SEEC MEDIA GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 205)

ANNOUNCEMENT OF AUDITED FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2012

The Board of Directors (the "Board") of SEEC Media Group Limited (the "Company") announces the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2012 together with the comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
Revenue	2	**516,623**	482,526
Cost of sales		**(197,765)**	(161,302)
Gross profit		**318,858**	321,224
Other income	3	**3,888**	3,866
Other gains and losses	4	**(458)**	1,168
Selling and distribution costs		**(205,570)**	(227,618)
Administrative expenses		**(64,036)**	(51,596)
Finance costs	5	**(2,321)**	(3,072)
Profit before taxation	6	**50,361**	43,972
Taxation	7	**(19,235)**	(10,476)
Profit for the year		**31,126**	33,496
Exchange differences arising on translation		**126**	12,668
Total comprehensive income for the year		**31,252**	46,164
Profit for the year attributable to:			
Owners of the Company		**32,223**	34,982
Non-controlling interests		**(1,097)**	(1,486)
		31,126	33,496
Total comprehensive income attributable to:			
Owners of the Company		**32,349**	47,650
Non-controlling interests		**(1,097)**	(1,486)
		31,252	46,164
Earnings per share (HK cents)	8		
Basic		**1.85**	2.01
Diluted		**1.85**	2.01

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2012

	Notes	**2012** **HK$'000**	2011 HK$'000
Non-current assets			
Property, plant and equipment		**46,021**	48,148
Sole agency rights		**112,436**	122,938
Goodwill		**118,886**	118,886
Interests in jointly controlled entities		**–**	–
Amount due from a jointly controlled entity		**47,191**	45,764
		324,534	335,736
Current assets			
Trade receivables	*10*	**190,049**	175,157
Amounts due from related companies		**6,714**	5,110
Other receivables and prepayments		**13,896**	14,643
Loan receivable		**6,167**	–
Pledged bank deposits		**13,567**	5,675
Bank balances and cash		**37,979**	98,117
		268,372	298,702
Current liabilities			
Trade payables	*11*	**44,400**	57,732
Other payables and accruals		**82,060**	84,530
Amounts due to related companies		**2,445**	7,025
Amount due to immediate parent		**204**	1,599
Bank borrowings		**36,667**	30,520
Tax payable		**27,056**	21,624
		192,832	203,030
Net current assets		**75,540**	95,672
Total assets less current liabilities		**400,074**	431,408
Non-current liabilities			
Loan from immediate parent		**–**	63,325
Receipt in advance		**502**	561
		502	63,886
Net assets		**399,572**	367,522

	2012	2011
	HK$'000	*HK$'000*
Capital and reserves		
Share capital	**173,956**	173,956
Reserves	**227,770**	194,623
Equity attributable to owners of the Company	**401,726**	368,579
Non-controlling interests	**(2,154)**	(1,057)
Total equity	**399,572**	367,522

1. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets; and
Amendments to HKFRS 7	Financial Instruments: Disclosures – Transfers of Financial Assets

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or the disclosures set out in these consolidated financial statements.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009–2011 Cycle[1]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[2]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangements[1]
HKFRS 12	Disclosure of Interests in Other Entities[1]
HKFRS 13	Fair Value Measurement[1]
HKAS 19 (as revised in 2011)	Employee Benefits[1]
HKAS 27 (as revised in 2011)	Separate Financial Statements[1]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[1]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[4]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[2]
HK (IFRIC) – Int 20	Stripping Cost in the Production Phase of Surface Mine[1]

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

Except as described below, the application of the new and revised HKFRSs in the current year will have no material impact on the Group's and the Company's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

The directors anticipate that the adoption of HKFRS 9 in the future may not have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities.

New and revised standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements. SIC-Int 12 *Consolidation – Special Purpose Entities* will be withdrawn upon the effective date of HKFRS 10. Under HKFRS 10, there is only one basis for consolidation, that is, control. In addition, HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures*. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. SIC-Int 13 *Jointly Controlled Entities – Non-monetary Contributions by Venturers* will be withdrawn upon the effective date of HKFRS 11. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate consolidation.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

In July 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these five HKFRSs for the first time.

These five standards, together with the amendments relating to the transitional guidance, are effective for annual periods beginning on or after 1 January 2013 with earlier application permitted provided that all of these standards are applied at the same time.

The directors anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013. The directors anticipated that the application of these five standards will not have significant impact on the Group's consolidated financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 *Presentation of Items of Other Comprehensive Income* introduce new terminology for the statement of comprehensive income. Under the amendments to HKAS 1, a 'statement of comprehensive income' is renamed as a 'statement of profit or loss and other comprehensive income'. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in future accounting periods.

2. REVENUE AND SEGMENT INFORMATION

Revenue represents the gross invoiced value of services rendered, sales of books and magazines, net of discounts and sales related taxes. An analysis of the Group's revenue is as follows:

	2012	2011
	HK$'000	*HK$'000*
Advertising agency income	**433,038**	413,006
Advertising income from conferences and events	**51,633**	36,182
Sales of books and magazines	**31,952**	33,338
	516,623	482,526

Information reported to the Company's executive directors, being the chief operating decision makers, for the purpose of allocating resources to segments and assessing their performance are organised on the basis of the revenue streams. The Group's operating and reporting segments are (a) advertising income from provision of agency services and organizing conferences and events and (b) sale of books and magazines. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segment of the Group.

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable segment.

For the year ended 31 December 2012

	Provision of services	Sale of books and magazines	Consolidated
	HK$'000	*HK$'000*	*HK$'000*
Revenue			
External sales	**484,671**	**31,952**	**516,623**
Result			
Segment profit (loss)	**145,447**	**(29,248)**	**116,199**
Other income			**3,888**
Other gains and losses			**(458)**
Unallocated administration, selling and distribution costs			**(66,947)**
Finance costs			**(2,321)**
Profit before taxation			**50,361**

For the year ended 31 December 2011

	Provision of services	Sale of books and magazines	Consolidated
	HK$'000	*HK$'000*	*HK$'000*
Revenue			
External sales	449,188	33,338	482,526
Result			
Segment profit (loss)	131,008	(34,278)	96,730
Other income			3,866
Other gains and losses			1,168
Unallocated administration, selling and distribution costs			(54,720)
Finance costs			(3,072)
Profit before taxation			43,972

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3 to the consolidated financial statements. Segment result represents the profit earned by/loss from each segment without allocation of unallocated administration, selling and distribution costs, other income, other gains and losses and finance costs. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and performance assessment. Furthermore, as the assets and liabilities for reportable segments are not provided to the chief operating decision makers for the purposes of resources allocation and performance assessment, no segment assets and liabilities are presented accordingly.

Other segment information

For the year ended 31 December 2012

	Advertising income *HK$'000*	**Sale of books and magazines** *HK$'000*	**Unallocated** *HK$'000*	**Consolidated** *HK$'000*
Depreciation of property, plant and equipment	**5,962**	**149**	**249**	**6,360**
Amortisation of sole agency rights	**10,456**	**–**	**–**	**10,456**
Reversal of allowance for inventories obsolescence	**–**	**(348)**	**–**	**(348)**
Allowance for (reversal of allowance for) bad and doubtful debts	**1,568**	**(145)**	**–**	**1,423**
Loss on disposal of property, plant and equipment	**65**	**–**	**–**	**65**

For the year ended 31 December 2011

	Advertising income *HK$'000*	Sale of books and magazines *HK$'000*	Unallocated *HK$'000*	Consolidated *HK$'000*
Depreciation of property, plant and equipment	7,345	157	133	7,635
Amortisation of sole agency rights	10,292	–	–	10,292
Reversal of allowance for inventories obsolescence	–	(809)	–	(809)
Allowance for bad and doubtful debts	27	748	–	775
Loss on disposal of property, plant and equipment	61	–	–	61

Geographical information

The Group's operations and assets are located in the People's Republic of China ("PRC"). All revenue is derived from customers located in the PRC. Accordingly, no analysis of revenue and non-current assets by geographical location are presented.

Information about major customers

There is no customer from either advertising income segment or sales of books and magazines segment which contributed over 10% of the total revenue of the Group.

3. OTHER INCOME

	2012	2011
	HK$'000	*HK$'000*
Bank interest income	**524**	1,239
Interest income from a jointly controlled entity	**–**	689
Administrative service income from Hexun Information Technology Co., Ltd.	**1,020**	–
Magazine registration number charges received from a jointly controlled entity	**965**	964
Financial refunds	**730**	–
Other miscellaneous income	**649**	974
	3,888	3,866

4. OTHER GAINS AND LOSSES

	2012	2011
	HK$'000	*HK$'000*
Allowance for bad and doubtful debts	**(1,423)**	(775)
Reversal of allowance for inventories obsolescence[a]	**348**	809
Net foreign exchange gain	**67**	1,195
Reversal of selling and distribution costs[b]	**615**	–
Loss on disposal of property, plant and equipment	**(65)**	(61)
	(458)	1,168

(a) Reversal of inventories obsolescence when relevant inventories were sold.

(b) The amounts represented reversal of selling expense accrued which have aged for over eight years without any demand of payment from the vendor.

5. FINANCE COSTS

	2012	2011
	HK$'000	*HK$'000*
Interest on bank loan wholly repayable within five years	**1,945**	1,548
Interest on advance from immediate parent	**376**	1,524
	2,321	3,072

6. PROFIT BEFORE TAXATION

	2012 *HK$'000*	2011 *HK$'000*
Profit before taxation has been arrived at after charging (crediting):		
Auditor's remuneration	**730**	730
Staff costs (including directors' emoluments):		
Wages, salaries and other allowances	**81,638**	68,219
Contributions to retirement benefits schemes	**12,148**	11,327
Share option benefits	**798**	1,108
	94,584	80,654
Depreciation of property, plant and equipment	**6,360**	7,635
Amortisation of sole agency rights (included in cost of sales)	**10,456**	10,292
Total depreciation and amortisation	**16,816**	17,927
Cost of inventories recognised as expenses	**42,576**	45,997
Minimum lease payments under operating lease in respect of rented premises	**15,141**	9,677
Investment income earned on loans and receivables		
– bank interest income	**(524)**	(1,239)
– amount due from a jointly controlled entity	**–**	(690)

7. TAXATION

The tax charge for the year represents the PRC Enterprise Income Tax.

No provision for Hong Kong Profits Tax has been made for both years because the relevant group entity incurred a tax loss in Hong Kong.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards, except for the PRC subsidiaries established in Shenzhen and Hainan's Special Economic Zones which are subjected to the PRC Enterprise Income Tax rate of 25% (2011: 24%). The tax rate of Shenzhen and Hainan's Special Economic Zones is increasing from 18% to 25% progressively from 2008 to 2012 pursuant to the new "Law of the People's Republic of China on Enterprise Income Tax" (國務院關於實施企業所得稅過渡優惠政策), effected on 1 January 2008.

The taxation for the year can be reconciled to the profit before taxation per the consolidated statement of comprehensive income as follows:

	2012 *HK$'000*	2011 *HK$'000*
Profit before taxation	**50,361**	43,972
Tax at PRC income tax rate of 25%	**12,590**	10,993
Effect of tax relief granted to certain PRC subsidiaries established in Shenzhen and Hainan's Special Economic Zones	**–**	(387)
Effect of the different income tax rates in other jurisdictions	**1,321**	(598)
Tax effect of tax losses not recognised	**4,943**	3,705
Utilisation of tax losses previously not recognised	**(2,224)**	(1,918)
Tax effect of expenses not deductible for tax purposes	**4,377**	1,950
Tax effect of income not taxable for tax purposes	**(1,391)**	(3,377)
Others	**(381)**	108
Taxation for the year	**19,235**	10,476

At the end of the reporting period, the Group had estimated unused tax losses of approximately HK$198,571,000 (2011: approximately HK$187,695,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the estimated unused tax losses due to the unpredictability of future profit streams. The estimated tax losses may be carried forward indefinitely.

Under the EIT Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of a PRC subsidiary amounting to approximately HK$106,489,000 (2011: approximately HK$77,250,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

8. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	2012	2011
	HK$'000	*HK$'000*
Earnings		
Earnings for the purposes of basic earnings per ordinary share being profit for the year attributable to owners of the Company	**32,223**	34,982
Number of shares		
Number of ordinary shares for the purpose of basic earnings per share	**1,739,565,172**	1,739,565,172
Effect of dilutive potential ordinary shares:		
Share options	**751,071**	3,066,418
Number of ordinary shares for the purpose of diluted earnings per share	**1,740,316,243**	1,742,631,590

The computation of diluted earnings per share does not assume the exercise of the Company's 22,550,000 (2011: 20,550,000) share options with exercise price ranging from HK$0.268 to HK$0.330 (2011: HK$0.330) per option because the exercise price of these options was higher than the average market price for both 2012 and 2011.

9. DIVIDEND

No dividend was paid or proposed for both years nor has any dividend been proposed since the end of the reporting period.

10. TRADE RECEIVABLES

	2012	2011
	HK$'000	*HK$'000*
Trade receivables	**206,035**	190,749
Less: allowance for doubtful debts	**(15,986)**	(15,592)
	190,049	175,157

Credit period granted by the Group to customers for both provision of advertising agency services and sale of books and magazines are not more than three months from the date of recognition of the sale.

The ageing analysis of the Group's trade receivables net of allowance for doubtful debts presented based on date of magazines issued, which approximate the date of revenue recognition is as follows:

	2012		2011	
	HK$'000	*%*	*HK$'000*	*%*
Less than three months	**113,508**	**60**	98,439	56
Three months to six months	**44,041**	**23**	48,885	28
Over six months to one year	**32,500**	**17**	27,833	16
	190,049	**100**	175,157	100

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Limits and credit ratings attributed to customers are reviewed regularly. Management considers the customers neither past due nor impaired are of good credit quality based on repayment history of respective customers.

Included in the Group's trade receivables balance are debtors with aggregate carrying amount of approximately HK$76,541,000 (2011: approximately HK$76,718,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and amounts are still considered recoverable based on historical experience. The Group does not hold any collateral over these balances. The average age of these receivables is 185 days (2011: 175 days).

Ageing of trade receivables which are past due but not impaired

	2012	2011
	HK$'000	*HK$'000*
Three months to six months	**44,041**	48,885
Over six months to one year	**32,500**	27,833
	76,541	76,718

The Group has provided fully for all receivables over 1 year because historical experience is such that receivables that are past due beyond 1 year are generally not recoverable.

Movement in the allowance for bad and doubtful debts

	2012	2011
	HK$'000	*HK$'000*
Balance at beginning of the year	**15,592**	14,888
Impairment losses recognised on trade receivables	**3,986**	3,091
Amount recovered during the year	**(2,563)**	(2,316)
Amounts written off as uncollectible	**(1,027)**	(809)
Exchange realignment	**(2)**	738
Balance at end of the year	**15,986**	15,592

11. TRADE PAYABLES

The ageing analysis of the Group's trade payables based on the invoice date at the end of the reporting period is as follows:

	2012		2011	
	HK$'000	*%*	*HK$'000*	*%*
Less than three months	**37,281**	**84**	46,525	81
Three months to six months	**4,231**	**10**	10,333	18
Over six months to one year	**1,824**	**4**	209	–
Over one year	**1,064**	**2**	665	1
	44,400	**100**	57,732	100

The average credit period granted by trade payables is 90 days. The Group has financial risk management policies in place to ensure that all payables within the credit time frame.

BUSINESS REVIEW

In 2012, China's economy apparently failed to overcome the downturn thoroughly with its continued weak macro-economy. Meanwhile, the global economic environment was not optimistic due to the persistent European debt crisis, lacking growth momentum of the developed countries and the drop of economic growth seen by the emerging countries. As such, the world economy was undergoing hardship on its way to recovery. The major developed western countries as well as the United States of America were still struggling for their respective economic recovery. Under the impact of the global economic slump, SEEC Media Group saw a drastic decrease in its rate of revenue growth. In 2012, SEEC Media Group realized a total revenue of HK$516.6 million, or a growth of only 7% (2011: 37%), and recorded a profit of HK$32.2 million, or a slight fall of 8% as compared to that of last year. Despite the unsatisfactory corporate results, it was promising and encouraging enough for the Group to maintain a revenue growth and profitable against a gloomy macroeconomic environment through our growth in advertising agency income from the magazines in which the Group holds exclusive advertising rights. In addition, we were pleased to see Caijing Magazine, as the flagship magazine of the Group, has maintained a two-digit growth of 18% in its revenue, which has fully demonstrated its stable and unrivalled leading position among the competitors in finance and economics publications market.

Grazia, a trendy magazine which the Group's jointly controlled entity has its exclusive advertising right, has been keeping a high growth since its launch owing to its high-end market positioning and its fashionable content. Thanks to the vast base of loyal readers pursuing fashions, Grazia was also well received and recognized by advertisers. In 2012, Grazia, by virtue of its excellent quality, outperformed its competitors in the trendy life-style magazine sector in terms of brand awareness and recognition against the overall floundering economy.

In summary, the brisk business growth momentum of the Group's magazines has slowed down over the last few years due to the macro-economy slump. However, we have managed to maintain a growth of revenue despite predicament based on the Group's rich experience gathered over years of media operation as well as our privileged position in the media business.

OUTLOOK AND PROSPECT

Being hit by the economic recession over the past few years, the macro economy is not expected to recover rapidly and improve notably in 2013. However, the efforts made to recover the economy by many countries will favor a stable general economy and turnaround of corporate operations. With years of experience in media operations and the concerted efforts of our teams, the Group will continue to maintain and further enhance our revenue growth and profitability steadily.

MANAGEMENT DISCUSSION AND ANALYSIS

During the year of 2012, turnover of the Group was approximately HK$516.6 million as compared to approximately HK$482.5 million in 2011, representing an increase of approximately 7%. The Group's revenue was improved from the economy recovery in China, with a steady increase in advertising agency income, in particular, from the advertising revenue of Caijing Magazine. The gross profit was 62% in 2012 with a decrease as compared to that of last year (2011: 67%). The decrease in gross profit margin was mainly because of the increase in the costs of hosting and organizing conferences and events.

The selling and distribution costs were decreased by nearly 10% from approximately HK$227.6 million to approximately HK$205.6 million, mainly due to decrease in advertising spending for image and brand building effort for the magazines. The administrative expenses was increased by 25% from approximately HK$51.2 million to HK$64.0 million. The increase was mainly due to increase in business and operational costs in China including office rental and staff salaries with the increase in number of staff. Moreover, there was an increase in legal and professional fees in relation to a litigation in Hong Kong.

The Group recorded finance costs of approximately HK$2.3 million (2011: HK$3.1 million), a decrease of around 26% in this year. It mainly comprised of interest on bank loans and on loan advanced from immediate parent. The decrease in interest costs was mainly due to the early repayment of the loan advanced from immediate parent during the year.

The profit attributable to shareholders for this year amounted to approximately HK$32.2 million, as compared to approximately HK$35.0 million last year.

To preserve financial resources for future operation of the Group, the Board did not recommend the payment of a dividend for the year 2012 (2011: nil).

LIQUIDITY AND FINANCIAL RESOURCES

The Group's daily operating activities were financed by internal resources. As at 31 December 2012, the Group's equity was approximately HK$399.6 million (2011: HK$367.5 million). The Group had non-current liabilities of approximately HK$0.5 million of receipt in advance as at 31 December 2012 as compared to a loan from immediate parent, United Home Limited, and receipt in advance as at 31 December 2011 (2011: HK$63.9 million). As at 31 December 2012, the Group's gearing ratio was 33% representing a percentage of total liabilities over total assets (2011: 42%).

As at 31 December 2012 the Group had secured bank borrowings of approximately HK$36.7 million (2011: HK$30.5 million).

As at 31 December 2012, the Group had cash and time deposits amounted to approximately HK$38.0 million (2011: HK$98.1 million).

CHARGES ON ASSETS

As at 31 December 2012, the Group had fixed deposits of approximately HK$13.6 million charged to a bank for banking facilities granted to the Group's companies (2011: HK$5.7 million).

As at 31 December 2012, the Group had pledged leasehold land and building in the PRC with a carrying amount of approximately HK$33.3 million (2011: HK$34.5 million) to secure bank borrowings granted to the Group.

COMMITMENTS

(A) Operating lease commitments

As lessee

At the end of the reporting period, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2012	2011
	HK$'000	*HK$'000*
Within one year	**8,345**	7,266
In the second to fifth year inclusive	**8,313**	1,991
	16,658	9,257

Operating lease payments represent rentals payable by the Group for its office premises. Leases are negotiated for a term ranging from nine months to 3 years.

(B) Capital commitments

	2012	2011
	HK$'000	*HK$'000*
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**–**	2,510

(C) Other commitments

Pursuant to several agreements entered into between the Company and magazine publication companies, being independent third parties, the Company at the end of the reporting period had commitments to make payments to certain magazines publication companies for agency rights of advertising on their magazines which fall due as follows:

	2012	2011
	HK$'000	*HK$'000*
Within one year	**3,296**	2,983
In the second to fifth year inclusive	**11,427**	12,383
Over five years	**4,680**	7,020
	19,403	22,386

The amount recognised as an expense (included in cost of sales) in the year was approximately HK$6,112,000 (2011: approximately HK$2,563,000).

FOREIGN CURRENCIES AND TREASURY POLICY

Most of the Group's business transactions, assets and liabilities are denominated in Hong Kong Dollars, United States Dollars or Renminbi. It is the Group's treasury policy to manage its foreign currency exposure whenever its financial impact is material to the Group. During the year, the Group did not have any fixed interest rate borrowings and had not engaged in any financial instruments for hedging or speculative activities.

EMPLOYEES

As at 31 December 2012, the Group had 828 (2011: 747) employees in Hong Kong and the PRC. Salaries, bonuses and benefits were decided in accordance with market conditions and performance of the respective employees.

SHARE OPTION SCHEMES

The Company operates a share option scheme (the "Share Option Scheme") which was adopted on 26 August 2002. On 11 May 2012, the Company adopted a new share option scheme (the "New Share Option Scheme"), of which all terms and conditions are the same as the Share Option Scheme. The New Share Option Scheme will remain in force for 10 years from the date of adoptions, unless otherwise cancelled or amended. During the year, no (2011: nil) share option was granted to directors and employees of the Group. As at 31 December 2012, the number of share issuable under share options granted under the Share Option Scheme was 48,100,000 (2011: 48,550,000).

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions laid down in the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2012, except for the Code provisions (i) A.2.1 whereas there is no separation of the role of Chairman and Chief Executive Officer. Mr. Wang Boming assumes the role of both the Chairman and the Chief Executive Officer; (ii) A.4.1 whereas all non-executive directors of the Company are not appointed for a specific term as they are subject to retirement and rotation in accordance with the Company's articles of association; and (iii) E.1.2 stipulates that the chairman of the board should attend the annual general meeting. The chairman of the Board was absent from the annual general meeting held on 11 May 2012 due to his prior business engagement. Mr. Zhang Zhifang, an Executive Director and as elected chairman of that meeting, was available to answer question at that meeting.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transaction by Directors of Listed Issuers of the Listing Rules ("Model Code"). Following specific enquiry by the Company, all directors confirmed that they have complied with the required standards as set out in the Model Code throughout the year ended 31 December 2012.

AUDIT COMMITTEE

The Audit Committee reviewed with management the accounting principles and practices adopted by the Group and discussed internal control and financial report matters including the review of the audited financial statements for the year ended 31 December 2012.

PUBLICATION OF ANNUAL REPORT ON THE WEBSITE OF THE STOCK EXCHANGE

The Annual Report of the Company containing the information required by Appendix 16 to the Listing Rules will be published on the website of the Stock Exchange in the due course.

By Order of the Board
Zhang Zhifang
Executive Director

Hong Kong, 22 March 2013

As at the date hereof, the Board comprises Mr. Wang Boming, Mr. Dai Xiaojing, Mr. Li Shijie and Mr. Zhang Zhifang as executive directors and Mr. Fu Fengxiang, Mr. Ding Yu Cheng, Mr. Wang Xiangfei and Mr. Zhang Ke as the independent non-executive directors.