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 2010

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 2010 together with the comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

	Notes	**2010** *HK$'000*	2009 *HK$'000*
Revenue	2	**352,404**	275,300
Cost of sales		**(120,695)**	(100,809)
Gross profit		**231,709**	174,491
Other income		**3,725**	2,071
Other gains and losses		**4,973**	(13,384)
Selling and distribution costs		**(171,039)**	(147,073)
Administrative expenses		**(35,706)**	(36,270)
Impairment loss recognised in respect of goodwill		**–**	(6,330)
Share of loss of a jointly controlled entity		**(11,436)**	(11,427)
Finance costs	3	**(7,094)**	(8,158)
Profit (loss) before taxation	4	**15,132**	(46,080)
Taxation	5	**(7,972)**	–
Profit (loss) for the year		**7,160**	(46,080)
Exchange differences arising on translation		**8,027**	326
Total comprehensive income (expense) for the year		**15,187**	(45,754)

	Notes	**2010**	2009
		HK$'000	*HK$'000*
Profit (loss) for the year attributable to:			
Owners of the Company		**7,201**	(46,080)
Non-controlling interests		**(41)**	–
		7,160	(46,080)
Total comprehensive income (expense) attributable to:			
Owners of the Company		**15,228**	(45,754)
Non-controlling interests		**(41)**	–
		15,187	(45,754)
Earnings (loss) per share (HK cents)	*6*		
Basic		**0.41**	(2.65)
Diluted		**0.33**	(2.65)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
Non-current assets			
Property, plant and equipment		**47,555**	51,201
Deposit for acquisition of property, plant and equipment		**442**	1,043
Sole agency rights		**127,555**	133,309
Goodwill		**118,886**	118,886
Interests in jointly controlled entities		**–**	–
Amount due from a jointly controlled entity		**30,562**	8,658
		325,000	313,097
Current assets			
Inventories		**–**	1,161
Trade receivables	*8*	**130,798**	90,839
Amounts due from related companies		**5,670**	4,704
Other receivables and prepayments		**11,358**	10,288
Pledged bank deposits		**777**	30,467
Bank balances and cash		**99,252**	74,381
		247,855	211,840
Current liabilities			
Derivative financial instruments		**–**	6,654
Trade payables	*9*	**41,482**	32,876
Other payables and accruals		**77,745**	47,431
Amounts due to related companies		**14,680**	4,346
Bank borrowings		**23,505**	49,495
Tax payable		**19,628**	12,932
		177,040	153,734
Net current assets		**70,815**	58,106
Total assets less current liabilities		**395,815**	371,203
Non-current liabilities			
Convertible bond		**–**	88,679
Amount due to a substantial shareholder		**85,438**	–
		85,438	88,679
Net assets		**310,377**	282,524

	2010	2009
	HK$'000	*HK$'000*
Capital and reserves		
Share capital	**173,956**	173,956
Reserves	**135,992**	108,568
Equity attributable to owners of the Company	**309,948**	282,524
Non-controlling interests	**429**	–
Total equity	**310,377**	282,524

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

New and revised standards, amendments and interpretations applied in the current year

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

HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKAS 27 (Revised)	Consolidated and separate financial statements
HKAS 39 (Amendments)	Eligible hedged items
HKFRS 2 (Amendments)	Group cash-settled share-based payment transactions
HKFRS 3 (Revised)	Business combinations
HK(IFRIC) – INT 17	Distributions of non-cash assets to owners
HK – INT 5	Presentation of financial statements – Classification by the borrower of a term loan that contains a repayment on demand clause

The application of the new and revised HKFRSs in the current year has had no material effect on the amounts reported in these consolidated financial statements and/or 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.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010[1]
HKFRS 7 (Amendments)	Disclosures – transfers of Financial Assets[3]
HKFRS 9	Financial instruments[4]
HKAS 12 (Amendments)	Deferred Tax: Recovery of underlying assets[5]
HKAS 24 (Revised)	Related party disclosures[6]
HKAS 32 (Amendments)	Classification of rights issues[7]
HK(IFRIC) – INT 14 (Amendments)	Prepayments of a minimum funding requirement[6]
HK(IFRIC) – INT 19	Extinguishing financial liabilities with equity instruments[2]

[1] Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.
[2] Effective for annual periods beginning on or after 1 July 2010.
[3] Effective for annual periods beginning on or after 1 July 2011.
[4] Effective for annual periods beginning on or after 1 January 2013.
[5] Effective for annual periods beginning on or after 1 January 2012.
[6] Effective for annual periods beginning on or after 1 January 2011.
[7] Effective for annual periods beginning on or after 1 February 2010.

HKFRS 9 “Financial Instruments” (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 “Financial Instruments” (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 “Financial Instruments: Recognition and Measurement” are subsequently measured at either 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 accounting periods.

The directors anticipate that 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 the other new and revised HKFRSs will have no material impact on the consolidated financial statements.

2. 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:

	2010	2009
	HK$’000	*HK$’000*
Advertising agency income	**296,737**	223,964
Advertising income from conferences and events	**17,689**	20,928
Sales of books and magazines	**37,978**	30,408
	352,404	275,300

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. This is also the basis upon which the Group is organised.

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 2010

	Advertising income *HK$'000*	**Sale of books and magazines** *HK$'000*	**Consolidated** *HK$'000*
Revenue			
External sales	**314,426**	**37,978**	**352,404**
Result			
Segment profit (loss)	**89,937**	**(25,401)**	**64,536**
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			**15,132**

For the year ended 31 December 2009

	Advertising income *HK$'000*	Sale of books and magazines *HK$'000*	Consolidated *HK$'000*
Revenue			
External sales	244,892	30,408	275,300
Result			
Segment profit (loss)	37,637	(22,629)	15,008
Unallocated income			2,071
Unallocated expenses			(41,202)
Change in fair value of derivative financial instruments			(2,372)
Share of loss of jointly controlled entity			(11,427)
Finance costs			(8,158)
Loss before taxation			(46,080)

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 maker 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 maker 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 2010

	Advertising income	**Sale of books and magazines**	**Unallocated**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'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**

For the year ended 31 December 2009

	Advertising income	Sale of books and magazines	Unallocated	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Depreciation of property, plant and equipment	8,177	92	132	8,401
Amortisation of sole agency rights	10,153	–	–	10,153
Allowance for inventories obsolescence	–	1,162	–	1,162
Allowance for bad and doubtful debts	6,080	–	–	6,080
Loss on disposal of property, plant and equipment	12	–	–	12
Impairment loss recognised in respect of goodwill	6,330	–	–	6,330

Geographical information

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

Information about major customers

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

3. FINANCE COSTS

	2010	2009
	HK$'000	*HK$'000*
Interest on bank loan wholly repayable within five years	**1,751**	2,589
Interest on advance from a substantial shareholder	**179**	–
Effective interest charge on convertible bond	**5,164**	5,569
	7,094	8,158

4. PROFIT (LOSS) BEFORE TAXATION

	2010	2009
	HK$'000	*HK$'000*
Profit (loss) before taxation has been arrived at after charging (crediting):		
Auditor's remuneration	**720**	680
Allowance for inventories obsolescence	**1,232**	1,162
Allowance for amount due from jointly controlled entity	**–**	4,932
Allowance for bad and doubtful debts	**2,550**	6,080
Staff costs (including directors' emoluments):		
Wages, salaries and other allowances	**51,496**	48,915
Contributions to retirement benefits schemes	**9,379**	8,150
Share option benefits	**1,459**	2,127
	62,334	59,192
Depreciation of property, plant and equipment	**8,021**	8,401
Amortisation of sole agency rights (included in cost of sales)	**9,833**	10,153
Total depreciation and amortisation	**17,854**	18,554
Cost of inventories recognised as cost of sales	**41,733**	43,868
Change in fair value of derivative financial instruments	**(6,594)**	2,372
Gain on early redemption of convertible bond	**(929)**	–
Minimum lease payments under operating leases in respect of rented premises	**10,582**	13,335
Loss on disposal of property, plant and equipment	**58**	12
Investment income earned on loans and receivables		
– bank interest income	**(1,267)**	(674)
– amount due from a jointly controlled entity	**(959)**	–
Exchange gain, net	**(1,127)**	(258)

5. 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 22% (2009: 20%). 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 (loss) before taxation per the consolidated statement of comprehensive income as follows:

	2010	2009
	HK\$'000	*HK\$'000*
Profit (loss) before taxation	**15,132**	(46,080)
Tax at PRC income tax rate of 25%	**3,783**	(11,520)
Effect of tax relief granted to certain PRC subsidiaries	**(1,065)**	(85)
Tax effect of tax losses not recognised	**4,117**	7,850
Utilisation of tax losses previously not recognised	**(1,539)**	(676)
Tax effect of expenses not deductible for tax purposes	**4,400**	7,615
Tax effect of income not taxable for tax purposes	**(1,662)**	(2,792)
Others	**(62)**	(392)
Taxation for the year	**7,972**	–

At the end of the reporting period, the Group had estimated unused tax losses of HK\$180,547,000 (2009: HK\$164,447,000) available for offset against future assessable profits. No deferred tax asset has been recognised in respect of the estimated unused tax losses due to the unpredictability of future assessable 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\$49,656,000 (2009: HK\$23,363,000) 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.

6. EARNINGS (LOSS) PER SHARE

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

	2010	2009
	HK\$'000	*HK\$'000*
Earnings (loss)		
Earnings (loss) for the purposes of basic earnings (loss) per share	**7,201**	(46,080)
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 (loss) for the purposes of diluted earnings (loss) per share	**6,401**	(46,080)
Number of shares		
Number of ordinary shares for the purpose of basic earnings (loss) per share	**1,739,565,172**	1,739,565,172
Effect of dilutive potential ordinary shares:		
Convertible bond	**193,812,894**	–
Number of ordinary shares for the purpose of diluted earnings (loss) per share	**1,933,378,066**	1,739,565,172

The computation of diluted earnings per share does not assume the exercise of the Company's 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.

For the year ended 31 December 2009, the computation of diluted loss per share did not assume the exercise of share options, conversion of the convertible bond or exercise of warrants since their exercise or conversion would result in a decrease in loss per share.

7. DIVIDEND

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

8. TRADE RECEIVABLES

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

	2010		2009	
	HK$'000	*%*	*HK$'000*	*%*
Within three months	**82,814**	**63**	57,073	63
Months four to six	**28,159**	**22**	21,935	24
Months seven to one year	**19,825**	**15**	11,831	13
	130,798	**100**	90,839	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. The 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$47,984,000 (2009: HK$33,766,000) 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 183 days (2009: 173 days).

Ageing of trade receivables which are past due but not impaired

	2010	2009
	HK$'000	*HK$'000*
Months four to six	**28,159**	21,935
Months seven to one year	**19,825**	11,831
Total	**47,984**	33,766

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

	2010	2009
	HK$'000	*HK$'000*
Balance at beginning of the year	**11,903**	6,402
Impairment losses recognised on trade receivables	**6,417**	6,080
Amount recovered during the year	**(3,867)**	–
Amounts written off as uncollectible	**(164)**	(593)
Exchange realignment	**599**	14
Balance at end of the year	**14,888**	11,903

9. 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:

	2010		2009	
	HK$'000	%	*HK$'000*	%
Within three months	**29,773**	**72**	25,163	77
Months four to six	**10,762**	**26**	7,303	22
Months six to one year	**385**	**1**	127	–
Over one year	**562**	**1**	283	1
	41,482	**100**	32,876	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

China's economy still maintained a stunning growth of approximately 10% in 2010 despite the complicated economic conditions worldwide. This benefited the Group to have realized an operating income of HK$352.4 million in 2010 with a growth rate of 28%, posting a record results of the Group since its strategic restructuring to printed media advertising agency business. That led to a profit of HK$7.2 million, as compared with a loss of HK$46.1 million last year. This highlighted that our recently launched magazines have survived their struggling infancy stage and are now phasing into the harvest one.

As the flagship magazine of the Group, "Caijing" rose to another historical height with a single issue of the magazine embracing the highest-ever advertising revenue in the second half of 2010. The overall operating income outperformed that for the corresponding period of 2009, bringing the total operating income for 2010 up to that for 2009. This convinced us that "Caijing" magazine has shrugged off the shadow of staff turnover in 2009, and resumed and consolidated its leading position in the industry.

Being an important publication of the Group in the financial sector, "CapitalWeek" continued to apply its expertise in the stock and securities markets, offering a mass of professional financial information and advice to investors. In return, the publication excelled in achieving a sharp increase of 198% in operating income.

"Grazia" is a fashion magazine specifically launched by the Group, and was well received by readers upon its debut. In 2010, it rose to a higher level by hoisting a series of large fashion and creativity campaigns, and its operating income increased significantly by 261%. Now it has established itself firmly as one of the mainstream fashion magazines in mainland China. "HisLife", which likewise belongs to a fashion magazine but targets at high-caliber male readers, also rendered a superior performance in 2010 with an increase of 149% in operating income as compared with 2009. "TimeOut", another trendy magazine focusing on leisure lifestyle, achieved a fast growth of 109% in operating income for 2010.

As a leader among China's auto magazines, "China Auto Pictorial" came off well in keeping the loyalty of its readers who especially enjoy the magazine's professional analysis, unique perspective and authoritative remarks, recording a remarkable increase of 47% in operating income. "Autocar", another regional auto magazine of the Group, recorded an increase of 120% in operating income for 2010. In view of the relocation of China's auto industry from first-tier cities to second-tier and third-tier cities, our auto magazines are expected to meet with a bright future.

In addition to the above publications, some of our magazines namely "Marketing China", "Real Estate" and "Sports Illustrated", also realized a growth in operating income of 92%, 3% and 51% respectively in 2010.

From the above, we note that almost all of the Group's magazines, being spearheaded by our flagship magazine "Caijing", have grasped a significant growth in advertising revenue, signifying that our magazines have greeted a season of harvest and helped us turnaround in 2010 from a loss situation in 2009 by scoring significant profit growth.

OUTLOOK AND PROSPECT

As predicted by the State Information Centre, China's GDP will maintain a 9.5% growth in 2011, and we are rather optimistic about our operating results for the year. Leveraging on the solid leading position in the financial sector plus the rapid growth in fashionable lifestyle sector of our magazines, we have plenty of grounds to anticipate a brilliant performance surpassing that of last year.

MANAGEMENT DISCUSSION AND ANALYSIS

During the year of 2010, turnover of the Group was approximately HK$352.4 million as compared to approximately HK$275.3 million in 2009, representing an increase of approximately 28%. The advertising market in China was gradually recovered from the financial crisis. The Group's revenue was improved from the economy rebounce, the gross profit was slightly increased to approximately 66% in 2010 (2009: 63%).

The selling and distribution costs were increased by 16% from approximately HK$147.1 million to approximately HK$171.0 million, mainly due to the increase in revenue and also the selling and promotional effort for those magazines still in nurture stage. The administrative expenses was maintained stable for tightening cost measures despite the high inflationary pressure in China during the year.

The Group had a joint venture company, Mondadori-SEEC (Beijing) Advertising Co., Ltd., set up in 2008 together with Mondadori Group, an Italian magazines and publication group. The Chinese version of lifestyle fashion magazine, "Grazia", was launched in China but it was still in the nurture stage of a new start up. Despite that the operating environment of advertising business in the luxury merchandise market was improved in 2010, the entity has not yet achieved break even. The share of loss of a jointly controlled entity of HK$11.4 million (2009: HK$11.4 million) was wholly related to the normal operation of this magazine business.

The Group also had interest in another jointly controlled entity formed with Ziff Davis Media Inc and operated "PC Magazine" Chinese version in China. The demand of related advertisement for this magazine was weak over the years. Investment in this jointly controlled entity was fully provided in 2009 and the Group has discontinued its share of loss in this entity in 2010.

The Group maintained a prudent approach towards credit control. Even with an increase in turnover during the year, the allowance for bad and doubtful debts was reduced to approximately HK$2.6 million in this year as compared to approximately HK$6.1 million last year.

The Group recorded interest expense of approximately HK$7.1 million (2009: HK$8.2 million) in this year and from which the interest charge related to the convertible bond issued by the Company was approximately HK$5.2 million (2009: HK$5.6 million). The decrease was attributable to the early redemption of the bond in November 2010. For the year of 2010, there was a gain arising on changes of fair value of the components of the convertible bond of approximately HK$6.6 million (2009: a loss of HK$2.4 million). An overall gain of HK$0.9 million was recorded upon the early redemption of the convertible bond in November 2010.

As a result, the Group had turnaround, the profit attributable to shareholders for this year amounted to approximately HK$7.2 million, as compared to a loss of approximately HK$46.1 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 2010 (2009: nil).

LIQUIDITY AND FINANCIAL RESOURCES

The Group's daily operating activities were financed by internal resources. As at 31 December 2010, the Group's equity was approximately HK$310.4 million (2009: HK$282.5 million). The Group had non-current liabilities of approximately HK$85.4 million as at 31 December 2010 from a loan advanced by a substantial shareholder, United Home Limited, as compared to a convertible bond as at 31 December 2009 of approximately HK$88.7 million. As at 31 December 2010, the Group's gearing ratio was 15% representing the percentage of non-current liabilities over total assets (2009: 17%).

As at 31 December 2010 the Group had secured bank borrowings of approximately HK$23.5 million (2009: HK$49.5 million).

As at 31 December 2010, the Group had cash and bank balances amounted to approximately HK$99.3 million (2009: HK$74.4 million).

CHARGES ON ASSETS

As at 31 December 2010, the Group had fixed deposit of approximately HK$0.8 million charged to a bank for banking facilities granted to the Group's companies (2009: HK$30.5 million).

As at 31 December 2010, the Group had pledged leasehold land and building in the PRC with a carrying amount of approximately HK$34.1 million (2009: 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 a defence filed by the Company on 13 October 2010, the Company denied the Plaintiff's claims. The Plaintiff and the Company have indicating their intentions to attempt mediation for resolving all disputes between parties, however, the parties are yet to agree on the terms and conditions of the mediation at the date of this report. The mediation proposal will be communicated between the Plaintiff and the Company in April 2011. As in the opinion of the legal advisor of the Company, it is not practical to assess the outcome of the case. Accordingly, no provision was made in the consolidated financial statements.

COMMITMENTS

As at 31 December 2010, the Group had the following 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:

	2010	2009
	HK$'000	*HK$'000*
Within one year	**2,153**	2,674
In the second to fifth year inclusive	**439**	1,878
	2,592	4,552

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

	2010	2009
	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	**–**	350

(c) Other commitments

The amount recognised as license expenses (included in cost of sales) in the year was HK$16,118,000 (2009: HK$4,847,000).

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 for advertising in their magazines which fall due as follows:

	2010	2009
	HK$'000	*HK$'000*
Within one year	**11,612**	1,316
In the second to fifth year inclusive	**82,127**	–
Over five years	**14,670**	–
	108,409	1,316

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 amount due to a substantial shareholder 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 2010, the Group had 676 (2009: 634) 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 SCHEME

The Company's share option scheme was adopted on 26 August 2002. During the year, no (2009: 30,150,000) share option was granted to directors and employees of the Group. As at 31 December 2010, the number of share issuable under share options granted was 50,750,000 (2009: 53,700,000).

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 2010, 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 21 June 2010 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 2010.

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 2010.

PRELIMINARY ANNOUNCEMENT OF THE RESULTS AGREED BY AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2010 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

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 due course.

By Order of the Board
Wang Boming
Chairman and Executive Director

Hong Kong, 31 March 2011

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.