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 2011

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" or "SEEC Media Group") for the year ended 31 December 2011 together with the comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	Notes	**2011** ***HK$'000***	2010 *HK$'000* (restated)
Revenue	*3*	**482,526**	352,404
Cost of sales		**(161,302)**	(110,822)
Gross profit		**321,224**	241,582
Other income		**4,832**	3,725
Other gains and losses		**(775)**	4,973
Selling and distribution costs		**(227,618)**	(171,039)
Administrative expenses		**(50,619)**	(35,706)
Share of loss of a jointly controlled entity		**–**	(11,436)
Finance costs	*4*	**(3,072)**	(7,094)
Profit before taxation	*5*	**43,972**	25,005
Taxation	*6*	**(10,476)**	(7,972)
Profit for the year		**33,496**	17,033
Exchange differences arising on translation		**12,668**	8,027
Total comprehensive income for the year		**46,164**	25,060

	Note	2011 HK$'000	2010 HK$'000 (restated)
Profit (loss) for the year attributable to:			
Owners of the Company		**34,982**	17,074
Non-controlling interests		**(1,486)**	(41)
		33,496	17,033
Total comprehensive income (expense) attributable to:			
Owners of the Company		**47,650**	25,101
Non-controlling interests		**(1,486)**	(41)
		46,164	25,060
Earnings per share *(HK cents)*	*7*		
Basic		**2.01**	0.98
Diluted		**2.01**	0.84

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000 (restated)
Non-current assets			
Property, plant and equipment		**48,148**	47,555
Deposit for acquisition of property, plant and equipment		**–**	442
Sole agency rights		**122,938**	127,555
Goodwill		**118,886**	118,886
Interests in jointly controlled entities		**–**	–
Amount due from a jointly controlled entity		**45,764**	30,562
		335,736	325,000
Current assets			
Trade receivables	9	**175,157**	130,798
Amounts due from related companies		**5,110**	5,670
Other receivables and prepayments		**14,643**	11,358
Restricted bank balances		**5,675**	777
Bank balances and cash		**98,117**	99,252
		298,702	247,855
Current liabilities			
Trade payables	10	**57,732**	41,482
Other payables and accruals		**84,530**	67,872
Amounts due to related companies		**7,025**	14,680
Amount due to immediate parent		**1,599**	–
Bank borrowings		**30,520**	23,505
Tax payable		**21,624**	19,628
		203,030	167,167
Net current assets		**95,672**	80,688
Total assets less current liabilities		**431,408**	405,688
Non-current liabilities			
Loan from immediate parent		**63,325**	85,438
Receipt in advance		**561**	–
		63,886	85,438
Net assets		**367,522**	320,250
Capital and reserves			
Share capital		**173,956**	173,956
Reserves		**194,623**	145,865
Equity attributable to owners of the Company		**368,579**	319,821
Non-controlling interests		**(1,057)**	429
Total equity		**367,522**	320,250

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

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

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010
HKAS 24 (Revised)	Related party disclosures
HKAS 32 (Amendments)	Classification of rights issues
HK(IFRIC) – INT 14 (Amendments)	Prepayments of a minimum funding requirement
HK(IFRIC) – INT 19	Extinguishing financial liabilities with equity instruments

The application of the new and revised 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 on the disclosures set out in these consolidated financial statements.

New and revised HKFRSs issued but not yet effective

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

HKFRS 7 (Amendments)	Disclosures – Transfers of financial assets[1]
	Disclosures – Offsetting financial assets and financial liabilities[2]
	Mandatory effective date of HKFRS 9 and transition disclosures[3]
HKFRS 9	Financial instruments[3]
HKFRS 10	Consolidated financial statements[2]
HKFRS 11	Joint arrangements[2]
HKFRS 12	Disclosure of interests in other entities[2]
HKFRS 13	Fair value measurement[2]
HKAS 1 (Amendments)	Presentation of items of other comprehensive income[5]
HKAS 12 (Amendments)	Deferred tax – Recovery of underlying assets[4]
HKAS 19 (Revised)	Employee benefits[2]
HKAS 27 (Revised)	Separate financial statements[2]
HKAS 28 (Revised)	Investments in associates and joint ventures[2]
HKAS 32 (Amendments)	Offsetting financial assets and financial liabilities[6]
HK(IFRIC) – INT 20	Stripping costs in the production phase of a surface mine[2]

1 Effective for annual periods beginning on or after 1 July 2011.
2 Effective for annual periods beginning on or after 1 January 2013.
3 Effective for annual periods beginning on or after 1 January 2015.
4 Effective for annual periods beginning on or after 1 January 2012.
5 Effective for annual periods beginning on or after 1 July 2012.
6 Effective for annual periods beginning on or after 1 January 2014.

HKFRS 9 "Financial Instruments" (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.

HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" to be 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.

The directors anticipate that the application of HKFRS 9 that will be adopted in the Group's consolidated financial statements for financial year ending 31 December 2013 will not have a material impact on the Groups' financial assets and financial liabilities.

The directors of the Company anticipate that the application of other new and revised HKFRSs issued but not yet effective will have no material impact on the consolidated financial statements.

2. RESTATEMENT OF COMPARATIVE FINANCIAL INFORMATION

Prior year adjustments have been made to adjust certain balances as at and for the year ended 31 December 2010 in the consolidated financial statements. During the process of finalising the consolidated financial statements for the year ended 31 December 2011, it was identified that an amendment to a magazine license agreement entered into during the year ended 31 December 2010 had not been appropriately recognised in the consolidated financial statements for that year. The prior year adjustments were made in order to ensure the financial statements are fairly presented for the year ended 31 December 2011 and 2010.

During the year ended 31 December 2010, the Group recognised license fee charges of HK$12,603,000 in respect of an agency right of advertising in a magazine, namely Sports Illustrated. In the current year, the license fee charges was restated to US$350,000 (equivalent to HK$2,730,000) based on the amendment to the magazine license agreement as mentioned above. The restatement reduced the cost of sales for the year ended 31 December 2010 by HK$9,873,000 and other payables and accruals by the same amount at 31 December 2010.

The effects of the restatement on the results of the Group for the year ended 31 December 2010 are summarised as follows:

	As previously stated *HK$'000*	**Prior year adjustment** *HK$'000*	**As restated** *HK$'000*
Cost of sales	120,695	(9,873)	110,822
Profit for the year	7,160	9,873	17,033

The effects of the restatement on the consolidated statements of financial position of the Group as at 31 December 2010 are as follows:

	As previously stated *HK$'000*	**Prior year adjustment** *HK$'000*	**As restated** *HK$'000*
Other payables and accruals	77,745	(9,873)	67,872
Accumulated profits	14,986	9,873	24,859

The effects of the restatement on the Group's basic and diluted earnings per share for the year ended 31 December 2010 are as follows:

	Impact on basic earnings per share *HK cents*	**Impact on diluted earnings per share** *HK cents*
Figures before adjustments	0.41	0.33
Prior year adjustment	0.57	0.51
Figures after adjustments	0.98	0.84

The restatement has had no effect on the amounts reported in the consolidated statement of financial position at 1 January 2010 as the amendment to license fee charges is solely made for the year ended 31 December 2010.

3. REVENUE AND SEGMENT INFORMATION

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

	2011	2010
	HK$'000	*HK$'000*
Advertising agency income	**413,006**	296,737
Advertising income from conferences and events	**36,182**	17,689
Sales of books and magazines	**33,338**	37,978
	482,526	352,404

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 nature of the revenue streams. The Group's operating and reporting segments are (a) advertising income from customers placing their advertisements in several magazines in the People's Republic of China ("PRC") and organizing conferences and events and (b) sale of books and magazines.

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 2011

	Advertising income	**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**
Unallocated income			**4,832**
Unallocated expenses			**(54,518)**
Finance costs			**(3,072)**
Profit before taxation			**43,972**

For the year ended 31 December 2010

	Advertising income *HK$'000* (restated)	Sale of books and magazines *HK$'000*	Consolidated *HK$'000* (restated)
Revenue			
External sales	314,426	37,978	352,404
Result			
Segment profit (loss)	99,810	(25,401)	74,409
Unallocated income			4,654
Unallocated expenses			(42,122)
Change in fair value of derivative financial instruments			6,594
Share of loss of a jointly controlled entity			(11,436)
Finance costs			(7,094)
Profit before taxation			25,005

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment result represents the profit earned by/loss from each segment without allocation of central administration costs, directors' salaries, share of loss of a jointly controlled entity, change in fair value of derivative financial instruments, investment income 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 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**

For the year ended 31 December 2010

	Advertising income HK$'000	Sale of books and magazines HK$'000	Unallocated HK$'000	Consolidated HK$'000
Depreciation of property, plant and equipment	7,737	151	133	8,021
Amortisation of sole agency rights	9,833	–	–	9,833
Allowance for inventories obsolescence	–	1,232	–	1,232
(Reversal of) allowance for bad and doubtful debts	(1,199)	3,749	–	2,550
Loss on disposal of property, plant and equipment	58	–	–	58

Geographical information

The Group's operations and assets are located in the PRC. All revenue are 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.

4. FINANCE COSTS

	2011	2010
	HK$'000	*HK$'000*
Interest on bank loan wholly repayable within five years	**1,548**	1,751
Interest on advance from immediate parent	**1,524**	179
Effective interest charge on convertible bond	**–**	5,164
	3,072	7,094

5. PROFIT BEFORE TAXATION

	2011	2010
	HK$'000	*HK$'000*
Profit before taxation has been arrived at after charging (crediting):		
Auditor's remuneration	**730**	720
(Reversal of) allowance for inventories obsolescence*	**(809)**	1,232
Staff costs (including directors' emoluments):		
Wages, salaries and other allowances	**68,219**	51,496
Contributions to retirement benefits schemes	**11,327**	9,379
Share option benefits	**1,108**	1,459
	80,654	62,334
Depreciation of property, plant and equipment	**7,635**	8,021
Amortisation of sole agency rights (included in cost of sales)	**10,292**	9,833
Total depreciation and amortisation	**17,927**	17,854
Cost of inventories recognised as expenses	**45,997**	41,733
Minimum lease payments under operating lease in respect of rented premises	**9,677**	10,582
Loss on disposal of property, plant and equipment	**61**	58
Investment income earned on loans and receivables		
– bank interest income	**(1,239)**	(1,267)
– amount due from a jointly controlled entity	**(689)**	(959)
Exchange gain, net	**(1,195)**	(1,127)

* Reversal of inventories obsolescence when the relevant inventories were sold.

6. 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, excepted for the PRC subsidiaries established in Shenzhen and Hainan's Special Economic Zones which are subjected to the PRC Enterprise Income Tax rate of 24% (2010: 22%). The tax rate of Shenzhen and Hainan's Special Economic Zones is increasing from 18% to 25% progressively from 2008 to 2012 pursuant to 國務院關於實施企業所得稅過渡優惠政策.

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

	2011	2010
	HK$'000	*HK$'000*
		(restated)
Profit before taxation	**43,972**	25,005
Tax at PRC income tax rate of 25%	**10,993**	6,251
Effect of tax relief granted to certain PRC subsidiaries	**(387)**	(1,065)
Tax effect of tax losses not recognised	**3,705**	4,117
Utilisation of tax losses previously not recognised	**(1,918)**	(1,539)
Tax effect of expenses not deductible for tax purposes	**1,950**	1,932
Tax effect of income not taxable for tax purposes	**(3,377)**	(1,662)
Others	**(490)**	(62)
Taxation for the year	**10,476**	7,972

At the end of the reporting period, the Group had estimated unused tax losses of HK$187,695,000 (2010: HK$180,547,000) available for offset against future taxable profits. No deferred tax asset has been recognised in respect of the estimated unused tax losses due to the unpredictability of future taxable 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 PRC subsidiaries amounting to approximately HK$77,250,000 (2010: HK$49,656,000) 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.

7. 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:

	2011	2010
	HK$'000	*HK$'000*
		(restated)
Earnings		
Earnings for the purpose of basic earnings per share		
Profit for the year attributable to owners of the Company	**34,982**	17,074
Effect of dilutive potential ordinary shares:		
Interest on convertible bond	**–**	5,164
Change in fair value of conversion option embedded to convertible bond	**–**	(5,035)
Gain on early redemption of convertible bond	**–**	(929)
Earnings for the purpose of diluted earnings per share	**34,982**	16,274
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:		
Convertible bond	**–**	193,812,894
Options	**3,066,418**	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,742,631,590**	1,933,378,066

For the year ended 31 December 2010, the computation of diluted earnings per share did not assume the exercise of the Company's share options and warrants because the exercise prices of those options and warrants was higher than the average market price for shares during the year ended 31 December 2010.

8. DIVIDEND

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

9. TRADE RECEIVABLES

Credit period granted by the Group to customers is 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 invoice date is as follows:

	2011		2010	
	HK$'000	*%*	*HK$'000*	*%*
Within three months	**98,439**	**56**	82,814	63
Months four to six	**48,885**	**28**	28,159	22
Months seven to one year	**27,833**	**16**	19,825	15
	175,157	**100**	130,798	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 HK$76,718,000 (2010: HK$47,984,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. The average age of these receivables is 175 days (2010: 183 days).

Ageing of trade receivables which are past due but not impaired

	2011	2010
	HK$'000	*HK$'000*
Months four to six	**48,885**	28,159
Months seven to one year	**27,833**	19,825
Total	**76,718**	47,984

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

	2011	2010
	HK$'000	*HK$'000*
Balance at beginning of the year	**14,888**	11,903
Impairment losses recognised on trade receivables	**3,091**	6,417
Amount recovered during the year	**(2,316)**	(3,867)
Amounts written off as uncollectible	**(809)**	(164)
Exchange realignment	**738**	599
Balance at end of the year	**15,592**	14,888

10. 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:

	2011		**2010**	
	HK$'000	*%*	*HK$'000*	*%*
Within three months	**46,525**	**81**	29,773	72
Months four to six	**10,333**	**18**	10,762	26
Months six to one year	**209**	**–**	385	1
Over one year	**665**	**1**	562	1
	57,732	**100**	41,482	100

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

BUSINESS REVIEW

In 2011, China's economic growth gradually decelerated, and there was uncertainty around the global economic environment due to European debt crisis. Despite these challenges, thanks to efforts of all our colleagues, the Group realized revenue of HK$482.5 million, or a growth of 37%, and recorded a profit attributable to owners of the Company of HK$35.0 million, or a growth of 105% as compared to those of last year. This indicates that the newly launched magazines by SEEC Media Group have entered a harvest stage.

"Caijing Magazine", as the flagship magazine of the Group, has established a unique and leading status and made outstanding influence in finance and economics publications since its debut 14 years ago. The magazine reaped a growth of 55% in advertising revenue for 2011.

"CapitalWeek" focuses its expertise on stock market. Although China's stock market was in the doldrums this year, the weekly magazine achieved a 29% growth in advertising revenue for 2011 by virtue of its professional service standards for securities business.

China has become the world's largest consumer market of luxury goods, and this will bring about a broader market to fashion and consumer magazines. In just a few years time, the Group not only successfully got access, but also established a high position in this market. "Grazia", one of the most promising fashion magazines of the Group, has carved out a niche in the fashion magazine industry since it was first published two years ago, its advertising revenue grew 95% in 2011. As to penetrate the market of the male fashion publications, the Group's "HisLife" magazine also achieved good results in 2011 with advertising revenue growing by 12%. "TimeOut", another magazine for the trendy lifestyle sector, also achieved good operating results. In June 2011, the Group cooperated with a French distinguished grape wine magazine "La Revue Du Vin de France" to launch its Chinese edition "葡萄酒評論" in China, which received warm applause from various enthusiasts of grape wines and people in the wine industry on its debut.

Besides, other magazines of the Group, including "China Auto Pictorial", "Autocar", "Marketing China" and "Real Estate", all achieved impressive advertising revenue growth in 2011.

The above operation results show that most of the Group's publications have made good development in all aspects and entered a beneficial, mature and steadily rewarding cycle, which creates outstanding achievement and brings bright future.

OUTLOOK AND PROSPECT

Despite the fact that China has lowered its 2012 economic growth target and global economic situation remains uncertain, it is expected that SEEC Media Group, taking the advantage of the primacy based on its extensive product lines, can continue to achieve good results.

MANAGEMENT DISCUSSION AND ANALYSIS

During the year of 2011, turnover of the Group was approximately HK$482.5 million as compared to approximately HK$352.4 million in 2010, representing an increase of approximately 37%. The Group's revenue was improved from the economy recovery in China, with a 39% increase in advertising agency income and more than double in advertising income from hosting conferences and events. The gross profit was almost stable of 67% in 2011 with a slight decrease as compared to that of last year (2010: 69%).

The selling and distribution costs were increased by 33% from approximately HK$171.0 million to approximately HK$227.6 million, were in line with the increase in revenue and were mainly due to the increased selling and promotional effort for the magazines. The administrative expenses were increased by 42% from approximately HK$35.7 million to HK$50.6 million. The increase was mainly due to increase in business and operational activities and operational costs in China.

The other losses in this year was solely the allowance for bad and doubtful debt of approximately HK$0.8 million. The other gains and losses in the last year were the fair value gain of the derivative financial instruments related to the convertible bond of the Company and gain on early redemption of the bond of HK$6.6 million and HK$0.9 million respectively, and allowance for doubtful and bad debt of HK$2.6 million.

There was no share of loss of a jointly controlled entity during the year since the entity was still in loss position and the investment by the Group in that entity was reduced to zero and there was no contractual obligation for the Group to contribute and share the loss of the entity. The share of loss of a jointly controlled entity was HK$11.4 million in 2010. This was wholly related to normal operation of a joint venture company, Mondadori-SEEC (Beijing) Advertising Co., Ltd., which was set up together with Mondadori Group, an Italian magazines and publication group, for the Chinese version of a lifestyle fashion magazine, Grazia, in China.

The Group recorded finance cost of approximately HK$3.1 million (2010: HK$7.1 million) in this year. It mainly comprised of interest on bank loan and on loan advanced from immediate parent in this year and the interest of approximately HK$7.1 million in last year was mainly interest of HK$5.2 million from the convertible bond issued by the Company.

As a result, with a steady increase in revenue, the profit attributable to owners of the Company for this year amounted to approximately HK$35.0 million, as compared to approximately HK$17.1 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 2011 (2010: nil).

LIQUIDITY AND FINANCIAL RESOURCES

The Group's daily operating activities were financed by internal resources. As at 31 December 2011, the Group's equity was approximately HK$367.5 million (2010: HK$320.3 million). The Group had non-current liabilities of approximately HK$63.9 million (2010: HK$85.4 million) as at 31 December 2011 mainly from a loan advanced by immediate parent, United Home Limited. As at 31 December 2011, the Group's gearing ratio was 10% representing a percentage of non-current liabilities over total assets (2010: 15%).

As at 31 December 2011 the Group had secured bank borrowings of approximately HK$30.5 million (2010: 23.5 million).

As at 31 December 2011, the Group had cash and time deposits amounted to approximately HK$98.1 million (2010: HK$99.3 million).

CHARGES ON ASSETS

As at 31 December 2011, the Group had funds of approximately HK$5.7 million raised from bank borrowings of which its usage is restricted to pay certain operating expenses. As at 31 December 2010, the Group had deposits of HK$0.8 million charged to a bank for banking facilities granted to the Group's companies.

As at 31 December 2011, the Group had pledged leasehold land and building in the PRC with a carrying amount of approximately HK$34.5 million (2010: HK$34.1 million) to secure bank borrowings granted to the Group.

CONTINGENT LIABILITIES

On 6 August 2010, Chau Hoi Shuen, Solina Holly (the "Plaintiff") in a writ of summons filed claims against the Company for compensatory damages for distributing and publishing certain articles in the Issue No. 265 of Caijing Magazine containing words defamatory to the Plaintiff. In the defence filed by the Company on 13 October 2010, the Company denied the Plaintiff's claims. The Plaintiff and the Company attended mediation on 20 April 2011, however, both parties failed to settle the litigation by mediation. The litigation is fixed for trail at the high court of Hong Kong in September 2012. In the opinion of the legal advisor of the Company, it is not practical to assess the outcome of the case and accordingly, no provision was made in the consolidated financial statements.

COMMITMENTS

(a) Operating lease commitments

As lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments which fall due as follows:

	2011	2010
	HK$'000	*HK$'000*
Within one year	**7,266**	2,153
In the second to fifth year inclusive	**1,991**	439
	9,257	2,592

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

	2011	2010
	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:

	2011	2010
	HK$'000	*HK$'000*
Within one year	**2,983**	1,560
In the second to fifth year inclusive	**12,773**	8,190
Over five years	**4,680**	9,360
	20,436	19,110

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, apart from the loan advanced from immediate parent and the bank borrowing, 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 2011, the Group had 747 (2010: 676) employees in Hong Kong and PRC. Salaries, bonuses and benefits were decided in accordance with market conditions and performance of the respective employees.

SHARE OPTION SCHEME

The Company's existing share option scheme was adopted on 26 August 2002 and is due to expire in August 2012. During the year, no (2010: nil) share option was granted to directors and employees of the Group. As at 31 December 2011, the number of share issuable under share options granted was 48,550,000 (2010: 50,750,000).

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 PRACTICIES

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 2011, 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 13 June 2011 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 2011.

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 2011.

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
Wang Boming
Chairman and Executive Director

Hong Kong, 23 March 2012

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