded products and fast moving consumer goods are in the forefront of promoting their products.

Against the backdrop of global economy recovery, China remains the locomotive propelling the growth. During the year, China economy grew at the pace of 8.7% and it is expected that the strong growth momentum will remain intact in the coming 10 years. Alongside, there will be a significant change to the forces driving the economy growth in the PRC. In future, Chinese economy will experience an increasing reliance on domestic consumption instead of export, and hence it will stimulate the consumer products companies to increase their spending on advertising.

In the meantime, China is preparing for the biggest and most extravagant World Expo in history in 2010. It is estimated that more than 70 million visitors will flock to the bustling financial centre, Shanghai, and the event will capture the attention of the world. It is also hoped that a vibrant Expo will help boost confidence in the Chinese economy at home and abroad, buoying up the advertising spending which ultimately is expected to benefit the Group.

Looking ahead, the Group will adopt a comprehensive business strategy to maintain its leading position in the market and to ensure the Group will have a continuous healthy profit growth for the future. The business strategy includes the strengthening of existing revenue stream from our core print media business and the extension of new revenue stream from print media business.

(B) BUSINESS OUTLOOK(continued)

Strengthen existing revenue stream from our core print media business

Riding on the market leading positions of "Modern Weekly" (China No. 1 Advertising Revenue Weekly, recognized by AdmanGo Limited, a market research company) and "U+ Weekly" (China No. 1 circulation Weekly, recognized by Beijing Kai Yuan Circulation Research Company), we have initiated a series of marketing plans to further consolidate our leading position and to further enhance our competitive edges in the PRC weeklies market. With a series of plans, we believe the business of "Modern Weekly" will have an above-average growth while "U+ Weekly" which was launched in December 2008 will achieve a significant growth as it is nascent to the market. Despite the fact that it only debuted just one year ago, "U+ Weekly" has already outperformed many feminine magazines remarkably and is well received by our advertising clients.

The marketing plans mentioned above will include developing an eclectic mix of marketing promotion, trade promotion and marketing events as well as expanding the sales and marketing team in Tier 2 cities in an attempt to recruit new readers, increase the copies sold and exert high brand influence in both Tier 1 and 2 cities of PRC. Furthermore, in order to further solidify the market position of "U+ Weekly", we will create a "Mega-Media" platform for "U+ Weekly", encompassing the development of "U+ Community Website", "U+ E-commerce Website" and the production of "U+ TV Program" which will be telecast at local TV channels.

For our monthly magazines, we will continue to maintain their unrivaled positions in the market so as to continue to capture the advertising budget from different elite segments.

With a series of strategies and actions in place, the Directors believe that our core business will record a significant growth going forward.

(B) BUSINESS OUTLOOK(continued)

Extend new revenue stream from print media business (continued)

The extension of revenue stream will be achieved from two strategies:

(i) Series of local weeklies launch at Tier 2 cities

Considering the immense growth potential of Tier 2 cities of the PRC in which quality print media is scarce, the Group is going to launch a chain of quality new local weeklies in 3 to 4 cities by 2010 and more in 2011 to capture new revenue stream from both local and international brand advertisers.

The first local weekly that we have launched in Tier 2 cities is "Style Weekend"（"時尚週末"）, which was launched in Hangzhou in January 2010. We strategically selected Hangzhou as our pilot city due to the fact that it is one of the most important footholds for the brand advertisers and also its outstanding brand consumption and advertising revenue.

Our Hangzhou local partner for the operation of "Style Weekend" is a local enterprise in the television industry which allows us to extensively enlarge our local network resources and TV channel resources, concretely assisting the Group in developing its business in the Tier 2 cities.

Moreover, the Group has acquired a minority shareholding in a Chongqing company in January 2010 which operated a local weekly magazine, "Chongqing Yu Bao" ("重慶渝報"). Chongqing is one of the direct-controlled municipality cities which has a population over 30 million that we regard it has huge business opportunities among the other Tier 2 cities.

The Directors believe that the "Style Weekend" in Hangzhou together with "Chongqing Yu Bao" in Chongqing have good prospect and will promptly adopt and role out this business model to other Tier 2 cities in the coming two years.

(B) BUSINESS OUTLOOK*(continued)*

Extend new revenue stream from print media business (continued)

(ii) Launch Chinese version of renowned international magazine in the PRC

The Group has successfully created portfolio comprising a number of local weeklies and monthlies in the market over the past 10 years and planned to further broaden the publishing business scope by co-operating with international reputable publishers to release renowned magazine in Chinese version in the PRC .With such new international publications, additional revenue stream is expected to be created which could strengthen our market leading position and establish a more in-depth relationship with the international brand advertisers for future business cooperation. Our new international publication is planned to be launched in late 2010.

In response to rapidly changing media industry, the Group will continuously seek to diversify its business in the future. The Group will be active, yet cautious in pursuing new investment opportunities to expand from its core print media business to non-print media.

Taking into account the abovementioned strategic plans of the Group, together with healthy economic growth in the PRC and the upcoming Shanghai World Expo, the Directors are confident that the financial performance of the Group will continue to improve and we will bring sustainable promising return to our shareholders in future.

While "Modern Weekly" and "U+ Weekly" are both growing healthily and sturdily in the PRC weeklies market, the Group has been continuously seeking for diversification opportunities on its business in the coming future. The Directors believe the abovementioned plan can lead the Group towards its goal to become China's most respectable and influential integrated media group creating sustainable value for our shareholders.

(C) LIQUIDITY AND FINANCIAL RESOURCES

Net cash flows

During the year, the Group had a net cash used in operating activities of approximately RMB32.2 million, which were largely attributable to the increase in trade receivables. The increase in trade receivables was resulted from improvement in advertising revenue of the Group particularly in the fourth quarter of 2009. Up to mid-March 2010, approximately 50% of trade receivables had been settled. In addition, the Group enhanced its sales and marketing effort to expand brand recognition and geographical coverage after listing of the Company's shares in September 2009. Approximately, RMB4.5 million was spent on these marketing activities out of the listing proceeds raised during the year.

The Group's cash used in investing activities amounted to RMB21.0 million (2008: RMB45.5 million) which was mainly attributable to (a) capital expenditures for leasehold improvements and fixed assets of the new office in Guangzhou, (b) acquisition of publishing rights of magazines and (c) investment in a jointly controlled entity, Hangzhou Shili Cultural Media Co., Limited of RMB4.9 million out of the listing proceeds.

The Group's cash generated from financing activities amounted to RMB73.9 million which included (a) net proceeds from the listing of RMB80.2 million, (b) repayment of other loans of approximately RMB20.9 million and (c) net advance from bank loans of RMB17.6 million.

Amounts due from Guangzhou Zhongde

As at 31 December 2009, other receivables included the amounts of RMB17,202,000 (2008: RMBNil) due from Guangzhou Zhongde Consultation Co. Ltd ("Guangzhou Zhongde"). Guangzhou Zhongde was previously owned by Mr Shao, the controlling shareholder of the Company and subsequently disposed to an independent third party in April 2009. The amounts due from Guangzhou Zhongde were, as a result, reclassified to other receivables at 31 December 2009. The amounts due from Guangzhou Zhongde are unsecured, interest free and will be settled by instalments of approximately RMB600,000 every two months starting from January 2010. The Group received the first instalment of approximately RMB600,000 in February 2010.

(C) LIQUIDITY AND FINANCIAL RESOURCES*(continued)*

Borrowings and gearing

As at 31 December 2009, the Group's outstanding borrowings was approximately RMB24.5 million. The total borrowings comprised secured bank loans of approximately RMB17.6 million and other loan of approximately RMB6.9 million. The gearing ratio as at 31 December 2009 was 7.5% (31 December 2008: 9.2%), which was calculated based on the total debts divided by total assets at the end of the year and multiplied by 100%.

As at 31 December 2009, the total debts of the Group were repayable as follows:

	2009 RMB'000	2008 RMB'000
Within 1 year or on demand	8,315	27,596
After 1 year but within 2 years	1,544	—
After 2 years but within 5 years	5,285	—
After 5 years	9,350	—
	16,179	—
	24,494	27,596

SHARE CAPITAL

On 9 September 2009, dealings in shares of the Company on the Stock Exchange commenced and as at 31 December 2009, 400,000,000 shares of the Company at the nominal value of HK$0.01 each were issued.

CONTINGENT LIABILITIES AND PLEDGE OF ASSETS

As at 31 December 2009, the Group did not have any material contingent liabilities or guarantees other than disclosed below.

As at 31 December 2009, the Group's other loan in an amount of approximately US$1.0 million (equivalent to approximately HK$7.8 million or RMB6.9 million), as a security to which corporate guarantee was provided by the Company.

As at 31 December 2009, the Group's bank loans of RMB17,626,000 were secured by mortgages over the Group's properties in Beijing, the PRC. Corporate guarantees were provided by the Company and Shanghai Gezhi Advertising Co., Ltd., a subsidiary of the Group.

FOREIGN EXCHANGE RISKS

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 did not enter into any foreign exchange hedging instruments during the year.

EMPLOYEES

As at 31 December 2009, the Group had a total of 722 staff (2008: 698 staff), total staff costs (including Directors' remuneration) were approximately RMB97.5 million (2008: RMB91.2 million). The increase in head count was due to the launching of U+ Weekly and its continuous efforts in promoting brand recognition and developing larger media distribution network.

corporate governance report

Before the shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company had not yet adopted the CG Code (as defined below). On 24 August 2009, the Company adopted the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 to the Listing Rules and has since the date of the Listing on 9 September 2009 up to the date of this report complied with the CG Code.

The Board and management are committed to uphold the Group's obligations to shareholders. We regard the promotion and protection of shareholders' interests as one of our priorities and keys to success. Over the years, the Group has put in place sound corporate governance practices to ensure it adheres to the highest ethical and business standards. The key test of corporate governance practices is if they align the interests of management with those of shareholders to adequately protect and promote shareholders' interests. The Group constantly reviews these guidelines and policies and implements new ones to ensure they remain relevant and practical in today's fast changing business environment and market expectations. During the period after the listing, the Group's corporate governance practices have complied with the CG Code.

The Group believes that its current corporate governance practices provide the Group with a sound and sensible framework for balancing the business of the Group and the interests of its shareholders. The Group will continue to evaluate its corporate governance practices in light of its business needs, regulatory changes and new corporate governance philosophies.

Set out below are our current framework of governance and explanations about how the provisions of the CG Code have been applied.

THE BOARD OF DIRECTORS

The Board recognizes its responsibility to act in the interests of the Company and its shareholders as a whole. Currently, the Board has eight Directors: five Executive Director and three Independent Non-executive Directors. Independent Non-executive Directors represent more than one-third of the Board.

At present, the Directors of the Company are:

Executive Directors

Mr. Shao Zhong *(Chairman)*
Mr. Wong Shing Fat
Mr. Li Jian
Mr. Mok Chun Ho, Neil
Mr. Cui Jianfeng

Independent Non-executive Directors

Mr. Jiang Nanchun
Mr. Wang Shi
Mr. Au-Yeung Kwong Wah

The biographies of all the Directors, including their relationships, are set out on pages 49 to 51 of this Annual Report. The Board is chaired by the Chairman, Mr. Shao Zhong. Mr. Wong Shing Fat, Executive Director and Chief Executive Officer, oversees the management of the Group's business with the assistance of the Group's senior management team. Each Director brings a wide range and years of business experience to the Board. The Directors' combined knowledge, expertise and experience are extremely valuable in overseeing the Group's business. The Board sets the strategic direction and oversees the performance of the Group's business and management. The following key matters must be approved by the Board before decisions are made on behalf of the Company:

- Strategic direction
- Budgets
- Interim and annual financial results
- Interim and annual financial reports
- Significant investments
- Major acquisitions and disposals
- Major financings, borrowings and guarantees
- Material contracts
- Risk management

In addition, the Board discusses major operating issues, evaluates opportunities and business risks, and considers corporate communications and human resources issues. Decisions and conduct of matters other than those specifically reserved to the Board are delegated to management.

The Board will review the arrangements between the responsibilities of the Board and the matters delegated to management from time to time to ensure that they remain appropriate to the need of the Group and its business.

Board Proceedings

The Board holds two regular meetings annually, usually half-yearly, and also meets at such other times as are necessary. Agenda of Board meetings are presented to the Directors for comments and approval. The Board is provided with adequate, timely and reliable information about the Group's business and developments before each Board meeting at which the Directors actively participate and hold informed discussions. All Directors are asked to review and comment on the Board minutes within a reasonable time after the meetings to maintain accurate records of Board discussions and decisions. The number of Board meetings held and meetings attended by each of the Directors were:

	Meetings attended	Meetings held after listing on 9 September 2009 up to 31 December 2009 (Note 2)
Mr. Shao Zhong	3	4
Mr. Wong Shing Fat	4	4
Mr. Li Jian	3	4
Mr. Mok Chun Ho, Neil	4	4
Mr. Cui Jianfeng	3	4
Mr. Wang Shi (Note 1)	1	4
Mr. Jiang Nanchun (Note 1)	1	4
Mr. Au-Yeung Kwong Wah (Note 1)	3	4

Note 1: They are Independent Non-executive Directors who were appointed on 24 August 2009.

Note 2: On 3 December 2009, the Board resolved that, for transactions falling under Chapter 14 of the Listing Rules but with the transaction amount involved less than HK$ 20 million and that all relevant percentage ratios not exceeding 5%, the same may be approved by any two Executive Directors, provided that within 5 working days from the date of signing of the agreement(s) for the transaction, a copy of such agreement(s) must be circulated to all Directors (including Independent Non-executive Directors). Out of the four Board meetings held after listing, one falls within such category of meeting.

All the Directors have access to the advice and services of the Company Secretary to ensure all board procedures are followed. There are also written procedures for the Directors to obtain independent professional advice at the Company's expense.

Appointment, Re-election and Removal of Directors

The Board confirms the term of appointment and functions of all Independent Non-executive Directors and Board Committee members with formal letters of appointment. Each Independent Non-executive Director is appointed for an initial term of two years. Directors who are appointed to fill vacancies are subject to re-election at the first annual general meeting of the Company after his or her appointment. In addition, every Director, including every Independent Non-executive Director, shall be subject to retirement by rotation at least once every three years. One-third of the Directors are required to retire by rotation from office at every annual general meeting under the Company's Articles of Association. A retiring Director is eligible for re-election.

Directors' Remuneration

The emoluments of the Directors are reviewed by the remuneration committee of the Company. The Directors' fees and all other reimbursements and emoluments paid or payable to the Directors during the year are set out, on an individual and named basis, in note 9 to the consolidated financial statements of this Annual Report on pages 101 to 102. The remuneration policy of the Group is set out on page 63 of this Annual Report.

Independence of Independent Non-executive Directors

The Board has received from each of the Independent Non-executive Directors a confirmation of his independence according to the guidelines set out in Rule 3.13 of the Listing Rules. The Board is of the view that all Independent Non-executive Directors of the Company are independent and is grateful for the contribution and independent advice and guidance that they have been giving to the Board and the Board Committees.

Other matters relating to the Board

In relation to financial reporting, all Directors acknowledge their responsibilities for preparing the accounts of the Group. The Group has appropriate insurance in place to cover the liabilities of the Directors and senior executives of the Group.

BOARD COMMITTEES

The Board has established the Audit and Remuneration Committees respectively with term of reference to deal with certain corporate governance aspects of the Group. The term of reference of these Committees are published on the Company's website – www.modernmedia.com.cn.

From time to time, the Board also establishes other board committees to deal with specific aspects of its business. Each Committee is appointed with written terms of reference and each member of the Committee has a formal letter of appointment setting out key terms and conditions relating to his appointment. Each Committee meets as frequently as required by business developments and the operation of the Group. Committee members are provided with adequate and timely information before each meeting or discussion. All Committee members are asked to review and comment on the minutes of their meetings within a reasonable time after the meetings. The procedures and arrangements relating to the meetings of the Board apply to meetings of the Board Committees wherever appropriate.

AUDIT COMMITTEE

The Company established an audit committee ("Audit Committee") on 24 August 2009 with written terms of reference. The Audit Committee currently comprises three Independent Non-executive Directors, namely, Mr. Au-Yeung Kwong Wah (chairman of the Audit Committee), Mr. Wang Shi and Mr. Jiang Nanchun.

The Audit Committee members have professional qualifications and experience in financial matters that enable the Audit Committee to exercise its powers effectively and provide the Board with independent views and recommendations in relation to financial matters.

The primary duties of the Audit Committee are to review and supervise the financial reporting process and the internal control procedures of the Group. The terms of reference of the Audit Committee are aligned with the recommendations as set out in "A Guide for Effective Audit Committees" issued by the Hong Kong Institute of Certified Public Accountants. Given below are the main duties of Audit Committee:-

(a) To consider the appointment of the external auditors and any question of resignation or dismissal;

(b) To discuss with the external auditors before the audit commences, the nature and scope of the audit;

(c) To review the half-year and annual financials statements before submission to the Board, focusing particularly on:

  (i) Any changes in the accounting policies and practices adopted by the Group;

  (ii) Major accounting estimates and judgmental areas;

  (iii) Significant adjustments following the audit;

  (iv) The going concern assumption;

  (v) Compliance with accounting standards; and

  (vi) Compliance with the requirements of the Stock Exchange and related legal requirements;

(d) To discuss problems and reservations arising from the audits, and any matters the external auditors may wish to discuss (in the absence of management where necessary); and

(e) To review the audit programme of the internal audit function (if applicable).

The Audit Committee holds two regular meetings annually and also meets at such other times as are necessary. Any Audit Committee member may convene a meeting of the Audit Committee. The external auditor may also request the Committee Chairman to convene a meeting of the Audit Committee. The Audit Committee may invite the external auditor and/or members of management to attend any of the meetings. Special meetings may be called upon at the discretion of the Committee Chairman or at the request of management to review significant internal control or financial issues. The Committee Chairman reports to the Board at least twice a year on the Audit Committee's activities and highlights any significant issues. The number of meetings of the Audit Committee held and attended by each of the Committee members during the year were:

	Meetings attended	Meetings held after listing on 9 September 2009 up to 31 December 2009
Mr. Au-Yeung Kwong Wah	1	1
Mr. Wang Shi	0	1
Mr. Jiang Nanchun	1	1

During the period from 9 September 2009 (i.e. the Listing Date) to 31 December 2009, the Audit Committee performed the following work:-

(a) Approval of the remuneration and terms of engagement of the external auditors;

(b) Review of the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;

(c) Discuss with the external auditors regarding the nature and scope of the 2009 audit;

(d) Review of the half-year and annual financial statements of the Group before the submission to the Board for the approval;

(e) Review of the Group's financial reporting and internal controls and risk management processes; and

(f) Meeting with the external auditors without the presence of the Board members.

In compliance with the CG Code, the Audit Committee at its meeting on 19 March 2010, reviewed the resources, qualifications and experience of the employees of the Group's accounting and financial reporting function, and their training programs and budget, and was satisfied with their adequacy and effectiveness.

During the year, the Board has not taken any view that is different from that of the Audit Committee nor rejected any recommendation presented by the Audit Committee.

REMUNERATION COMMITTEE

The Company established a remuneration committee ("Remuneration Committee") on 24 August 2009 with written terms of reference. The Remuneration Committee currently comprises an Executive Director, namely Mr. Wong Shing Fat (chairman of the Remuneration Committee), and two Independent Non-executive Directors, namely Mr. Au-Yeung Kwong Wah and Mr. Jiang Nanchun. The primary duties of the Remuneration Committee are to make recommendations to the Board on the remuneration of the Directors and determine on behalf of the Board specific remuneration packages and conditions of employment for the Directors.

The duties of the Remuneration Committee, as set out in its terms of reference, adhere to the relevant CG Code. The Remuneration Committee usually meets once a year and at such other time as is necessary. Any Committee member may convene a meeting of the Remuneration Committee. The number of meetings of the Remuneration Committee held and attended by each of the Committee members during the year were:

	Meetings attended	Meetings held after listing on 9 September 2009 up to 31 December 2009 (Note)
Mr. Wong Shing Fat	0	0
Mr. Au-Yeung Kwong Wa	0	0
Mr. Jiang Nanchun	0	0

Note: The remuneration policy and package of directors were reviewed and considered by the Board in January 2009. Thus, there was not any meeting convened by the Remuneration Committee after the listing in September 2009.

NOMINATION OF DIRECTORS

The Board is empowered under the Company's Articles of Association to appoint any person as a director either to fill a casual vacancy on or, subject to authorization by the shareholders of the Company in general meeting, as an additional member of the Board. Qualified candidates will be proposed to the Board for consideration and the selection criteria are mainly based on the assessment of their professional qualifications and experience. The Board selects and recommends candidates for directorship having regard to the balance of skills and experience appropriate to the Group's business.

INTERNAL CONTROLS

The Group has established internal controls in all material aspects of its business including financial, operational, compliance and risk management functions. These internal controls are intended to safeguard the shareholders' investments and the Group's assets. To the extent relevant, the Group's internal control framework uses aspects from the internal control and risk management framework proposed by the Hong Kong Institute of Certified Public Accountants.

The responsibilities for maintaining the Group's internal controls are divided between the Board and management. The Board is responsible for setting and reviewing internal control policies to monitor the Group's internal control systems. The Board delegates the implementation of these policies to management. Management is responsible for identifying and evaluating the risks faced by the Group and for designing, operating and monitoring an effective internal control system which implements the policies adopted by the Board. The Company engaged an external auditing firm to perform an internal audit function in 2009. Audit plans, risk assessments and internal audit reports are presented to and reviewed by the Audit Committee and the Board of Directors. The Board acknowledges that it is responsible for the Group's systems of internal control and for reviewing its effectiveness. Preliminary reviews of the Group's financial controls, internal control and risk management systems prior to formal reviews by the Board have been delegated to the Audit Committee in accordance with its terms of reference. The Audit Committee reviews the Group's financial controls, internal control and risk management systems at its regular Audit Committee meetings. It should be noted, however, that while a sound and well-designed system of internal control helps to provide reasonable safeguards to assist the Group in achieving its business objectives, the system itself cannot provide protection with certainty against the Group failing to meet its business objectives or against all material errors, losses, fraud or breaches of laws or regulations. For this reason, the Board's review of the internal controls should not be treated as an absolute assurance that one of the risks mentioned above would not materialize. The Board reviewed the effectiveness of the Group's material controls, including financial, operational and compliance controls and risk management functions as well as the adequacy of resources, qualifications and experience of staff of its accounting and financial reporting function and their training programs and budget during the year and considered the Group's system of internal controls to be satisfactory.

EXTERNAL AUDITOR

KPMG was first appointed as the auditors of the Group in October 2009. During the year, KPMG provided the following audit and non-audit services to the Group:

	2009 RMB'000	2008 RMB'000
External audit	1,542	586
Reporting accountants	2,362	—
Tax services	366	—
Other advisory services	—	—

KPMG will retire and offer themselves for re-appointment at the annual general meeting of the Company to be held in May 2010.

SHAREHOLDER RELATIONS & SHAREHOLDERS' RIGHTS

All of the Company's shares are ordinary shares carrying equal voting rights. As at the date of this Annual Report, sufficient shares of the Company were on public float as required by the Listing Rules. The Board and management recognize their responsibility to act in the best interests of the Company and its shareholders as a whole. Shareholder relations play an integral part in corporate governance. The Group keeps shareholders informed of its performance, operations and significant business developments by adopting a transparent and timely corporate disclosure policy which complies with the Listing Rules and provides all shareholders equal access to such information. We report on financial and operating performance to shareholders twice each year through annual and interim reports. We give shareholders the opportunity to raise concerns or propose recommendations to the Board at the Company's annual general meetings. A representative of the Company's external auditor is requested to attend the annual general meetings to answer questions about the external audit and the audit report. Shareholders may visit our website: www.modernmedia.com.cn for up-to-date financial and other information about the Group and its activities.

The Company promotes fair disclosure of information to all investors and care is taken to ensure that analyst briefings and other disclosures made by the Company comply with the Listing Rules' prohibition against selective disclosure of price sensitive information. Shareholders have specific rights to convene extraordinary general meetings under the Company's Articles of Association. A shareholder or shareholders holding not less than one-tenth of the Company's shares may require the Directors to convene an extraordinary general meeting of the Company by making such requisition in writing to the Directors or the Company Secretary. Up to the date of this Annual Report, no shareholder has requested the Company to convene an extraordinary general meeting.

The Company's next annual general meeting will be held on 17 May 2010 at 9/F., Zung Fu Industrial Building, 1067 King's Road, Quarry Bay, Hong Kong.

Directors' Securities Transactions

The Company has adopted a code of conduct regarding the Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Companies set out in Appendix 10 to the Listing Rules (the "Model Code"). The Company has made specific enquiry of all Directors and all Directors have confirmed with the Company that they have complied with the required standard set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions since the date of listing on 9 September 2009 up to 31 December 2009.

DIRECTORS, MANAGEMENT AND SENIOR STAFF

Mr. SHAO Zhong (邵忠), aged 49, the founder of the Group. Mr. Shao was initially appointed as a Director in March 2007, and was subsequently designated as Chairman of the Board and Executive Director in August 2009. Mr. Shao is responsible for the overall corporate strategies, policy-formulating and instilling corporate philosophy of the Group. Prior to founding the Group, Mr. Shao was formerly a PRC government official before 1989. Then, he also undertook senior positions in other publishing and media enterprises including a listed printing company in Hong Kong until 1999. Mr. Shao holds an EMBA degree from Tsinghua University of Beijing. His in-depth experience in the media and publication industries in the PRC earned him the nomination as one of Top 10 Innovative Media Icon at China Media Innovation Forum & 30 Years of China Media Reform Forum by Chuanmei Magazine Society in the PRC in December 2008.

Mr. WONG Shing Fat (黃承發), aged 51, the Chief Executive Officer of the Group responsible for the corporate and business planning and development as well as the overall management and operation of the Group. Mr. Wong was appointed as an Executive Director of the Group in July 2009. He joined the Group in January 2003 as a Chief Consultant and also assumed the role as the Chief Operation Officer and was subsequently promoted as the Chief Executive Officer of the Group in September 2006. Prior to joining the Group, Mr. Wong undertook senior positions in several international reputable advertising companies and was responsible for the media planning, overall operational management and business development in the greater China region. Mr. Wong has over 25 years of experience in media operation and management of 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.

Mr. LI Jian (厲劍), aged 41, the Chief Operation Officer of the Group responsible for the formulation and execution of the advertising sales strategies as well as the publication management of the Group. Mr. Li was appointed as an Executive Director of the Group in July 2009. He joined the Group in May 1999 and took up various senior positions in Shanghai and Beijing offices and he was subsequently promoted to be the Chief Operation Officer of the Group in July 2006. 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 Lanzhou University in the PRC 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 the Group in July 2009. Mr. Mok joined the Group in March 2003 and is responsible for the general financial planning and management of the 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 was admitted as a fellow member of the Hong Kong Institute of Certified Public Accountants and the associate member of the Taxation Institute of Hong Kong in February 2010 and April 1999, respectively. Mr. Mok has almost 20 years of experience in finance and accounting management through his previous financial positions with several listed and private companies in Hong Kong.

Mr. CUI Jianfeng (崔劍鋒), aged 37, was appointed as the Chief Investment Officer and Executive Director of the Group in July 2009. Mr. Cui joined the Group in May 2008 and is responsible for the investment strategies and business management of the Group. Prior to joining the Group, he took up various senior positions in two reputable multinational companies. Mr. Cui's past working experience in multinational companies helps the Group in developing constructive investment and business finance systems. He obtained an 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 respectively 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.

Independent Non-executive Directors

Mr. WANG Shi (王石), aged 58, was appointed as an Independent Non-executive Director in August 2009. Mr. Wang has almost 20 years of experience in real estate development in the PRC. Mr. Wang was the founder of China Vanke Co., Ltd. which was listed on the Shenzhen Stock Exchange starting from 1984. He acted as its general manager from 1988 to 1999, and he also acted as its chairman from1988 till now. Mr. Wang obtained his bachelor's degree in water supply studies from Lanzhou Jiaotong University in the PRC in September 1977.

Mr. JIANG Nanchun (江南春), aged 36, was appointed as an Independent Non-Executive Director in August 2009. Mr. Jiang has over 15 years of experience in the media and advertising industries in the PRC. He held the office of chief executive officer of Everease Advertising Corporation, which is one of the top 50 advertising agencies in the PRC, from 1994 to 2003. In May 2003, Mr. Jiang became the general manager of Focus Media Advertisement. He also founded Focus Media Holding Limited (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. Mr. Jiang obtained his bachelor's degree in Chinese language and literature from East China Normal University in the PRC in 1995.

Mr. AU-YEUNG Kwong Wah (歐陽廣華), aged 45, was appointed as an Independent Non-executive Director in 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 10 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 August 2005 to March 2006, after which he was re-designated as an independent non-executive director of this company from April 2006 to January 2007.

SENIOR MANAGEMENT

Mr. Alain DEROCHE, aged 48, the vice president and the publishing controller of the Group. Mr. Deroche joined the Group in June 2008 and is responsible for the management of the Group's international copyright business and the planning and content innovation for the Magazines. Prior to joining the 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 obtained his doctoral degree in international enterprise management from Universite´ Paris-Dauphine (English translation: Paris Dauphine University) in France in October 1986. He has over 25 years of experience in international media management of the international media industry.

Ms. YU Ping (虞萍), aged 40, the publishing controller of U+ Weekly and 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 the Group. Prior to joining the Group, she had worked as the regional market controller in the PRC for LVMH Perfume & Cosmetic Co., Ltd. for one and a half years and SMH International Trading (Shanghai) Co., Ltd. for about one year respectively. Ms. Yu obtained her MBA degree from 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 the Group's key segments, including luxury goods and cosmetic products.

Mr. TAN Chih-Cheng (譚志澄), aged 45, the national human resource director of the Group. Mr. Tan joined the Group in June 2007 and is responsible for the human resource development planning and management of the Group. Prior to joining the Group, he was the chief human resource officer in the PRC for the WPP Group for 3 years and the chief human resource officer in the greater China region for B&Q King Fisher Group UK for 3 years. Mr. Tan obtained his EMBA degree from National Chengchi University in Taiwan in September 2005. He has over 15 years of experience in the human resource sector which helps the Group in gradually developing our strategic human resource systems and reserves.

Ms. Amy Young Ying (楊瑩), aged 35, was graduated in Shanghai Foreign Trade College, majored in Foreign Trade Economy and with more than 13 years' working experience in the Advertising, Marketing and Public Relationship. Ms. Young worked for Swatch Group and The Wharf (Holdings) Limited after graduation. In 2000, Ms. Young joined the Group as Marketing Director of its Shanghai Office and further on promoted as the Deputy General Manager. To broaden her publishing experience, Ms. Young joined Vogue Magazine, the PRC as Associate Publisher and Advertising Director from May 2005 to July 2009. In August 2009, Ms. Young rejoined the Group as Shanghai Office General Manager to manage the sales and marketing and assisting the business development of the Group.

Ms. ZHONG Yuanhong (鍾遠紅), aged 38, the administration and production controller of the Group. Ms. Zhong, being one of the most senior employees of the Group, joined the Group in April 1998 and is responsible for the procurement, production and administrative management of the Group. Prior to joining the Group, she was an assistant to director in Ramada Pearl Hotel in Guangzhou for 3 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 the Group in July 2003 as the creative director of City Magazine and is now the deputy general manager in Hong Kong, creative director of the Group and also the publishing director of City Magazine in Hong Kong. Mr. Ching is responsible for the management of the creative design business of the Group and the operation and management of City Magazine. Mr. Ching obtained a diploma in design from 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 the Group in February 2006 and is the fashion director of the Group responsible for the planning and development of the fashion aspects of the Magazines. Prior to joining the Group, Mr. Lim was the fashion editor of The South China Morning Post in Hong Kong for 6 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 the Group in June 2002 and is the regional general manager of Guangzhou office, responsible for the operation and management of the advertising business in Southern China. Prior to joining the Group, Ms. Huang was the head of the customers relations department in Central Hotel in Guangzhou for 2 years. She completed her secondary education in Guangzhou. Ms. Huang has over 10 years of experience in the media industry.

The Directors are pleased to submit their report together with the audited consolidated financial statements of Modern Media Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2009.

Principal activities

The principal activity of the Company is investment holding. The particulars and activities of the Company's subsidiaries are set out in note 33 to the financial statements. An analysis of the Group's performance for the year by geographical location of operations is set out in note 11 to the financial statements.

Major suppliers and customers

The top five suppliers in aggregate and the single largest supplier of the Group accounted for approximately 86.8% and 65.2% of the Group's total purchases for the year ended 31 December 2009 respectively.

The top five customers in aggregate and the single largest customer of the Group accounted for approximately 32.0% and 9.0% respectively of the Group's total sales for the year.

As far as the Directors are aware, neither the Directors, their associates, nor shareholders who own more than 5% of the Company's share capital as at 31 December 2009 had any interest in any of the five largest suppliers and customers disclosed above.

Financial results and distributable reserves

The profit of the Group for the year ended 31 December 2009 and the state of affairs of the Company and of the Group as at 31 December 2009 are set out in the financial statements on pages 68 to 141.

Movements in the reserves of the Company and amounts available for distribution to shareholders are disclosed in note 26 to the financial statements. Movements in the reserves of the Group are disclosed in the statement of changes in equity on page 72.

Dividends

The Board does not recommend the payment of a final dividend for the year ended 31 December 2009.

Charitable donations

During the year, the Group made charitable donations totaling HK$99,000.

Fixed assets

Details of movements in the fixed assets of the Group are set out in note 12 to the financial statements.

Share capital

Details of the movements in the authorized and issued share capital of the Company are set out in note 25 to the financial statements.

Bank loans and other borrowings

Particulars of bank loans and other borrowings of the Group as at 31 December 2009 are set out in notes 21 and 22 to the financial statements.

Four year financial summary

The summary of the results and of the assets and liabilities of the Group for the last four financial years is set out on page 142.

Directors

The Directors who held office during the year and up to the date of this report were:

Executive Directors

Mr. Shao Zhong *(Chairman)*	
Mr. Wong Shing Fat	(appointed on 27 July 2009)
Mr. Li Jian	(appointed on 27 July 2009)
Mr. Mok Chun Ho, Neil	(appointed on 27 July 2009)
Mr. Cui Jianfeng	(appointed on 27 July 2009)

Independent Non-executive Directors

Mr. Jiang Nanchun	(appointed on 24 August 2009)
Mr. Wang Shi	(appointed on 24 August 2009)
Mr. Au-Yeung Kwong Wah	(appointed on 24 August 2009)

Mr. Shao Zhong, Mr. Mok Chun Ho, Neil and Mr. Cui Jianfeng are due to retire by rotation from the Board at the forthcoming Annual General Meeting in accordance with Article 105 of the Company's Articles of Association. Being eligible, they offer themselves for re-election.

Directors' interests in shares, underlying shares and debentures

As at 31 December 2009, the Directors of the Company had the following interests or short positions in shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as notified to the Company and the Hong Kong Stock Exchange (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") or as otherwise notified to the Company:

Name of Director	Company/Name of Group member	Capacity/Nature of interest	Number of ordinary shares held	% of issued share capital
Shao Zhong	The Company	Beneficial owner	300,000,000	75%

Substantial shareholders and persons who have an interest or short positions discloseable under Divisions 2 and 3 of Part XV of the SFO

The register of interests in shares and short positions maintained under Section 336 of the SFO shows that as at 31 December 2009, the Company had been notified of the following shareholder other than Directors having interests in shares representing 5% or more of the Company's issued share capital:

Name of Shareholder	Company/Name of Group member	Capacity	Number of ordinary shares held	Percentage of issued ordinary shares as at 31 December 2009
Zhou Shaomin*	The Company	Interest of spouse	300,000,000	75%

*Note: Madam Zhou Shaomin is the wife of Mr. Shao Zhong and she is deemed interested in the shares held by Mr. Shao Zhong under the SFO.

Share option scheme

A share option scheme ("Scheme") was adopted by a resolution in writing passed by the then sole shareholder of the Company on 24 August 2009. The purpose of the Scheme is to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group.

Eligible participants of the Scheme include (i) employees of the Company, its subsidiaries or invested entity; (ii) non-executive directors (including independent non-executive directors) of the Company, its subsidiaries or invested entity; (iii) any supplier or customer of the Group or any invested entity; (iv) other groups or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group; and (v) any company wholly owned by one or more eligible participants as referred to in the above categories. Subject to the earlier termination of the Scheme in accordance with its rules, the Scheme shall remain in force for a period of ten years commencing on 24 August 2009.

The maximum number of Shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option scheme of the Group shall not in aggregate exceed 30% of the issued share capital ("Issued Share Capital") of the Company from time to time. The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the 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 for the time being. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting with such participant and his associates abstaining from voting. Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors ("INEDs") of the Company. In addition, any share options granted to a substantial shareholder or an INED, or to any of their associates, in excess of 0.1% of the Issue Share Capital at any time and with an aggregate value (based on the closing price of the Company's shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 21 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determined by the Directors, which period may commence from the date of the offer of the share options, and ends on a date which is not later than ten years from the date of such grant. 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.

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 for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of a Share.

No share option was granted, exercised, cancelled or had lapsed under the Scheme during the year. No share option was outstanding under the Scheme as at 31 December 2009.

Directors' rights to acquire shares or debentures

None of the Directors (including their spouses and children under 18 years of age) had been granted by the Company or had exercised any rights to subscribe for shares or debentures of the Company during the year.

Directors' interest in competing business

None of the Directors of the Company has any interest in a business which competes or is likely to compete with the business of the Group during the year.

The Independent Non-executive Directors have reviewed the compliance with and enforcement of the terms of the non-competition undertakings by Mr. Shao Zhong. Based on, among other matters, the annual confirmation from Mr. Shao Zhong to the Company on compliance with the terms of the above non-competition undertaking, the Directors (including the independent non-executive Directors) consider that the above non-competition undertakings were only complied with and enforced during the year.

Directors' interests in contracts

No contract of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Directors' service contracts

No Director proposed to be re-elected at the forthcoming annual general meeting of the Company has an unexpired service contract with the Group, which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

Connected transactions

Certain transactions entered into by us constituted non-exempt continuing connected transactions under the Listing Rules but they have been the subject of waiver granted to the Company by the Stock Exchange subject to compliance of certain conditions. Such series of contracts entered into by, among others, 現代傳播（珠海）科技有限公司 (Modern Media (Zhuhai) Technology Co., Ltd. ("Zhuhai Technology")), Mr Shao Zhong and the PRC Operational Entities (as defined in the prospectus of the Company dated 28 August 2009) (the "Contractual Arrangements") serves the purpose of providing the Group with effective control over the PRC Operational Entities to which the Group does not have direct shareholding, and to effectively transfer the economic benefits and pass the risks associated therewith of the PRC Operational Entities to the Company. The Contractual Arrangements include:

(a) management and consultation services agreements dated 24 August 2009 and 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"), pursuant to which 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. In return, 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 are 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. Such management and consultation services agreements became effective when it was executed on 24 August 2009 and would remain effective for a perpetual term;

(b) equity pledge agreements dated 24 August 2009 and entered into between Zhuhai Technology and (i) Mr. Shao; (ii) Mr. Shao Zhong and Guangzhou Modern Information; (iii) Zhuhai Yinhu; (iv) Zhuhai Modern Zhimei; (v) Guangzhou Modern Information and Guangzhou Modern Books, the payment of consultation services fees to Zhuhai Technology under the above 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. Furthermore, Zhuhai Technology is entitled to all dividends derived from the pledged equity interests in the PRC Operational Entities. The Equity Pledge Agreements become effective when it was executed on 24 August 2009;

(c) business operation agreements dated 24 August 2009 entered into between Zhuhai Technology and (i) Mr. Shao Zhong 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, under which 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. 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. The business operation agreements became effective when it was executed on 24 August 2009 and will remain effective for a perpetual term;

(d) option agreements dated 24 August 2009 entered into between Modern Media (HK) and (i) Mr. Shao Zhong 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 which Modern Media (HK) was 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. Such option agreements became effective when it was executed on 24 August 2009 and will 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 dated 24 August 2009 entered into between Zhuhai Technology and (i) Mr. Shao Zhong and Guangzhou Modern Information; (ii) Mr. Shao Zhong and Zhuhai Modern Zhimei; (iii) Mr. Shao Zhong, Guangzhou Modern Information and Guangzhou Modern Books, which authorise the Group to exercise its rights in the PRC Operational Entities as if it were the ultimate beneficial owner of the PRC Operational Entities. Such proxy agreements become effective when it was executed on 24 August 2009 and will remain effective during the term of the business operation agreements set out above; and

(f) trademark transfer agreement dated 24 August 2009 entered into between Zhuhai Technology and Guangzhou Modern Information to grant an option to Zhuhai Technology to acquire certain trademarks in relation to the PRC Magazines and its business at a nominal consideration or such minimum amount required by the PRC law. The trademark transfer agreement became effective when it was executed on 24 August 2009 and will remain effective for a perpetual term.

The above Contractual Arrangements allow the Company to consolidate the financial results of the PRC Operational Entities into the Group's financial statements as if they were the Group's wholly-owned subsidiaries. The Directors consider that the Contractual Arrangements are fundamental to the Group's legal structure and business operations and are on normal commercial terms or terms more favourable to the Group and are fair and reasonable or to the advantage of the Group and are in the interests of the Shareholders as a whole.

The Independent Non-executive Directors have reviewed the Contractual Arrangements and confirmed that (i) the transactions carried out from the date when the Contractual Arrangements became effective up to 31 December 2009 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 the Group; and (iii) (any new contracts entered into, renewed or reproduced between the Group and the PRC Operational Entities during the relevant financial period) are fair and reasonable, or advantageous, so far as the Group is concerned and in the interests of the Shareholders as a whole.

During the year, the Group has entered into certain related party transactions as disclosed in Note 29 to the financial statements. Such transactions do not fall under the definition of "connected transaction" or "continuing connected transaction" in Chapter 14A of the Listing Rules.

Continuing connected transactions

The Company disclosed in its prospectus dated 28 August 2009 which the Group entered into and will continue to be carried out between members of the Group certain continuing connected transactions in respect of the Contractual Arrangements. (the "Continuing Connected Transactions").

Pursuant to Chapter 14A of the Listing Rules, transactions carried out under the Contractual Arrangements have complied with the reporting and announcement requirements during the year. The Continuing Connected Transactions have been reviewed by the Independent Non-executive Directors. The Independent Non-executive Directors have confirmed that the Continuing Connected Transactions 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.

In accordance with paragraph 14A.38 of the Listing Rules, the Board of Directors engaged the auditor of the Company to perform certain factual finding procedures on the above Continuing Connected Transactions in accordance with Hong Kong Standard on Related Services 4400 "Engagements to Perform Agreed-Upon Procedures Regarding Financial Information" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has reported the factual findings based on the agreed procedures to the Board of Directors.

Employees and Emolument Policy

As at 31 December 2009, the Group had around 722 employees (2008: 698). The pay scale of the Group's employees is maintained at a competitive level and employees are rewarded on a performance-related basis within the general framework of the Group's salary and bonus system. Other employees benefits include provident fund, insurance, medical cover and the share award plan adopted by the Company which became effective on 7 December 2009.

Share Award Plan

To recognize and reward the contribution of eligible employees for their contribution to the continual operation and development of the Group and to attract suitable personnel for further development of the Group, the Company approved an Employee Share Award Plan (the "Plan") on 3 December 2009. The Plan has become effective on 7 December 2009. The Plan does not constitute a share option scheme or an arrangement analogous to a share option scheme for the purpose of Chapter 17 of the Listing Rules. As at 31 December 2009, the Company have contributed HK$10,000,000 in the Plan for acquiring shares to the share pool which have not yet been vested and the amount was recorded in the Company's balance sheet.

Pension Scheme

The employees of the Group in the PRC participate in various social security plans enacted in China, which cover pension, medical and other welfare benefits. The Group is 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. 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.

Purchase, sale or redemption of the Company's shares

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the year, except that a controlled special purpose entity, pursuant to the terms of the rules and trust deed of the Share Award Plan, purchased on the Stock Exchange a total of 1,820,000 shares of the Company at a total consideration of HK$2,344,000 (equivalent to RMB2,064,000).

Pre-emptive rights

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

Corporate Governance

The Company is committed to maintaining a high standard of corporate governance. Details of the Company's corporate governance practices are set out in the "Corporate Governance" section of this Annual Report on pages 38 to 48.

Audit Committee

The Company established an audit committee with terms of reference on 24 August 2009 in compliance with the CG Code set out in Appendix 14 of the Listing Rules. The Audit Committee has three members comprising the three Independent Non-Executive Directors, namely, Mr. Au-Yeung Kwong Wah, Mr. Wang Shi and Mr. Jiang Nanchun.

During the year, the Audit Committee met from time to time to review the Company's draft annual report and accounts, interim report and provided advice and comments thereon to the Company's board of directors, meeting with external auditors to discuss audit matters of governance interest that arise from the annual audit of the Company's financial statements.

Sufficiency of Public Float

Based on the information that is publicly available to the Company and within the knowledge of its directors, the directors confirm that the Company, as at 31 December 2009, has maintained the prescribed public float of not less than 25% of the issued share capital of the Company as required under the Listing Rules.

Confirmation of Independence

The Company has received, from each of the Independent Non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing Securities on the Stock Exchange of Hong Kong Limited. The Company considers all of the Independent Non-executive Directors are independent.

Auditors

The consolidated financial statements have been audited by KPMG who retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company to beheld in 2010.

A resolution for the re-appointment of KPMG as auditor of the Company is to be proposed at the forth coming Annual General Meeting.

On behalf of the Board

Shao Zhong
Chairman

Hong Kong, 19 March 2010

independent auditor's report

KPMG

To the shareholders of Modern Media Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Modern Media Holdings Limited (the "Company") set out on pages 68 to 141, which comprise the consolidated and company balance sheets as at 31 December 2009, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The Directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are 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.

Auditor's responsibility

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements 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 statements.

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2009 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

19 March 2010

consolidated statement of comprehensive income

For the year ended 31 December 2009

	Note	2009 RMB'000	2008 RMB'000
Turnover	3	333,156	347,825
Cost of sales		(146,042)	(142,839)
Gross profit		187,114	204,986
Other revenue	4(a)	2,849	1,743
Other net income/(loss)	4(b)	45	(514)
Selling and distribution expenses		(69,805)	(72,390)
Administrative and other operating expenses		(79,411)	(77,393)
Profit from operations		40,792	56,432
Finance costs	5(a)	(1,049)	—
Share of profit of an associate	15	91	861
Loss on disposal of an associate	15	(1,469)	—
Share of loss of a jointly controlled entity	16	(26)	(290)
Profit before taxation	5	38,339	57,003
Income tax	6(a)	(7,153)	(11,985)
Profit for the year		31,186	45,018
Other comprehensive income for the year			
Exchange differences on translation of financial statements of overseas subsidiaries	7	142	(1,469)
Total comprehensive income for the year		31,328	43,549
Profit attributable to equity shareholders		31,186	45,018
Total comprehensive income attributable to equity shareholders		31,328	43,549
Earnings per share (RMB)	8		
– Basic and diluted		0.09	0.15

The notes on pages 75 to 141 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 26(b).

consolidated balance sheet

At 31 December 2009

	Note	2009 RMB'000	2008 RMB'000
Non-current assets			
Fixed assets	12	70,244	67,042
Intangible assets	13	3,503	—
Interest in an associate	15	—	9,460
Interest in a jointly controlled entity	16	4,900	328
Deferred tax assets	24(b)	2,215	—
		80,862	76,830
Current assets			
Trade receivables	17	113,776	94,187
Other receivables, deposits and prepayments	18	74,591	26,817
Amounts due from related parties	23	—	65,769
Taxation recoverable	24(a)	631	535
Deposits and cash	19	57,922	37,291
		246,920	224,599
Current liabilities			
Trade payables	20	35,350	28,195
Other payables and accruals	20	45,756	56,380
Bank loans	21	1,447	—
Other loan	22	6,868	27,596
Taxation payable	24(a)	22,885	24,182
		112,306	136,353
Net current assets		134,614	88,246
Total assets less current liabilities		215,476	165,076

consolidated balance sheet (continued)

At 31 December 2009

	Note	2009 RMB'000	2008 RMB'000
Non-current liabilities			
Bank loans	21	(16,179)	—
Net assets		199,297	165,076
Capital and reserves			
Share capital	25	3,531	4,672
Reserves	26	195,766	160,404
Total equity		199,297	165,076

Approved and authorised for issue by the board of directors on 19 March 2010.

	)	
Shao Zhong	)	
	)	Directors
Wong Shing Fat	)	
	)	

The notes on pages 75 to 141 form part of these financial statements.

balance sheet

At 31 December 2009

	Note	2009 RMB'000	2008 RMB'000
Non-current asset			
Investments in subsidiaries	14	8,805	—
Current assets			
Receivables, deposits and prepayments	18	16,770	12
Amount due from a director		—	54
Amounts due from subsidiaries	14	51,203	—
Deposits and cash	19	14,510	241
		82,483	307
Current liabilities			
Payables and accruals	20	2,872	177
Amounts due to subsidiaries	14	5,070	883
		7,942	1,060
Net assets/(liabilities)		83,346	(753)
Capital and reserves	26		
Share capital		3,531	58
Reserves		79,815	(811)
Total equity/(Equity deficiency)		83,346	(753)

Approved and authorised for issue by the board of directors on 19 March 2010.

	)	
Shao Zhong	)	
	)	Directors
Wong Shing Fat	)	
	)	

The notes on pages 75 to 141 form part of these financial statements.

consolidated statement of changes in equity

For the year ended 31 December 2009

	Share capital (Note 25) RMB'000	Shares held for Share Award Scheme (Note 25(c)) RMB'000	Share premium (Note 26) RMB'000	Other reserve (Note 26) RMB'000	Statutory surplus and general reserves (Note 26) RMB'000	Exchange reserve (Note 26) RMB'000	Retained profits (Note 26) RMB'000	Total equity RMB'000
At 1 January 2008	6,172	—	—	—	2,779	492	113,584	123,027
Changes in equity for 2008:								
Arising from Group Reorganisation	(1,500)	—	—	—	—	—	—	(1,500)
Total comprehensive income for the year	—	—	—	—	—	(1,469)	45,018	43,549
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 2009:								
Arising from Group Reorganisation	(4,610)	—	—	4,259	—	—	—	(351)
Issuance of new shares	16	—	—	—	—	—	—	16
Capitalisation issue	2,572	—	(2,572)	—	—	—	—	—
Shares issued in connection with the Listing	881	—	86,410	—	—	—	—	87,291
Shares purchased for Share Award Scheme	—	(2,064)	—	—	—	—	—	(2,064)
Appropriations	—	—	—	—	—	—	(81,999)	(81,999)
Transfers	—	—	—	—	24,529	—	(24,529)	—
Total comprehensive income for the year	—	—	—	—	—	142	31,186	31,328
At 31 December 2009	3,531	(2,064)	83,838	4,259	27,308	(835)	83,260	199,297

The notes on pages 75 to 141 form part of these financial statements.

consolidated cash flow statement

For the year ended 31 December 2009

	Note	2009 RMB'000	2008 RMB'000
Operating activities			
Profit before taxation		38,339	57,003
Adjustments for:			
– Depreciation of fixed assets	5(c)	9,128	8,650
– Amortisation of intangible assets	5(c)	343	—
– Impairment losses on trade receivables recognised/(written back), net	5(c)	184	(4)
– Interest income	4(a)	(94)	(110)
– Finance costs	5(a)	1,049	—
– Share of profit of an associate	15	(91)	(861)
– Loss on disposal of an associate	15	1,469	—
– Share of loss of a jointly controlled entity	16	26	290
– Loss on disposals of fixed assets	4(b)	28	310
– Foreign exchange loss/(gain)		348	(2,189)
Changes in working capital:			
Decrease in amount due from a jointly controlled entity		—	417
Increase in trade receivables		(19,801)	(22,229)
(Increase)/decrease in other receivables, deposits and prepayments		(18,170)	1,481
Increase in amounts due from related parties		(14,359)	(24,749)
Increase in trade payables		7,157	5,109
(Decrease)/increase in other payables and accruals		(27,004)	15,002
Cash (used in)/generated from operations		(21,448)	38,120
Hong Kong Profits Tax paid	24(a)	(206)	—
PRC Corporate Income tax paid	24(a)	(10,552)	(1,043)
Net cash (used in)/generated from operating activities		(32,206)	37,077
Investing activities			
Interest received		94	110
Payment for the purchase of fixed assets	12(a)	(12,375)	(46,126)
Payment for the purchase of intangible assets	13	(3,846)	—
Proceeds from disposals of fixed assets		2	527
Acquisition of a jointly controlled entity	16	(4,900)	—
Net cash used in investing activities		(21,025)	(45,489)

consolidated cash flow statement *(continued)*

For the year ended 31 December 2009

	Note	2009 RMB'000	2008 RMB'000
Financing activities			
Interest paid		(1,049)	—
Cash proceeds from the Listing		106,504	—
Share issuing costs paid	26(c)	(26,291)	—
Payment for purchase of shares in connection with the Share Award Scheme	25(c)	(2,064)	—
Repayment of other loan		(20,853)	—
Proceeds from new bank loan		18,728	—
Repayment of bank loan		(1,102)	—
Net cash generated from financing activities		73,873	—
Net increase/(decrease) in cash and cash equivalents		20,642	(8,412)
Cash and cash equivalents at beginning of the year		37,291	46,379
Effect of foreign exchange rate changes		(11)	(676)
Cash and cash equivalents at end of the year		57,922	37,291
Analysis of cash and cash equivalents			
Deposits and cash	19	57,922	37,291

Notes to the consolidated cash flow statement

(a) Major non-cash transactions

(i) During the year ended 31 December 2009, the companies now comprising the Group declared a dividend of RMB81,999,000 to Mr. Shao Zhong ("Mr. Shao"). No dividend payment was made to Mr. Shao as the dividend payable to Mr. Shao has been used to set off against the advance due from him to the Group.

(ii) 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 notes on pages 75 to 141 form part of these financial statements.

notes to the financial statements

1 corporate information and group reorganisation

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. Its principal places of business in the PRC and Hong Kong are at Units A, B & C, 10/F, Exhibition Centre, No. 1 Software Park Road, Zhuhai City, Guangdong Province, the PRC and 9th Floor, Zung Fu Industrial Building, No. 1067 King's Road, Quarry Bay, Hong Kong respectively; and its registered office is at Scotia Centre, 4th Floor, P.O. Box 2804, George Town, Grand Cayman KY1-1112, Cayman Islands.

Pursuant to a group reorganisation completed on 24 August 2009 (the "Reorganisation"), the Company became the holding company of the companies now comprising the Group. The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 9 September 2009. Details of the Reorganisation are set out 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 Stock Exchange (the "Listing").

2 significant accounting policies

(a) *Statement of compliance*

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which collective term includes International Accounting Standards ("IASs") and related interpretations issued by the International Accounting Standards Board (the "IASB") and the disclosure requirements of the Hong Kong Company Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange. A summary of the significant accounting policies adopted by the Group is set out below.

The IASB has issued a number of new and revised IFRSs. For the purpose of preparing these financial statements, the Group has adopted all these new and revised IFRSs to the year, except for any new standards or interpretations that are not yet effective for the accounting year ended 31 December 2009. The revised and new accounting standards and interpretations issued but not yet effective for the accounting year ended 31 December 2009 are set out in note 32.

(b) *Basis of preparation of the financial statements*

(i) The consolidated financial statements for the year ended 31 December 2009 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in an associate and a jointly controlled entity.

(ii) During the year ended 31 December 2008, 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").

2 significant accounting policies *(cont'd)*

(b) Basis of preparation of the financial statements (Cont'd)

(ii) *(Cont'd)*

The consolidated financial statements for the years ended 31 December 2009 and 31 December 2008 have 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 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" issued by the Hong Kong Institute of Certified Public Accountants has been applied in accounting for the Reorganisation. The consolidated financial statements for the years ended 31 December 2009 and 31 December 2008 have been prepared using the merger basis of accounting as if the Group had always been in existence. The net assets of the combining companies are consolidated using the existing book values from the controlling party's perspective.

The consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements of the Group for the years ended 31 December 2009 and 31 December 2008 include the results of operations of the companies now comprising the Group for the years ended 31 December 2009 and 31 December 2008 as if the current group structure had been in existence and remained unchanged throughout the years. The consolidated balance sheets of the Group as at 31 December 2009 and 31 December 2008 have been prepared to present the assets and liabilities of the companies now comprising the Group as at those dates as if the current group structure had been in existence as at those dates.

(iii) The financial statements are presented in Renminbi ("RMB"), rounded to the nearest thousand. The measurement basis used in the preparation of the financial statements is the historical cost basis.

(iv) The preparation of financial statements 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 statements and major sources of estimation uncertainty are discussed in note 31.

2 significant accounting policies *(cont'd)*

(c) Subsidiaries and controlled special purpose entities

Subsidiaries and controlled special purpose entities 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.

An investment in a subsidiary and contributions to controlled special purpose entity are consolidated into the consolidated financial statements 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 consolidated financial statements. 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 and contributions to Modern Media Employees' Share Award Scheme ("Modern Media Employee Share Trust"), a controlled special purpose entity, are stated at cost less impairment losses (see note 2(i)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale) (see note 2(t)).

(d) Associates and jointly controlled entities

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 consolidated 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 2(t)). 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 2(e) and (i)). The Group's share of the post-acquisition, post-tax results of the investee and any impairment losses for the year are recognised in profit or loss whereas the Group's share of the post-acquisition post-tax items of the investee's other comprehensive income is recognised in the consolidated statement of comprehensive income.

2 significant accounting policies *(cont'd)*

(d) Associates and jointly controlled entities (Cont'd)

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 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 entities 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 each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 2(i)). In respect of associates or jointly controlled entities, 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 2(i)).

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.

2 significant accounting policies *(cont'd)*

(f) Fixed assets

Fixed assets are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see note 2(i)). 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) Intangible assets

Intangible assets that are acquired by the Group are stated in the balance sheet at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 2(i)).

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the asset's estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

— Publication rights — 80 months
— Club membership — 15 years

Both the period and method of amortisation are reviewed annually.

Gains or losses arising from derecognition of intangible assets are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of comprehensive income when the asset is derecognised.

2 significant accounting policies *(cont'd)*

(h) 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 transfer to the Group substantially all the risks and rewards of ownership are classified as held under finance leases. 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.

(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 or valuation 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 2(f). Impairment losses are accounted for in accordance with the accounting policy as set out in note 2(i). 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. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

2 significant accounting policies *(cont'd)*

(i) 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 2(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 2(i)(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 2(i)(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.

2 significant accounting policies *(cont'd)*

(i) Impairment of assets (Cont'd)

(i) Impairment of investments in equity securities and receivables (Cont'd)

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, 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 trade 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 and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

2 significant accounting policies *(cont'd)*

(i) Impairment of assets (Cont'd)

(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, intangible assets, investments in subsidiaries, contributions to controlled special purpose entity 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 asset's recoverable amount 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 fair value less costs to sell 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.

2 significant accounting policies *(cont'd)*

(j) Receivables

Receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts (see note 2(i)), 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.

(k) 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 consolidated cash flow statement.

(l) Payables

Payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 2(p)(i), payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(m) 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.

2 significant accounting policies *(cont'd)*

(n) 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 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 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.

2 significant accounting policies *(cont'd)*

(o) Income tax

Income tax for the year 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 relate 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, 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.

2 significant accounting policies *(cont'd)*

(o) Income tax (Cont'd)

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 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.

2 significant accounting policies *(cont'd)*

(p) 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 2(p)(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 other 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 expenditures 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 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.

2 significant accounting policies *(cont'd)*

(q) 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 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 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.

2 significant accounting policies *(cont'd)*

(r) 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 statements are presented in RMB ("presentation currency").

Foreign currency transactions during the year 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 closing 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.

(s) 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.

2 significant accounting policies *(cont'd)*

(t) 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 2.

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 flows 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 consolidated statement of comprehensive income, 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.

2 significant accounting policies *(cont'd)*

(u) Related parties

For the purposes of these financial statements, 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 a subsidiary, 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.

(v) 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.

2 significant accounting policies *(cont'd)*

(w) Business combinations involving entities under common control

The consolidated 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 consolidated 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 consolidated 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 common control combination.

The consolidated statement of comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under 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.

3 turnover

The Group is principally engaged in the provision of magazines 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 tax.

	2009 RMB'000	2008 RMB'000
Advertising income	**339,134**	359,461
Circulation income	**14,146**	13,614
Sponsorship, event and service income	**9,293**	8,794
	362,573	381,869
Less: Sales taxes and other surcharges	**(29,417)**	(34,044)
	333,156	347,825

4 other revenue and other net income/(loss)

(a) Other revenue

	2009 RMB'000	2008 RMB'000
Interest income from bank deposits	94	110
PRC government incentives (note)	2,683	1,598
Sundry income	72	35
	2,849	1,743

Note: PRC government incentives mainly represented the amounts received by Shanghai Gezhi Advertising Co., Ltd., a wholly-owned subsidiary of the Group ("Shanghai Gezhi"). Pursuant to an agreement between Shanghai Gezhi and local government bureau dated 5 March 2007, Shanghai Gezhi received incentives of RMB2,430,000 and RMB1,427,000 from the local government bureau for its media development for the years ended 31 December 2009 and 31 December 2008 respectively which 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.

(b) Other net income/(loss)

	2009 RMB'000	2008 RMB'000
Net foreign exchange gain/(loss)	73	(208)
Loss on disposals of fixed assets	(28)	(310)
Write-back of impairment losses on trade receivables, net	—	4
	45	(514)

5 profit before taxation

Profit before taxation is arrived at after charging/(crediting):

	2009 RMB'000	2008 RMB'000
(a) Finance costs:		
Interest charged on:		
Bank loans repayable after 5 years	1,049	—
(b) Staff costs:		
Salaries, wages and other benefits	82,776	79,833
Contributions to defined contribution retirement plan (note)	14,706	11,389
	97,482	91,222
Staff costs included in:		
Cost of sales	39,691	41,686
Selling and distribution expenses	30,258	27,196
Administrative and other operating expenses	27,533	22,340
	97,482	91,222
(c) Other items:		
Depreciation of fixed assets	9,128	8,650
Amortisation of intangible assets	343	—
Auditors' remuneration	1,594	919
Operating lease charges in respect of properties	13,698	12,947
Impairment losses on trade receivables recognised/(written back), net	184	(4)

Note:

Employees of the Group's subsidiaries operated in the PRC are required to participate in a defined contribution retirement benefit scheme administered and operated by the the local municipal government. The Group's subsidiaries operated in the PRC are required to make contributions to the scheme at 20% of the employees' salaries for the years ended 31 December 2009 and 2008 to fund the retirement benefits of the employees.

The Group also operates a Mandatory Provident Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$20,000. Contributions to the MPF scheme vest immediately.

The Group has no other material obligation for the payment of retirement benefits associated with the schemes beyond the contributions described above.

6 income tax in the consolidated statement of comprehensive income

(a) Taxation in the consolidated statement of comprehensive income represents:

	2009 RMB'000	2008 RMB'000
Current tax		
Provision for the PRC Corporate Income Tax	9,343	11,901
Provision for the Hong Kong Profits Tax	25	84
	9,368	11,985
Deferred tax		
Origination of temporary differences (note 24(b))	(2,215)	—
	7,153	11,985

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 2009 and 2008 were calculated at 16.5% of the estimated assessable profits for the respective years.

(iii) Taxation for subsidiaries operating in the PRC is calculated at the prevailing tax rates based on existing legislation, interpretations and practices in respect thereof.

6 income tax in the consolidated statement of comprehensive income *(cont'd)*

(a) Taxation in the consolidated statement of comprehensive income represents: (Cont'd)

Notes: *(Cont'd)*

(iv) 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 18%, 20%, 22%, 24% and 25% for 2008, 2009, 2010, 2011 and 2012 onwards, respectively.
- Modern Media (Zhuhai) Technology Co., Ltd. (現代傳播(珠海)科技有限公司, "Zhuhai Technology") incurred a taxable loss in 2007 and commenced its 2+3 tax holiday in 2008. With effect from 2009, 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. Accordingly, Zhuhai Technology is no longer entitled to the 2+3 tax holiday and is subject to income tax at 20%, 22%, 24% and 25% for 2009, 2010, 2011 and 2012 onwards, respectively.
- 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 18%, 20%, 22%, 24% and 25% for 2008, 2009, 2010, 2011 and 2012 onwards, respectively.

6 income tax in the consolidated statement of comprehensive income *(cont'd)*

(a) *Taxation in the consolidated statement of comprehensive income represents: (Cont'd)*

Notes: *(Cont'd)*

- 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 18%, 20%, 22%, 24% and 25% for 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 25% on the deemed profits calculated as 10% of turnover for 2008 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 25% (2008: 25%).

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 December 2009, the Group has not provided for income taxes on accumulated earnings generated by its PRC entities for the years ended 31 December 2009 and 31 December 2008 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.

6 income tax in the consolidated statement of comprehensive income *(cont'd)*

(b) Reconciliation between tax expense and profit before taxation at applicable tax rates:

	2009 RMB'000	2008 RMB'000
Profit before taxation	38,339	57,003
Notional tax on profit before taxation, calculated at the rate of 25% (2008: 25%)	9,585	14,251
Effect of differential tax rate on income	(1,656)	(2,590)
Tax effect of non-deductible expenses	1,151	1,478
Tax effect of non-taxable revenue	—	(587)
Tax effect of prior years' unrecognised tax losses utilised this year	(200)	—
Tax effect of prior years' other temporary differences utilised this year	(1,518)	(279)
Tax effect of unused tax losses not recognised	312	289
Others	(521)	(577)
Actual tax expense	7,153	11,985

7 other comprehensive income

	2009 RMB'000	2008 RMB'000
Exchange differences on translation of financial statements of overseas subsidiaries	142	(1,469)

There is no tax effects relating to the above component of other comprehensive income.

8 earnings per share

The calculation of basic earnings per share for the years ended 31 December 2009 and 31 December 2008 was based on the net profit attributable to equity shareholders of the Company, and a weighted average number of ordinary shares outstanding of 331,233,000 (2008: 300,000,000) calculated as follows.

	Note	2009 '000	2008 '000
Issued ordinary shares at 1 January	(i)	**300,000**	300,000
Effect of shares issued in connection with the Listing	25(b)	**31,233**	—
		331,233	300,000

(i) The number of shares at the beginning of the years ended 31 December 2009 and 2008 includes 8,000,000 ordinary shares in issue and 292,000,000 ordinary shares to be issued pursuant to the capitalisation issue as described in Note 25(b)(iv) as if the shares were outstanding throughout the period.

There were no dilutive potential ordinary shares during the years ended 31 December 2009 and 31 December 2008.

9 directors' remuneration

Directors' remuneration disclosed pursuant to Section 161 of the Hong Kong Companies Ordinance is as follows:

	Year ended 31 December 2009				
	Fees RMB'000	Basic salaries, allowances and benefits in kind RMB'000	Bonus RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Executive Directors					
SHAO Zhong	—	1,028	—	38	1,066
WONG Shing Fat (note (i))	—	1,738	—	24	1,762
LI Jian	—	1,002	—	52	1,054
MOK Chun Ho, Neil	—	904	—	37	941
CUI Jianfeng (note (ii))	—	405	—	11	416
Independent Non-executive Directors (note (iii))					
JIANG Nanchun	40	—	—	—	40
WANG Shi	40	—	—	—	40
AU-YEUNG Kwong Wah	40	—	—	—	40
Total	120	5,077	—	162	5,359

	Year ended 31 December 2008				
	Fees RMB'000	Basic salaries, allowances and benefits in kind RMB'000	Bonus RMB'000	Retirement scheme contributions RMB'000	Total 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

9 directors' remuneration *(cont'd)*

Directors' remuneration disclosed pursuant to Section 161 of the Hong Kong Companies Ordinance is as follows: *(cont'd)*

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 period up to 26 July 2009 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 since May 2008. 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 during the year ended 31 December 2008.

(iii) Mr. Jiang Nanchun, Mr Wang Shi and Mr Au-Yeung Kwong Wah were appointed as Independent Non-executive Directors on 24 August 2009. Accordingly, no emoluments were payable to these Directors for the year ended 31 December 2008.

(iv) 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 year. No Director waived or agreed to waive any emoluments during the year.

(v) The Company has not granted any options under its share option scheme adopted on 24 August 2009 during the year.

10 individuals with the highest emoluments

The five highest paid individuals of the Group include 4 and 4 directors during the years ended 31 December 2009 and 31 December 2008 respectively whose emoluments are disclosed in note 9. Details of remuneration paid to remaining highest paid individuals of the Group are as follows:

	2009 RMB'000	2008 RMB'000
Basic salaries, allowances and benefits in kind	**2,280**	1,456
Discretionary bonuses	**—**	—
Retirement scheme contributions	**—**	—
	2,280	1,456

The emoluments of these individuals are within the following band:

	2009 Number of individuals	2008 Number of individuals
RMB 1,000,001 to RMB1,500,000	**—**	1
RMB 2,000,001 to RMB2,500,000	**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 year.

11 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 provides 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 reporting 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.

11 segment reporting *(cont'd)*

(a) Segment results and assets (Cont'd)

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 2009 and 2008 is set out below:

	Year ended 31 December 2009							
			Advertising				Circulation	
	Shanghai	Beijing	Guangzhou	Shenzhen	Hong Kong	Sub-Total		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	216,231	38,064	48,767	14,784	21,288	339,134	14,146	353,280
Reportable segment profit/(loss)	127,829	1,699	(97,256)	(546)	(10,941)	20,785	14,146	34,931
Interest income	47	8	28	2	6	91	—	91
Interest expense	—	—	—	(1,049)	—	(1,049)	—	(1,049)
Depreciation for the year	(2,665)	(1,961)	(1,238)	(1,824)	(887)	(8,575)	—	(8,575)
Amortisation for the year	—	—	(300)	—	(43)	(343)	—	(343)
Reportable segment assets	70,224	7,915	10,182	5,325	10,204	103,850	9,558	113,408

	Year ended 31 December 2008							
			Advertising				Circulation	
	Shanghai	Beijing	Guangzhou	Shenzhen	Hong Kong	Sub-Total		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

11 segment reporting (cont'd)

(b) Reconciliations of reportable segment revenues, profit or loss and assets

	2009 RMB'000	2008 RMB'000
Revenue		
Reportable segment revenue derived from the Group's external customers	353,280	373,075
Other income	9,293	8,794
Less: Sales taxes and other surcharges	(29,417)	(34,044)
Consolidated turnover	333,156	347,825

	2009 RMB'000	2008 RMB'000
Profit		
Reportable segment profit derived from the Group's external customers	34,931	49,922
Other income	9,293	8,794
Share of profit of an associate	91	861
Loss on disposal of an associate	(1,469)	—
Share of loss of a jointly controlled entity	(26)	(290)
Unallocated head office and corporate expense (note)	(4,481)	(2,284)
Consolidated profit before taxation	38,339	57,003

Note: Depreciation of RMB553,000 and RMB134,000 is included in unallocated head office and corporate expense for the years ended 31 December 2009 and 2008 respectively.

Interest income of RMB3,000 and RMB23,000 is included in unallocated head office and corporate expense for the years ended 31 December 2009 and 2008 respectively.

	2009 RMB'000	2008 RMB'000
Assets		
Reportable segment assets	113,408	94,187
Fixed assets	70,244	67,042
Intangible assets	3,503	—
Interest in an associate	—	9,460
Interest in a jointly controlled entity	4,900	328
Deferred tax assets	2,215	—
Sponsorship, event and service income receivable	368	—
Other receivables, deposits and prepayments	74,591	26,817
Amounts due from related parties	—	65,769
Taxation recoverable	631	535
Deposits and cash	57,922	37,291
Consolidated total assets	327,782	301,429

11 segment reporting *(cont'd)*

(c) Geographic information

The following table sets out information about the geographical location of the Group's fixed assets, intangible assets 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, the location of the operation to which they are allocated, in the case of intangible assets, and the location of operations, in the case of interests in an associate and a jointly controlled entity.

	2009 RMB'000	2008 RMB'000
The PRC (place of domicile)	73,533	73,008
Hong Kong	5,114	3,822
	78,647	76,830

(d) Major customers

The Group's customer base includes one customer (2008: two customers) with whom transactions have exceeded 10% of the Group's revenues. During the years ended 31 December 2009 and 2008, advertising income from these customers amounted to RMB45,795,000 and RMB74,823,000 respectively and arose in Shanghai, Beijing and Guangzhou reportable segments in which the advertising division is active.

12 fixed assets

(a) The Group

	Land and buildings held for own use RMB'000	Leasehold improvements RMB'000	Office equipment RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Total RMB'000
Cost:						
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 12(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	835	6,093	2,816	2,596	35	12,375
Disposals	—	—	—	—	(451)	(451)
Exchange differences	—	(7)	(8)	(2)	(9)	(26)
At 31 December 2009	40,173	24,495	18,133	7,482	7,313	97,596
Accumulated depreciation:						
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 year	1,361	3,296	2,914	569	988	9,128
Written back on disposals	—	—	—	—	(421)	(421)
Exchange differences	—	(1)	(6)	(1)	(3)	(11)
At 31 December 2009	2,934	9,100	9,759	3,350	2,209	27,352
Net book value:						
At 31 December 2009	37,239	15,395	8,374	4,132	5,104	70,244
At 31 December 2008	37,765	12,604	8,474	2,106	6,093	67,042

12 fixed assets *(cont'd)*

(b) The analysis of net book value of properties is as follows:

	2009 RMB'000	2008 RMB'000
Leasehold properties held outside Hong Kong – Medium-term leases (20-50 years)	37,239	37,765

(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 20(b)).

(d) Land and buildings held by a subsidiary with carrying value of RMB37,239,000 (2008: RMB Nil) was pledged as security for the bank loans amounted to RMB17,626,000 as at 31 December 2009 (2008: RMB Nil) (note 21).

13 intangible assets

The Group

	Publishing rights RMB'000	Others RMB'000	Total RMB'000
Cost:			
Additions during the year and at 31 December 2009	3,000	846	3,846
Accumulated amortisation:			
Charge for the year and at 31 December 2009	300	43	343
Net book value:			
At 31 December 2009	2,700	803	3,503

The amortisation charges of publishing rights and other intangible assets are included in "cost of sales" and "administrative and other operating expenses" respectively in the consolidated statement of comprehensive income.

14 investments in subsidiaries and controlled special purpose entity

	2009 RMB'000	2008 RMB'000
Non-current assets		
Unlisted shares, at cost	—	—
Contribution to Modern Media Employee Share Trust	8,805	—
	8,805	—
Current assets/(liabilities)		
Amounts due from subsidiaries	51,203	—
Amounts due to subsidiaries	(5,070)	(883)
	46,133	(883)

The particulars of the subsidiaries comprising the Group and controlled special purpose entity are disclosed in note 33.

The amounts due from/(to) subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

15 interest in an associate

The Group

	2009 RMB'000	2008 RMB'000
Share of net assets	—	4,373
Goodwill	—	5,087
	—	9,460

In July 2007, the Group acquired a 20% equity interest in a PRC incorporated entity, 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. Tianjin Holiday is engaged in the provision of advertising production, retail and food beverages.

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.

On 11 May 2009, the Group disposed of its entire 20% equity interest in Tianjin Holiday 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. The Group's share of profit of Tianjin Holiday for the period from 1 January 2009 to 10 May 2009 amounting to RMB91,000 was included in the consolidated statement of comprehensive income of the Group.

Summary financial information on associate - The Group's effective interest:

	2009 RMB'000	2008 RMB'000
Total assets	—	8,704
Total liabilities	—	(4,331)
	—	4,373

	2009 RMB'000	2008 RMB'000
Revenue for the year	2,117	8,355
Profit for the year	91	861

16 interest in a jointly controlled entity

The Group

	2009 RMB'000	2008 RMB'000
Share of net assets	4,083	328
Goodwill	817	—
	4,900	328

The Group's interest in a jointly controlled entity as at 31 December 2009 and 2008 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
31 December 2009					
Hangzhou Shili Cultural Media Co., Ltd. (杭州實力文化傳播有限公司)	The PRC 3 July 2007	RMB10,000,000	49%	49%	Publication of magazine in the PRC and selling of advertising spaces
31 December 2008					
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, "Guangzhou Modern"), 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, "Sichuan Shangdu") with a registered capital of RMB2,000,000.

On 23 April 2009, the Group disposed of its entire 50% equity interests in Sichuan Shangdu to an independent third party for a consideration of RMB298,000 which is the net asset value of Sichuan Shangdu as at the disposal date. The disposal resulted in no gain or loss to the Group's consolidated financial statements. The Group's share of loss of Sichuan Shangdu for the period from 1 January 2009 to 22 April 2009 amounting to RMB26,000 was included in the consolidated statement of comprehensive income of the Group on an equity accounting basis.

In December 2009, the Group acquired 49% equity interests in a PRC incorporated entity, Hangzhou Shili Cultural Media Co., Ltd. (杭州實力文化傳播有限公司, "Hangzhou Shili") which is engaged in the provision of publication of magazines and advertising services at a consideration of RMB4,900,000. The Group is entitled to share 49% of the financial results of Hangzhou Shili. Notwithstanding the 49% of the registered capital of and the profit sharing arrangements of Hangzhou Shili, the Group accounts for the investment in Hangzhou Shili as a jointly controlled entity as it has joint control over the operating and financial decisions of Hangzhou Shili.

Goodwill of RMB817,000 arose from the acquisition of Hangzhou Shili representing the difference between the consideration and the fair value of identifiable assets/liabilities acquired.

16 interest in a jointly controlled entity *(cont'd)*

Summary financial information on jointly controlled entity — The Group's effective interest:

	2009 RMB'000	2008 RMB'000
Non-current assets	98	68
Current assets	4,513	269
Current liabilities	(528)	(9)
Net assets	4,083	328

	2009 RMB'000	2008 RMB'000
Income	—	1,244
Expenses	(26)	(1,534)
Loss for the year	(26)	(290)

17 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 30(a).

	2009 RMB'000	2008 RMB'000
Trade receivables	113,776	94,795
Less: allowance for doubtful debts	—	(608)
	113,776	94,187

(a) Ageing analysis

An ageing analysis of trade receivables by transaction date is as follows:

	2009 RMB'000	2008 RMB'000
Within 30 days	40,738	25,413
31 days to 90 days	45,111	41,075
91 days to 180 days	18,215	19,655
More than 180 days	9,712	8,652
	113,776	94,795
Less: allowance for doubtful debts	—	(608)
	113,776	94,187

All of the trade receivables are expected to be recovered within one year.

17 trade receivables *(cont'd)*

(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 year are as follows:

	2009 RMB'000	2008 RMB'000
At 1 January	608	617
Exchange adjustments	—	(5)
Impairment loss recognised	719	428
Write-back of impairment loss recognised	(535)	(432)
Uncollectible amounts written off	(792)	—
At 31 December	—	608

At 31 December 2009 and 31 December 2008, the Group's trade receivables of RMB Nil and RMB608,000 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. The Group does not hold any collateral over these balances.

17 trade receivables *(cont'd)*

(c) Trade receivables that are not impaired

The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired are as follows:

	2009 RMB'000	2008 RMB'000
Neither past due nor impaired	75,531	62,657
Less than 1 month past due	15,632	11,645
1 to 3 months past due	13,412	10,765
Over 3 months past due	9,201	9,120
	38,245	31,530
	113,776	94,187

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.

18 other receivables, deposits and prepayments

	The Group		The Company	
	2009	2008	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000
Prepayments	11,190	4,099	887	12
Rental, utility and other deposits	4,276	3,507	—	—
Printing deposits	9,633	7,327	8,805	—
Advances to employees	3,823	3,058	—	—
Value-added tax recoverable	10,741	6,662	—	—
Receivables in respect of net proceeds from the Listing (note b)	7,078	—	7,078	—
Other receivables (note c)	27,850	2,164	—	—
	74,591	26,817	16,770	12

Notes:

(a) At 31 December 2009 and 2008, 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 RMB2,558,000 and RMB2,317,000 respectively.

(b) At 31 December 2009, other receivables included the amounts of RMB7,078,000 of net proceeds receivable from ICBC International Securities Limited in connection with the Listing.

(c) At 31 December 2009, other receivables included the amounts of RMB17,202,000 (2008: RMB Nil) due from Guangzhou Zhongde Consultation Co., Ltd. ("Guangzhou Zhongde"). Guangzhou Zhongde was previously owned by Mr Shao, the major shareholder of the Company and subsequently disposed to an independent third party in April 2009. The amounts due from Guangzhou Zhongde were reclassified to other receivables at 31 December 2009. The amounts due from Guangzhou Zhongde are unsecured, interest free and will be settled by instalments starting from January 2010.

19 deposits and cash

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash at bank held for specific use (note)	**6,733**	—	**—**	—
Deposits with bank	**10,566**	—	**10,566**	—
Cash at banks	**40,293**	36,777	**3,944**	241
Cash in hand	**330**	514	**—**	—
	51,189	37,291	**14,510**	241
Deposits and cash	**57,922**	37,291	**14,510**	241

As at 31 December 2009 and 2008, deposits and cash of the Group included the amounts denominated in RMB of RMB28,151,000 and RMB34,899,000 respectively. Remittance of funds out of the PRC is subject to the exchange restriction imposed by the PRC government.

Note: Cash at bank held for specific use represented cash deposited at bank held by a controlled special purpose entity for the purpose of acquiring the Company's shares for awarding to the Group's employees (including directors) under the Share Award Scheme. Details of the Share Award Scheme are set out in note 25(c).

20 trade and other payables

	The Group		The Company	
	2009	2008	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables (note (a))	35,350	28,195	—	—
Other payables (note (b))	41,026	48,342	1,551	—
Accruals	4,730	8,038	1,321	177
Other payables and accruals	45,756	56,380	2,872	177

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:

	2009	2008
	RMB'000	RMB'000
Within 30 days	14,964	10,945
31 days to 90 days	11,827	15,471
91 days to 180 days	8,536	1,779
More than 180 days	23	—
	35,350	28,195

(b) An analysis of the other payables of the Group is analysed as follows:

	2009	2008
	RMB'000	RMB'000
Deposits received in advance	5,554	3,682
Salaries, wages, bonus and benefits payable	7,989	15,548
Other tax payables	20,500	11,642
Amount due to a director (note (i))	592	—
Other payables (note (ii))	6,391	17,470
	41,026	48,342

Note:

(i) Amount due to a director is unsecured, interest free and has no fixed terms of repayment.

(ii) 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 12(c)).

21 bank loans

At 31 December 2009, the bank loans were secured and repayable as follows:

	2009 RMB'000	2008 RMB'000
Within 1 year or on demand	1,447	—
After 1 year but within 2 years	1,544	—
After 2 years but within 5 years	5,285	—
After 5 years	9,350	—
	16,179	—
	17,626	—

At 31 December 2009, the bank loans of a subsidiary were secured by a mortgage over the property in Beijing, the PRC, with a carrying value of RMB37,239,000 (note 12(d)). The Company and Shanghai Gezhi Advertising Co., Ltd., a subsidiary of the Group provided corporate guarantees in respect of the bank loans.

22 other loan

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 and September 2009, the Group repaid RMB13,691,000 (equivalent to US$2,000,000) and RMB7,037,000 (equivalent to US$1,000,000) of the other loan respectively.

At 31 December 2009, the Company provided corporate guarantee in respect of the other loans.

23 amounts due from related parties

(a) Amount due from a director

The amount due from a director is unsecured, interest-free and repayable on demand. Set out below are the details of amount due from a director:

	2009 RMB'000	2008 RMB'000
SHAO Zhong	—	49,437
Maximum outstanding balance SHAO Zhong	65,599	49,437

The amount due from a director at 31 December 2008 arose from the non-trading advance to the director.

The amount due from the director was fully settled by way of dividends declared by the Group in August 2009.

(b) Amounts due from related companies

	2009 RMB'000	2008 RMB'000
Guangzhou Zhongde Consultation Co., Ltd. (廣州市眾德諮詢有限公司) (note (i))	—	14,184
Shanghai Senyin Information Technology Co., Ltd. (上海森音信息技術發展有限公司) (note (ii))	—	2,148
	—	16,332

Notes:

(i) The major shareholder of the Company disposed its equity interests in Guangzhou Zhongde Consultation Co., Ltd. in April 2009 and accordingly, the amounts due from Guangzhou Zhongde Consultation Co., Ltd. were reclassified to other receivables (note 18(c)).

(ii) The amount due from Shanghai Senyin Information Technology Co., Ltd. was unsecured, interest free and was settled in August 2009.

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 29.

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.

24 income tax in the consolidated balance sheet

(a) *Taxation (recoverable)/payable in the consolidated balance sheet*

	2009 RMB'000	2008 RMB'000
At 1 January	23,647	12,739
Provision for the year:		
– PRC Corporate Income tax	9,343	11,901
– Hong Kong Profits Tax	25	84
Tax paid		
– PRC Corporate Income tax	(10,552)	(1,043)
– Hong Kong Profits Tax	(206)	—
	22,257	23,681
Exchange differences	(3)	(34)
At 31 December	22,254	23,647
Represented by:		
Taxation recoverable	(631)	(535)
Taxation payable	22,885	24,182
	22,254	23,647

(b) *Deferred tax assets recognised*

The component of deferred tax assets recognised in the consolidated balance sheet and the movement during the year is as follows:

Deferred tax assets arising from:

	Future benefit of tax losses RMB'000
At 1 January 2008, 31 December 2008 and 1 January 2009	—
Credited to profit or loss (note 6(a))	2,215
At 31 December 2009	2,215

In accordance with the accounting policy set out in note 2(o), the Group has not recognised deferred tax assets in respect of accumulative tax losses of RMB289,000 and RMB3,665,000 at 31 December 2009 and 2008 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 the PRC operations expire five years after the relevant accounting year end date.

25 share capital

The paid-in capital in the consolidated balance sheet as at the respective year end was presented as follows:

(a) The paid-in capital of RMB4,672,000 as at 31 December 2008 represented the aggregate amounts of paid-in capital of the Company and companies then comprising the Group, after elimination of investments in subsidiaries.

(b) The movements in the authorised and issued share capital of the Company during the year are set out as follows:

The Company

	Note	No. of shares	Ordinary shares US$'000	Ordinary shares HK$'000
Authorised:				
At 1 January 2008, 31 December 2008 and 1 January 2009		50,000,000	50	—
Cancellation of shares	(i)	(50,000,000)	(50)	—
Increase in shares at HK$0.001 each	(i)	387,500,000	—	388
Share consolidation from HK$0.001 each to HK$0.01 each	(ii)	(348,750,000)	—	—
		38,750,000	—	388
Increase in shares at HK$0.01 each	(iii)	7,961,250,000	—	79,612
At 31 December 2009		8,000,000,000	—	80,000
Equivalent to RMB'000				70,485

	Note	No. of shares	Ordinary shares US$'000	Ordinary shares HK$'000
Issued and fully paid:				
At 1 January 2008, 31 December 2008 and 1 January 2009		8,000,000	8	—
Cancellation of shares	(i)	(8,000,000)	(8)	—
Shares allotted	(i)	62,000,000	—	62
Share consolidation from HK$0.001 each to HK$0.01 each	(ii)	(55,800,000)	—	—
		6,200,000	—	62
Shares allotted	(iii)	1,800,000	—	18
Capitalisation issue	(iv)	292,000,000	—	2,920
Shares issued in connection with the Listing	(v)	100,000,000	—	1,000
At 31 December 2009		400,000,000	—	4,000
Equivalent to RMB'000				3,531

25 share capital *(cont'd)*

(b) The movements in the authorised and issued share capital of the Company during the year are set out as follows: *(Cont'd)*

Notes:

(i) 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 authorised share capital of the Company.

(ii) On 10 August 2009, resolutions were passed by the sole shareholder (namely, Mr. Shao), pursuant to which every ten 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. 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 the issued share capital remained to be HK$62,000 (equivalent to RMB62,000).

(iii) On 17 August 2009, a resolution in writing was passed by Mr. Shao, pursuant to which the authorised share capital of the Company was increased to HK$80,000,000 (equivalent to RMB70,485,000) 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 thereafter, the issued share capital of the Company increased to HK$80,000 (equivalent to RMB78,000) divided into 8,000,000 shares.

(iv) On 24 August 2009, a resolution in writing was passed by Mr. Shao, pursuant to which the Directors were authorised to allot and issue a total of 292,000,000 shares of HK$0.01 each to the then existing shareholder(s) of the Company. This resolution was conditional on the share premium account being credited as a result of the Company's Listing and pursuant to this resolution, a sum of HK$2,920,000 (equivalent to RMB2,572,000) standing to the credit of the share premium account was subsequently applied in paying up this capitalisation in full.

The allotment and issue of shares of the Company mentioned above is referred to as the "Capitalisation issue".

(v) On 9 September 2009, the Company completed the Listing and issued an aggregate of 100,000,000 shares of par value HK$0.01 each at an offer price of HK$1.29 per share, to the public in Hong Kong. The Company raised approximately HK$97,766,000 (equivalent to RMB87,291,000) in total, net of related expenses from the Listing.

The excess of HK$128,000,000 (equivalent to RMB112,701,000) represented the difference between the issue price of HK$129,000,000 (equivalent to RMB113,582,000) over the par value of the shares issued of HK$1,000,000 (equivalent to RMB881,000) has been credited to the share premium account of the Company.

The over-allotment option had not been exercised and lapsed on 2 October 2009.

25 share capital *(cont'd)*

(c) Share award scheme

On 3 December 2009, the Board of directors of the Company (the "Board") approved the Share Award Scheme (the "Award Scheme") under which shares of the Company (the "Awarded Shares") may be awarded to selected employees (the "Selected Employees") in accordance with the provisions of the Award Scheme and the maximum number of Awarded Shares awarded to a Selected Employee under the Award Scheme shall not exceed 1% of the issued share capital of the Company.

Pursuant to the Award Scheme, the Remuneration Committee of the Company shall select the Selected Employees and determine the number of Awarded Shares to be awarded. Relevant number of shares awarded will be purchased by the controlled special purpose entity, as administered by the trustee of the Award Scheme, from the market at the cost of the Company and be held until they are vested in accordance with the rules of the Award Scheme.

Upon adoption of the Award Scheme, the Board also resolved to provide a total amount not exceeding HK$10 million to the controlled special purpose entity for the purchase of the Awarded Shares to be awarded to certain current employees of the Group as a recognition of their contributions to the Group and an incentive to retain them for the continual operation and development of the Group.

The Award Scheme shall be effective from 7 December 2009 for a term of ten years and shall continue in full force unless sooner terminated as determined by the Board provided that such termination shall not affect any subsisting rights of any Selected Employee under the Award Scheme.

During the year, the controlled special purpose entity purchased 1,820,000 Awarded Shares at a total cost (including related transaction costs) of HK$2,344,000 (equivalent to RMB2,064,000) and had been deducted from shareholders' equity.

At the date of approval of these financial statements, no Awarded Shares were awarded to any Selected Employee under the Award Scheme.

26 reserves and dividends

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company

		Share capital RMB'000	Share premium RMB'000	Exchange reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2008		58	—	22	(621)	(541)
Changes in equity for 2008:						
Total comprehensive income for the year		—	—	33	(245)	(212)
At 31 December 2008 and 1 Janaury 2009		58	—	55	(866)	(753)
Changes in equity for 2009:						
Cancellation of shares	25 (b)(i)	(58)	—	—	—	(58)
Issuance of new shares	25 (b)(i)&(ii)	62	—	—	—	62
Issuance of new shares	25 (b)(iii)	16	—	—	—	16
Capitalisation issue	25(b)(iv)	2,572	(2,572)	—	—	—
Shares issued in connection with the Listing	25(b)(v)	881	86,410	—	—	87,291
Total comprehensive income for the year		—	—	—	(3,212)	(3,212)
At 31 December 2009		3,531	83,838	55	(4,078)	83,346

The consolidated profit attributable to equity shareholders of the Company includes a loss of RMB3,212,000 (2008: RMB245,000) which has been dealt with in the financial statements of the Company.

(b) Dividends

The following dividends were declared by the companies now comprising the Group to their then equity shareholders during the year.

	2009 RMB'000	2008 RMB'000
Dividend declared and paid during the year	81,999	—

26 reserves and dividends *(cont'd)*

(c) Nature and purpose of reserves

(i) Share premium

The application of the share premium account is governed by the Companies Law of Cayman Islands (the "Companies Law"). Under the Companies Law, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of the business.

	Note	Share premium RMB'000
At 1 January 2008, 31 December 2008 and 1 January 2009		—
Arising from Capitalisation issue	25(b)(iv)	(2,572)
Share premium arising from the Listing	25(b)(v)	112,701
Less: Share issuing costs	25(b)(v)	(26,291)
At 31 December 2009		83,838

(ii) 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 accounting 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.

26 reserves and dividends *(cont'd)*

(c) Nature and purpose of reserves (Cont'd)

(ii) PRC statutory reserves (Cont'd)

- 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 accounting 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.

(iii) 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 2(r).

(iv) Other reserve

Other reserve represented the aggregate amount of paid-in capital of the companies now comprising the Group after elimination of investments in subsidiaries.

(d) Distributable reserves

The aggregate amounts of distributable reserves of the Company as at 31 December 2009 and 2008 were RMB79,760,000 and RMB Nil respectively.

26 reserves and dividends *(cont'd)*

(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 2009 and 2008, the gearing ratios of the Group were 7.5% and 9.2% respectively.

Neither the Company nor any of its subsidiaries are subject to any externally imposed capital requirements.

27 operating lease commitments

At 31 December 2009, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2009 RMB'000	2008 RMB'000
Leases expiring:		
Within 1 year	9,069	12,436
After 1 year but within 5 years	20,249	8,454
	29,318	20,890

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.

28 contingent liabilities

At 31 December 2009, there were contingent liabilities in respect of guarantees given by the Company on behalf of subsidiaries relating to bank loans and credit facilities, and other loan of up to RMB24,494,000. The Company has not recognised any deferred income for the guarantees given in respect of borrowings and other banking facilities for subsidiaries as their fair value cannot be reliably measured and their transaction price was RMBNil.

At 31 December 2009 and 2008, the Directors do not consider it is probable that a claim will be made against the Company under any of the guarantees.

At 31 December 2009 and 2008, the Group had no other material contingent liabilities.

29 material related party transactions

During the year, 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 upon disposal in April 2009
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 upon disposal in May 2009

In addition to the transactions and balances disclosed in notes 9, 10, 20(b) and 23, the Group entered into the following related party transactions during the year.

	2009 RMB'000	2008 RMB'000
Non-recurring		
Advertising rights fee (note (i))	—	2,406
Acquisition of motor vehicles (note (ii))	—	930
Management fee income (note (iii))	1,342	3,000
Recurring		
Service fee income (note (iv))	1,000	1,000

29 material related party transactions *(cont'd)*

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 for the year ended 31 December 2008. It was charged at a pre-determined rate mutually agreed, which was based on the market rates of the related services provided.

(ii) 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.

(iii) 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 was charged at a pre-determined amount mutually agreed, which was 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.

(iv) This represented service fee income receivable from Guangzhou Zhongde Consultation Co., Ltd. of which the major shareholder and Director of the Company then had equity interests from 1 January 2008 to April 2009. It was charged at the greater of a pre-determined percentage of the 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 22) granted by the independent third party. The personal guarantee has been replaced by corporate guarantee by the Group upon the listing of the shares of the Company on the Stock Exchange.

Details of the amount due from/to a director and amounts due from related parties are set out in notes 20(b), 23(a) and 23(b).

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 9 and 10. Total remuneration is included in "Staff costs" as disclosed in note 5(b).

30 financial risk management and fair values

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). 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:

	2009	2008
From the Group's largest customer	**11%**	12%
From the Group's five largest customers	**40%**	35%

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 consolidated balance sheet. Except for the financial guarantees given by the Company as set out in note 28, The Group does not provide any guarantees which would expose the Group or the Company to credit risk.

The Group's deposits and cash 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 December 2009.

30 financial risk management and fair values *(cont'd)*

(b) Liquidity risk (Cont'd)

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

	At 31 December 2009					
	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	Repayable within 1 year or on demand RMB'000	Repayable more than 1 year but less than 2 years RMB'000	Repayable more than 2 years but less than 5 years RMB'000	Repayable more than 5 years RMB'000
Trade payables	35,350	35,350	35,350	—	—	—
Other payables and accruals	45,756	45,756	45,756	—	—	—
Bank loans	17,626	17,626	1,447	1,544	5,285	9,350
Other loan	6,868	6,868	6,868	—	—	—
	105,600	105,600	89,421	1,544	5,285	9,350

	At 31 December 2008					
	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	Repayable within 1 year or on demand RMB'000	Repayable more than 1 year but less than 2 years RMB'000	Repayable more than 2 years but less than 5 years RMB'000	Repayable more than 5 years 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	—	—	—

30 financial risk management and fair values (cont'd)

(b) Liquidity risk (Cont'd)

The Company

	At 31 December 2009					
	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	Repayable within 1 year or on demand RMB'000	Repayable more than 1 year but less than 2 years RMB'000	Repayable more than 2 years but less than 5 years RMB'000	Repayable more than 5 years RMB'000
Payables and accruals	2,872	2,872	2,872	—	—	—
Amounts due to subsidiaries	5,070	5,070	5,070	—	—	—
	7,942	7,942	7,942	—	—	—

	At 31 December 2008					
	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	Repayable within 1 year or on demand RMB'000	Repayable more than 1 year but less than 2 years RMB'000	Repayable more than 2 years but less than 5 years RMB'000	Repayable more than 5 years RMB'000
Payables and accruals	177	177	177	—	—	—
Amounts due to subsidiaries	883	883	883	—	—	—
	1,060	1,060	1,060	—	—	—

30 financial risk management and fair values *(cont'd)*

(c) Interest rate risk

(i) Interest rate profile

The Group's interest rate risk arises primarily from the bank loans and deposits and cash.

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:

The Group	2009 Effective interest rate %	2009 RMB'000	2008 Effective interest rate %	2008 RMB'000
Variable rate borrowing				
Bank loans	6.534	17,626	—	—
Variable rate deposits				
Deposits and cash	0.20	57,922	0.27	36,777

(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 2009 and 2008 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 2008.

30 financial risk management and fair values *(cont'd)*

(d) Foreign currency risk

(i) Transactions risk

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.

The Group

	At 31 December 2009	
	United States dollars USD'000	Hong Kong dollars HKD'000
Deposits and cash	—	8,613
Other loan	(1,000)	—
	(1,000)	8,613

	At 31 December 2008	
	United States dollars USD'000	Hong Kong dollars HKD'000
Deposits and cash	—	15
Other loan	(4,000)	—
	(4,000)	15

30 financial risk management and fair values *(cont'd)*

(d) Foreign currency risk (Cont'd)

(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.

The Group	2009 Increase/(decrease) in foreign exchange rates	2009 Effect on profit after tax and retained profits	2008 Increase/(decrease) in foreign exchange rates	2008 Effect on profit after tax and retained profits
	%	RMB'000	%	RMB'000
United States dollars	5%	(343)	5%	(1,380)
	(5)%	343	(5)%	1,380
Hong Kong dollars	5%	379	5%	6
	(5)%	(379)	(5)%	(6)

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 2008.

30 financial risk management and fair values *(cont'd)*

(e) Fair values

The carrying amounts of significant financial assets and liabilities approximate to their respective fair values as at 31 December 2009 and 2008.

The carrying values of trade receivables, other receivables, deposits and prepayments, deposits and cash, 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.

31 significant accounting estimates and judgements

Key sources of estimation uncertainty

Note 30 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) Assessment of 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 year. 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.

31 significant accounting estimates and judgements *(cont'd)*

Key sources of estimation uncertainty (Cont'd)

(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.

32 possible impact of amendments, new standards and interpretations issued but not yet effective for the year

Up to the date of issue of the financial statements, the IASB has issued a number of amendments, new standards and interpretations which are not yet effective in respect of the financial year and which have not been adopted in the financial statements:

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 the expected impact of these amendments, new standards and new interpretations 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.

33 particulars of subsidiaries and controlled special purpose entity

(a) *Subsidiaries*

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	Note	Place and date of incorporation/ establishment and operations	Issued and fully paid up share capital	Attributable equity interest held by the Company 2009	2008	Principal activities
Directly held:						
e-Starship Limited		British Virgin Islands 18 May 2000	US$1	**100%**	100%	Investment holding
Indirectly held:						
City Howwhy Limited		Hong Kong 15 May 2000	HK$2	**100%**	100%	Publication of magazine in Hong Kong
Modern Media Company Limited		Hong Kong 6 May 1998	HK$ 1,000,000	**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	RMB 8,950,000	**100%**	100%	Provision of advertising agency 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$ 35,000,000	**100%**	100%	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

33 particulars of subsidiaries and controlled special purpose entity *(cont'd)*

(a) Subsidiaries (Cont'd)

Name of subsidiaries	Note	Place and date of incorporation/ establishment and operations	Issued and fully paid up share capital	Attributable equity interest held by the Company 2009	2008	Principal activities
* 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%	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	RMB 1,100,000	**100%**	100%	Publication of magazine in the PRC, provision of advertising agency services, retail sales of imported books 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	RMB 500,000	**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	RMB 500,000	**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	RMB 2,000,000	**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	RMB 500,000	**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	RMB 500,000	**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	RMB 500,000	**100%**	100%	Design of image, planning of enterprise ceremony and provision of design, production and agency services

33 particulars of subsidiaries and controlled special purpose entity *(cont'd)*

(a) Subsidiaries (Cont'd)

Name of subsidiaries	Note	Place and date of incorporation/ establishment and operations	Issued and fully paid up share capital	Attributable equity interest held by the Company 2009	2008	Principal activities
* Guangzhou Modern Books Co., Ltd.（廣州現代圖書有限公司）	(ii)	The PRC 24 November 2004	RMB 3,010,000	**100%**	100%	Publication of magazine in the PRC, design and selling of advertising spaces
* Zhuhai Yinhu Advertising Co., Ltd.（珠海市銀弧廣告有限公司）	(ii)	The PRC 30 March 2001	RMB 500,000	**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 these financial statements, 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 transfer 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 consolidated into the Group since their respective dates of acquisition/establishment.

33 particulars of subsidiaries and controlled special purpose entity *(cont'd)*

(b) Controlled special purpose entity

There was one special purpose entity controlled by the Company, which operates in Hong Kong, particulars of which are as follows:

Special purpose entity	Principal activities
The Modern Media Employees Share Award Plan ("Modern Media Employee Share Trust") operated under Supremo Investment Inc.	Administrating and holding the Company's shares for the Share Award Scheme for the benefit of the Company's eligible employees

As the Company has the power to govern the financial and operating policies of the Modern Media Employee Share Trust and can derive benefits from the contributions of the employees who have been awarded the shares of the Company (the "Awarded Shares") through their continued employment with the Group, the Group is required to consolidate the Modern Media Employee Share Trust.

As at 31 December 2009, the Company had contributed RMB8,805,000 in the Modern Media Employee Share Trust for shares not yet vested and the amount was recorded as "Contributions to Modern Media Employee Share Trust" in the Company's balance sheet.

financial summary

Results

	For the year ended 31 December			
	2009	2008	2007	2006
	RMB'000	RMB'000	RMB'000	RMB'000
Turnover	**333,156**	347,825	281,085	231,302
Profit before taxation	**38,339**	57,003	49,560	41,436
Income tax	**(7,153)**	(11,985)	(7,760)	(5,486)
Profit for the year	**31,186**	45,018	41,800	35,950

Assets and Liabilities

	At 31 December			
	2009	2008	2007	2006
	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**327,782**	301,429	229,824	146,159
Total liabilities	**(128,485)**	(136,353)	(106,797)	(65,216)
Total equity	**199,297**	165,076	123,027	80,943

Notes:

1. The Company was incorporated in Cayman Islands on 8 March 2007 and became the holding company of the companies now comprising the Group with effect from 24 August 2009 upon the completion of the Group Reorganisation as set out in the Company's prospectus dated 28 August 2009 ("Prospectus").

2. The consolidated financial statements for the years ended 31 December 2006, 2007, 2008 and 2009 have been prepared using the merger basis of accounting as if the Group had always been in existence. The net assets of the combining companies are consolidated using the existing book values form the controlling party's perspective. The figures for the three years ended 31 December 2006, 2007 and 2008 have been extracted from the Prospectus.

現代傳播集團
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