中視金橋國際傳媒控股有限公司
SinoMedia Holding Limited

(incorporated in Hong Kong with limited liability)
（於香港註冊成立之有限公司）

ANNUAL REPORT
2010年報

Stock code 股份編號： 623

SinoMedia Holding Limited (the "Company" or "SinoMedia") and its subsidiaries (collectively the "Group") is a leading media advertising operator in China. We enter into underwriting agreements with a number of television stations and provide nationwide television advertising coverage for our clients, including advertisers and advertising agencies.

中視金橋國際傳媒控股有限公司(「本公司」或「中視金橋」)及其子公司(合稱「本集團」)是中國領先的傳媒廣告營運商，與多家電視台簽訂代理合約，向包括廣告主及廣告代理商在內的客戶提供全國性電視廣告服務。

Contents

Financial Summary

RMB'000

	For the year ended 31 December 2010	For the year ended 31 December 2009	Change (%)
Revenue	**1,373,173**	766,804	+79.1%
Profit from operations	**208,979**	120,907	+72.8%
Profit attributable to owners of the Company	**158,064**	97,245	+62.5%
Earnings per share (RMB)			
— Basic	**0.279**	0.172	+62.2%
— Diluted	**0.278**	0.172	+61.6%
Proposed dividends per share (HK cents)			
— Final	**6.6**	3.6	
— Special	**6.6**	Nil	

Revenue by sales channels:

	For the year ended 31 December 2010	For the year ended 31 December 2009	Change (%)
Advertising service	**1,396,783**	773,443	+80.6%
— CCTV	**1,387,719**	769,063	+80.4%
— Regional TV	**8,974**	3,245	+176.5%
— Others	**90**	1,135	-92.1%
Agency service	**9,875**	17,762	-44.4%
Sales taxes and surcharges	**(33,485)**	(24,401)	+37.2%
Revenue	**1,373,173**	766,804	+79.1%

	As at 31 December 2010	As at 31 December 2009
Total assets	**1,284,248**	917,006
Equity attributable to owners of the Company	**849,140**	736,473

Corporate Information

EXECUTIVE DIRECTORS
Mr. Chen Xin
Ms. Liu Jinlan
Mr. Li Zongzhou

NON-EXECUTIVE DIRECTORS
Mr. Zhu Jia
Mr. Huang Jingsheng

INDEPENDENT NON-EXECUTIVE DIRECTORS
Mr. Ding Junjie
Mr. Qi Daqing
Mr. Chen Tianqiao

AUDIT COMMITTEE
Mr. Qi Daqing *(Chairman)*
Mr. Ding Junjie
Mr. Huang Jingsheng

REMUNERATION COMMITTEE
Mr. Chen Xin *(Chairman)*
Mr. Ding Junjie
Mr. Chen Tianqiao

COMPLIANCE COMMITTEE
Mr. Li Zongzhou *(Chairman)*
Mr. Chan Oi Nin Derek

COMPANY SECRETARY
Mr. Chan Oi Nin Derek

AUTHORISED REPRESENTATIVES
Mr. Chen Xin
Mr. Chan Oi Nin Derek

REGISTERED OFFICE OF THE COMPANY
Room 1505, 15th Floor, World-wide House,
19 Des Voeux Road Central, Hong Kong

CORPORATE HEADQUARTERS
Unit 15D, Xintian International Plaza,
No. 450 Fushan Road, Pudong New District,
Shanghai, PRC

AUDITORS
KPMG

SHARE REGISTRAR
Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17/F, Hopewell Centre,
183 Queen's Road East, Wanchai, Hong Kong

INVESTOR RELATIONS CONSULTANT
Hill & Knowlton Asia Ltd

WEBSITE
www.sinomedia.com.hk

2010 Year in Review

MARCH 2010

SinoMedia Acquired Exclusive Underwriting Rights to All Advertising Resources on CCTV-NEWS (previously known as CCTV-9)

CCTV-NEWS was revamped twice in 2010 as the network increased its focus on international news. Different advertising formats and arrangements were made available after the revamp, providing clients with more professional services tailored to their brand communications needs.

APRIL 2010

SinoMedia Launched "Spring Thunder" Campaign to Enhance International Awareness of Chinese Brands

SinoMedia kicked off its "Spring Thunder" campaign with a forum in Yongkang City, also known as the "Capital of Metals", in Zhejiang Province.

Aimed at enhancing the influence of Chinese brands globally, the "Spring Thunder" campaign helped boost the international profile of leading Chinese brands by providing stronger communications support through the advertising resources of CCTV-4, the Chinese-language international channel of CCTV.

APRIL 2010

Fund-raising Campaign for Earthquake Victims in Yushu County

The tragic earthquake in Yushu County has broken the heart of Chinese people across the country. SinoMedia, whose corporate culture is all about family values, swung into action immediately after the disaster with the setting up of a fund to help the victims. The fund received overwhelming support from the management and the staff of the Company. In just two hours, more than RMB60,000 was raised and donated to China Red Cross for earthquake relief.

MAY 2010

SinoMedia Cooperated with CCTV-4 to Launch "Spring Thunder" Campaign in Xiamen City, Fujian Province

SinoMedia cooperated with CCTV-4 to launch the "Spring Thunder" campaign in Xiamen City, Fujian Province, the second leg of the campaign. The campaign was held under the theme of "Regional Cooperation and Brand Building" and sought to promote CCTV-4 for corporate brand building.

JULY 2010

Strategic Planning Workshop

The core management team of SinoMedia had a brain storming session to discuss the recent development of the media industry, as well as the future direction and growth potential the Company. As a result, the Company came up with concrete development plans and implementation strategies in the coming eight years.

AUGUST 2010

Communications Seminar and VIP Cocktail Party with Key Clients

SinoMedia joined hands with the advertising department of CCTV to host the "Communications Seminar and VIP Cocktail Party for CCTV Media Resources Presale Tender 2011". Through this interactive activity with key clients, SinoMedia was able to gain wider recognition for its premium media resources and services.

SEPTEMBER–OCTOBER 2010

Seminars on "CCTV Media Resources Presale Tender 2011" were Held in Five Cities

In order to help clients better understand the presale tender of CCTV's media resources, SinoMedia held "CCTV Media Resources Presale Tender 2011" seminars in the cities of Guangzhou, Xiamen, Chongqing, Chengdu and Hangzhou. Following the seminars, VIP clients from around the country decided on their new advertising strategies of 2011 and signed cooperation agreements with the management of SinoMedia.

NOVEMBER 2010

Achieved 50% Growth in Value of Sales Contracts Signed During 2011 CCTV Primetime Resources Presale Tender

During the 2011 CCTV Prime-time Resources Presale Tender, SinoMedia increased its client base by 100% over the previous year with a 50% increase in the value of sales contracts signed.

NOVEMBER 2010

Post-CCTV Prime-time Resources Presale Tender Seminar

SinoMedia held a seminar a day after the CCTV Prime-time Resources Presale Tender to cater to the needs of a number of small- and medium-sized corporations who wanted to advertise on CCTV to achieve maximum exposure. Media professionals and representatives from the news department of CCTV were invited to the seminar to help clients devise their media strategies.

NOVEMBER 2010

Acquisition of Remaining 55% Stake in Beijing Taihe Ruishi

Upon the completion of the acquisition, Beijing Taihe Ruishi, which operates a nationwide public service advertising broadcast network of over 120 local television channels in China, will become a wholly-owned subsidiary of SinoMedia. The acquisition will not only further consolidate SinoMedia's media resources, but also help diversify the Group's revenue base that now includes local television channels.

NOVEMBER 2010

Acquisition of Remaining 40% Stake in Golden Bridge Senmeng in Stages

On 17 November, the Group signed the Second Supplemental Agreement and an Option Agreement for the acquisition of the remaining 40% interest in Golden Bridge Senmeng. The investment in Beijing Senmeng Media will not only bring to the Group promising development potential for its advertising business in respect of CCTV-7, but also help the Group provide a wider range of quality advertising solutions to clients.

DECEMBER 2010

Investment in www.lotour.com

Through the establishment of a joint venture, a Group's subsidiary and Beijing Lotour Internet Technology Co., Ltd. will work together to strategically develop www.lotour.com, a leading travel Internet portal. Lotour, with its strong influence in various Chinese cities and coupled with SinoMedia's effective brand management services, is expected to open up major business opportunities for the Company going forward.

Awards and Recognition

COMPANY

Award: 2009 Top10 CCTV Media Advertising Agency
Time: March 2010
Awarded by: Advertising Department of CCTV
Award description: Presented by CCTV, the award is judged by the value of sales contract signed by the advertising agency for its clients during the year.

Award: 2009–2010 Top100 Most Influential Local Advertising Companies
Time: September 2010
Awarded by: Advertising Guidance (廣告導報) and School of MBA of the Communication University of China (中國傳媒大學MBA學院)
Award description: Organized by Advertising Guidance, a magazine of 17 years' history, the fourth "China Advertising Top 100" awards have been widely recognized in the advertising industry in China.

Award: 2009 Advertising Agency Award, Chinese Classics Communication Awards
Time: June 2010
Awarded by: Chinese Classics Communication Awards Committee ("中國經典傳播大獎"組委會)
Award description: Jointly organized by the China Association of National Advertisers, the School of Journalism and Communications of Peking University and Advertising Panorama Magazine, the Chinese Classics Communication Awards is one of the most authoritative and influential awards in the commercial advertising industry in China.

Award: The 7th National Honor List of Trustworthy Units
Time: December 2010
Awarded by: The organizing committee of National Honor List of Trustworthy Units
Award description: It is the second time for SinoMedia to be awarded this honor. Corporations on this honor list were all selected from the trustworthy units across the country.

Award: 2010 Top 10 CCTV Media Advertising Agency
Time: March 2011
Awarded by: Advertising Department of CCTV
Award description: This is the most prestigious award presented by CCTV. SinoMedia had been awarded this honor for five consecutive years. In addition, three employees of SinoMedia have won three newly added individual awards, namely "Outstanding Customer Service", "Outstanding Media Executive", and "Outstanding Sales", making SinoMedia the most awarded agency for the year.

CREATIVE DESIGN

Advertisement: "CASTEL French Wine — Enjoy Wine, Enjoy Yourself, Enjoy Life" film advertisement
Award: Silver Award (Tobacco & Wine) of the Chinese Classics Communication Awards
Time: June 2010
Awarded by: Chinese Classics Communication Awards Committee
Award description: Jointly organized by the China Association of National Advertisers, the School of Journalism and Communications of Peking University and Advertising Panorama Magazine, the Chinese Classics Communication Awards is one of the most authoritative and influential awards in the commercial advertising industry in China.

Advertisement: "WWF — Actions Speak Louder Than Words" graphic design
Award: Silver Award (Conference & Events) of the Chinese Classics Communication Awards
Time: June 2010
Awarded by: Chinese Classics Communication Awards Committee
Award description: Jointly organized by the China Association of National Advertisers, the School of Journalism and Communications of Peking University and Advertising Panorama Magazine, the Chinese Classics Communication Awards is one of the most authoritative and influential awards in the commercial advertising industry in China.

Advertisement: "Ping An Group 2010 Spring Festival" promotion campaign
Award: Commercial Media Strategy Award (Media) of China's 4A Innovation Gold Seal Award 2010
Time: December 2010
Awarded by: The Association of Accredited Advertising Agencies of China (中國4A協會)
Award description: Being considered as the "Oscar Award in China's advertising industry", the China's 4A Innovation Gold Seal Award is one of the most prestigious awards in the industry. This year marks the fifth year of the award.

Advertisement: "Hospitable Shandong"
Award: Commercial Media Strategy Award (Media) of China's 4A Innovation Gold Seal Award 2010
Time: December 2010
Awarded by: The Association of Accredited Advertising Agencies of China
Award description: Being considered as the "Oscar Award in China's advertising industry", the China's 4A Innovation Gold Seal Award is one of the most prestigious awards in the industry. This year marks the fifth year of the award.

Annual report: SinoMedia 2009 Annual Report
Award: Silver Award (overall annual report design) of LACP Vision Awards
Time: July 2010
Awarded by: League of American Communications Professionals
Award description: The overall design of SinoMedia's 2009 annual report ranked the third place in the media/communications category (annual income of US$1 billion). Around 4,000 entrants from over 20 countries took part in the competition.

Annual report: SinoMedia 2009 Annual Report
Award: Bronze Award (overall annual report) of ARC Awards
Time: August 2010
Awarded by: MerComm, Inc.
Award description: The ARC Awards, established by MerComm, Inc. in 1987, is the world's largest competition honoring excellence in annual reports. The award is considered the most highly respected and prestigious competition in the industry, and is widely recognized by the financial community around the world.

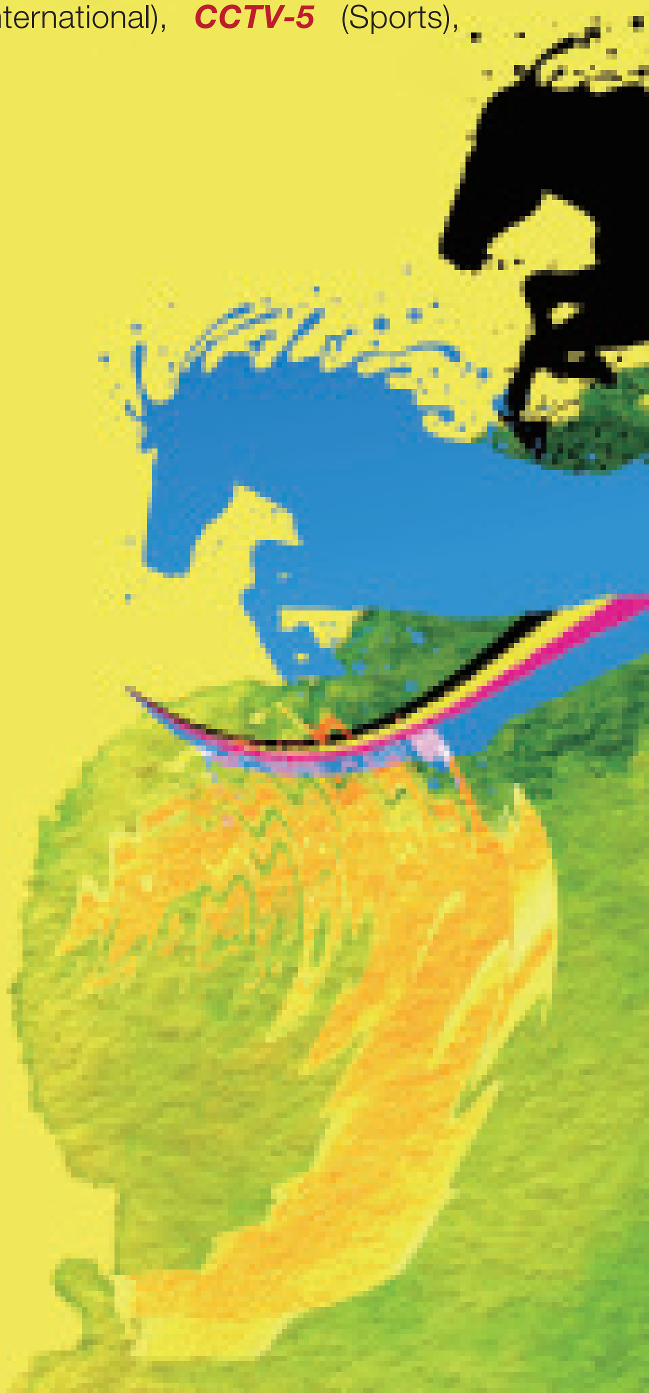
MANAGEMENT

Winner: Ms. Liu Jinlan
Award: 2009–2010 Top 10 Influential Female Advertising Professionals in China
Time: September 2010
Awarded by: Advertising Guidance and School of MBA of the Communication University of China
Award description: Orgainized by Advertising Guidance, a magazine of 17 years' history, the fourth "China Advertising Top 100" awards have been widely recognized in the advertising industry in China.

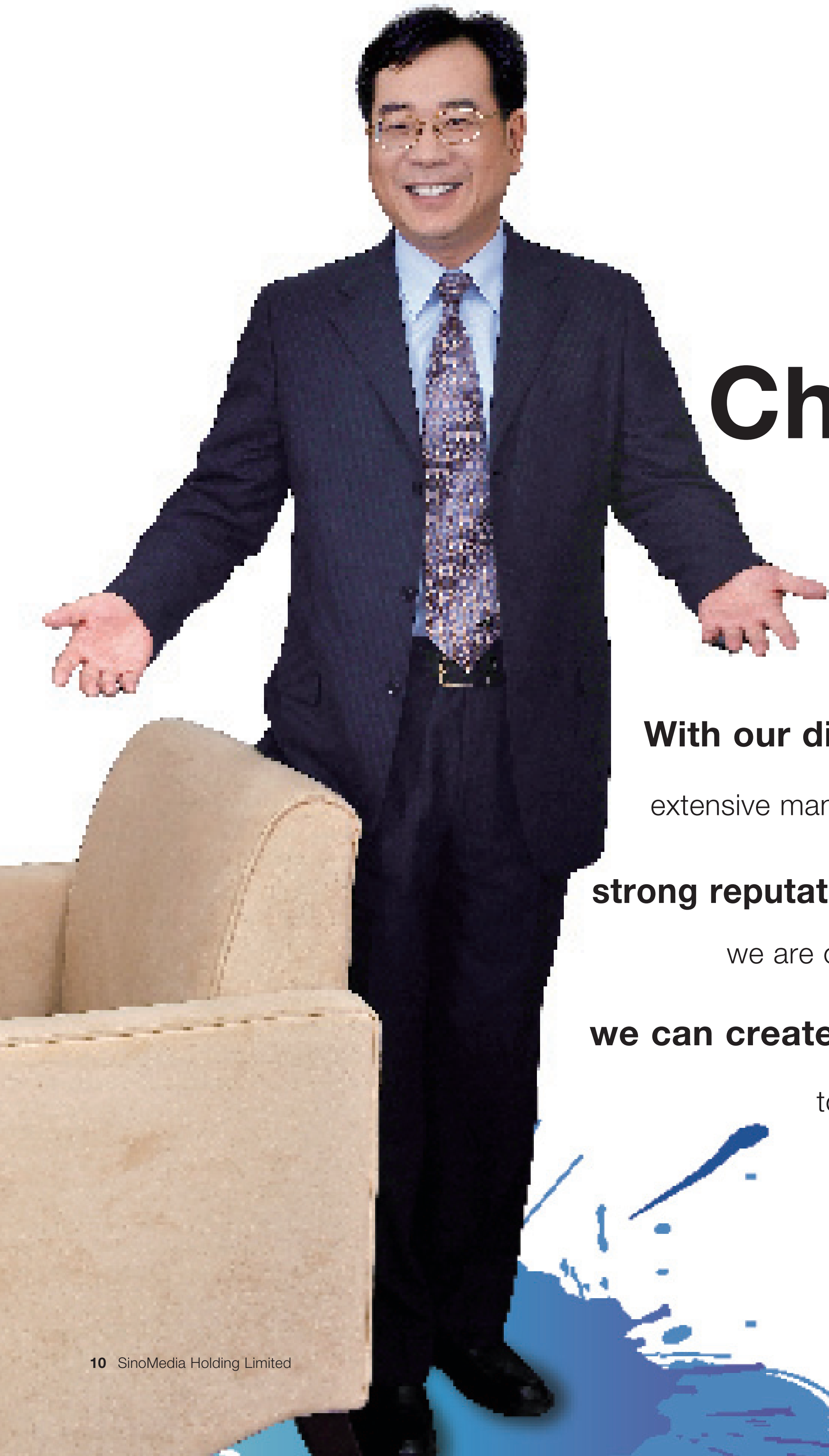
Winner: Ms. Liu Jinlan
Award: 2009 Leader of Chinese Communication Classic
Time: June 2010
Awarded by: Chinese Classics Communication Awards Committee
Award description: Jointly organized by the China Association of National Advertisers, the School of Journalism and Communications of Peking University and Advertising Panorama Magazine, the Chinese Classics Communication Awards is one of the most authoritative and influential awards in the commercial advertising industry in China.

Electee: Ms. Liu Jinlan
Position: Researcher, Marketing Experts Committee of China Financial Brands (中國金融品牌營銷專家委員會研究員)
Time: August 2010
Organization: Advertising School of the Communication University of China (中國傳媒大學廣告學院) and Advertiser Research Institute of the Communication University of China (中國傳媒大學廣告主研究所)
Description: As the first professional marketing committee for Chinese financial brands, the committee provides professional advices on the brand communication and marketing strategy for financial institutions in today's ever-changing media environment.

In 2010, the number of Sinomedia clients that participated in the CCTV Media Resources Presale Tender increased by ***100%***, with ***50%*** growth recorded in the value for sales contracts signed. SinoMedia had also been awarded the "Top 10 CCTV Media Advertising Agency" for four consecutive years. In line with CCTV's continuous emphasis on its news programmes in 2010, the Group provides media resources with focus on news and infotainment programmes in different channels, including ***CCTV-1*** (General), ***CCTV-2*** (Finance), ***CCTV-4*** (Chinese International), ***CCTV-5*** (Sports), ***CCTV-7*** (Military and Agriculture), and ***CCTV-NEWS***.



Closer Collaboration with CCTV



Chen Xin

With our diverse client base,

extensive management experience and

strong reputation in the marketplace,

we are confident that

we can create greater value

to our shareholders.

Chairman's Statement

On the back of the growing economy and robust media and advertising industry in China, the Group was able to deliver solid results and generated remarkable growth in 2010. We also continued to strengthen our core advertising business and enrich media resources by fostering our cooperation with CCTV, completing a number of investments and acquisitions, as well as establishing new partnerships. As a result, the Group achieved a remarkable year-on-year growth in 2010, where revenue and net profit increased by 79.1% and 62.5% respectively when compared to last year.

During the year, the Group established a highly efficient platform for brand communications by further consolidating and expanding our media resources. In 2010, the Group held the underwriting rights to the programmes on CCTV-1/CCTV-13, CCTV-4, CCTV-7 and CCTV-NEWS, continuing to be one of the largest privately-owned underwriters of TV advertisement time for CCTV. Coupled with the additional underwriting rights for four programmes on CCTV-2, 4 and 5 that we have acquired in 2011, the Group is well positioned to help clients achieve maximum results in their marketing campaigns with more comprehensive services.

Through initiating investments and acquisitions, the Group has further consolidated its resources. In November 2010, SinoMedia acquired a combined 55% equity interest in Beijing Taihe Ruishi Culture and Media Company Limited. The acquisition not only enables the Group to have full management of the nationwide public service advertising broadcast network covering over 120 local television channels in China, but also helps us to establish a comprehensive media resources platform which comprises CCTV and local TV channels. We also acquired the remaining 40% interest in Golden Bridge Senmeng Media Advertising Co., Ltd., one of the largest underwriters of TV advertising time for agricultural programs on CCTV-7. Upon completion of the acquisitions, the two companies will become wholly-owned subsidiaries of the Group. Both companies are already making profit contribution to the Group with sustainable growth momentum. We are confident that the two businesses will continue to perform well and become key growth drivers for the Group going forward.

Tapping into the fast-growing Internet advertising market, the Group established a joint venture with Beijing Lotour Internet Technology Co., Ltd. in December 2010 for the exclusive operation of the largest Internet portal for travel industry in China. The partnership enables the Group to benefit from the fast-growing Internet advertising market and provide more comprehensive advertising packages for clients.

To meet the demand from Chinese enterprises looking to create effective global marketing campaigns, the Group has also expanded into international markets and become the master advertising agent for the TV channels of MediaCorp Pte Ltd in China. MediaCorp is the largest media company in Singapore. Its popular TV channels include local channels as well as the flagship Channel NewsAsia, which is broadcasted across the Asia Pacific region.

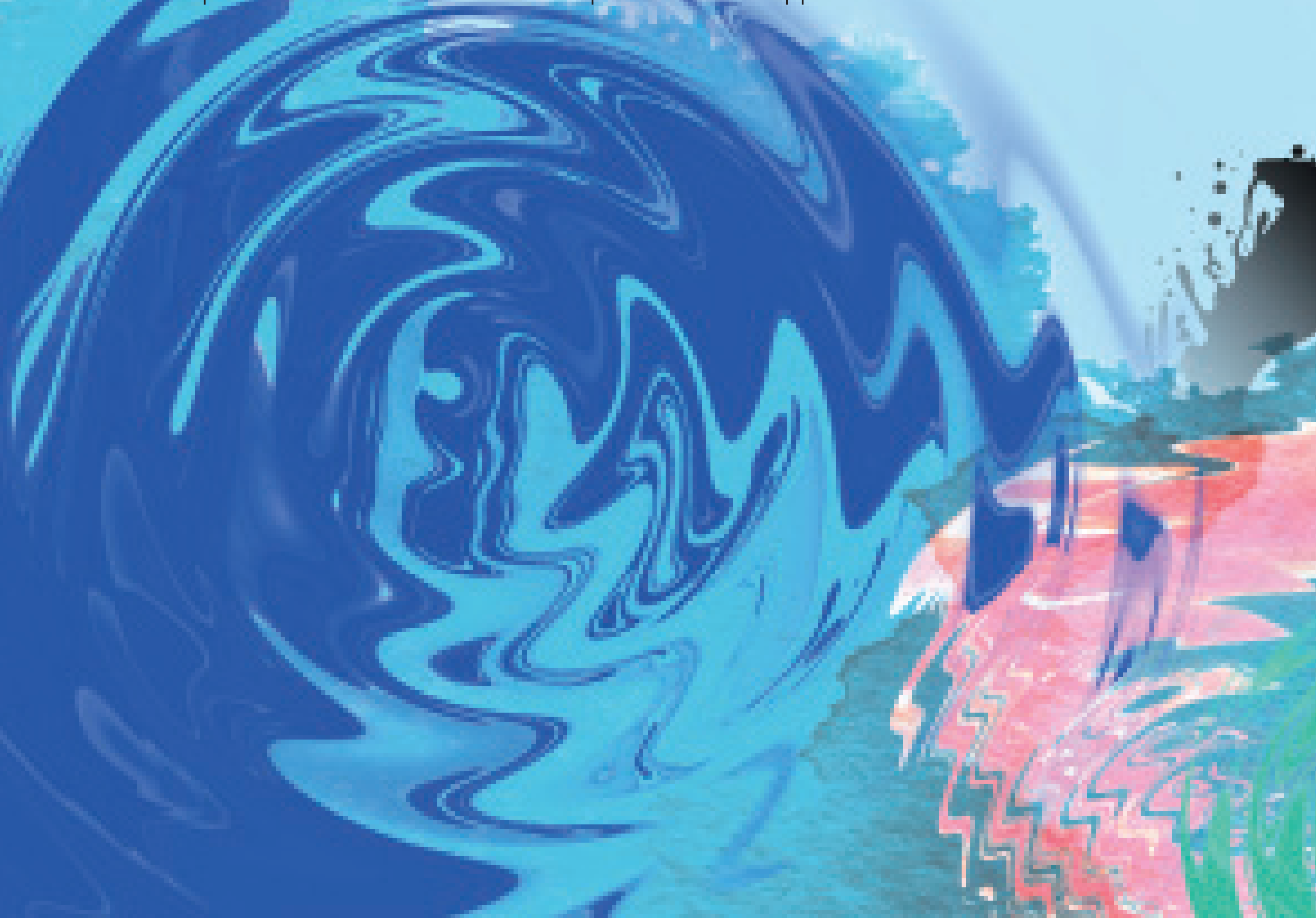
Our satisfactory performance and remarkable achievements in 2010 have further strengthened SinoMedia's advertising operation and customer service capability, paving the way for more vigorous and sustainable growth in the years to come. Looking ahead to 2011, we expect the media and advertising industry in China to continue its steady growth on the back of continuous improvements in the economy and improving consumer confidence.

To drive future success, we will continue to actively explore strategic development opportunities to enrich and strengthen our media resources, as well as providing more comprehensive advertising services to our customers. With our diverse client base, extensive management experience and strong reputation in the marketplace, we will seize the growth opportunities in the industry to create greater present and long-term value for our shareholders and business partners.

Last but not least, on behalf of the Board, I would like to take this opportunity to express my sincere gratitude to our valued shareholders, clients and business partners for their trust and unwavering support. I would also like to thank our management and staff for their professionalism and dedication. With commitment and hard work, we have every confidence in our success and continuous achievements.

Chen Xin
Chairman
Hong Kong, 23 March 2011

In 2010, the Group stepped up its efforts in consolidating and optimizing its media resources. Through the acquisition of stakes in Beijing Taihe Ruishi, the Group strengthened its business in the nationwide public service advertising broadcast network, which now includes over ***120*** local television channels in China and reaches most part of the country. The Group also increased its stake in Golden Bridge Senmeng, through which the Group holds the exclusive underwriting rights to all advertising resources of seven programs on ***CCTV-7*** (Military and Agriculture). As a result, SinoMedia will stand to benefit from the potential of increasing urbanization and development of rural villages. Meanwhile, the Group will join forces with Beijing Lotour Internet Technology Company Limited a company with rich travel media resources, to develop a travel-related website and explore business opportunities in the new media.



Comprehensive Media Resources Covering New Media

Management Discussion and Analysis

BUSINESS REVIEW

In the "2010 CCTV Contracting Advertising Underwriting Rights Tender" held in November 2009, the Group successfully acquired the prime advertising resources (in terms of ratings and favourable air time) in CCTV-1, and further strengthened and enhanced its core advertising resources of evening programmes on CCTV-4 and CCTV-7.

During the year under review, the Group had the underwriting rights to approximately 52,737 minutes of the advertising time of 45 programmes on CCTV-1/CCTV-13, CCTV-4 (Chinese International, including Europe and the US), CCTV-7 (Military and Agriculture), and the English news channel CCTV-NEWS. This represented a year-on-year increase of 129%. Details of specific channels and programmes are as follows:

CCTV (General)

The Group has the exclusive underwriting rights to the advertisement time of "Night News (晚間新聞)" on CCTV-1 (General), and "News 30' (新聞30分)" on CCTV-1/CCTV-13.

"Night News" is one of the longest-run and the most influential CCTV programmes. It has been around for more than two decades since its launch in 1985. The programme is aired during the prime time from 22:00 to 22:25. Consisting of four parts, namely "Current Affairs (時政要聞)", "Domestic News (國內報導)", "World News (世界報導)" and "Sports News (體育報導)", the programme caters to the needs of high-end viewers in large and medium-sized cities for swift access to daily news. With the deepening of CCTV's reforms in the past two years, "Night News", being an authoritative news programme of CCTV, strives to become the second dominant news programme. This has fully-realized the mission of CCTV to emphasize on "news + infotainment".

Established in April 1995, "News 30'" has become one of the top 10 CCTV programmes soon after its inception. Its innovative and versatile news reporting style has won plaudits and appreciation from viewers. For years, its rating has remained at a steady level, being a peak in the daytime. According to the latest survey by CTR Market Research on the satisfaction level for CCTV news programmes (source: CTR Market Research Company Limited, June 2010), "News 30'" ranked the second in terms of viewers' satisfaction level, trailing closely behind "China Central News Daily (新聞聯播)".

CCTV-4 (Chinese International, including Europe and the US)

The Group holds the exclusive underwriting rights to the advertisement time of three programmes, namely "China News Package (中國新聞套)", "Across the Strait (海峽兩岸)" and "Walk Through China (走遍中國)", which cover the entire prime time from 20:00 to 22:00. The Group also holds the exclusive underwriting rights to a number of advertisement time slots comprising the "All-Day Package (全天時段套)" on CCTV-4.

The Chinese international channel of CCTV-4 is characterized by "news" and "culture". Based in China, it has an international outlook and excels in reporting news, commenting on current affairs and disseminating information in a timely and impartial manner. The high professional standard and authoritative nature of its news reports have won widespread recognition. Promoted under the slogan of "Watch CCTV-4 to Learn About Big Issues", CCTV-4 is the natural choice for viewers at home and abroad.

CCTV-7 (Military and Agriculture)

The Group holds the exclusive underwriting rights to the advertisement time of seven programmes on CCTV-7, including "Zhi Fu Jing (致富經)," "Daily Agricultural News (每日農經)" and "Focus on the Three Agricultural Issues (聚焦三農)". The exclusive rights are valid until 31 December 2013.

CCTV-NEWS

The Group has signed a contract with CCTV, which entitles the Group the exclusive underwriting rights to the advertising resources of all programmes on CCTV-NEWS, the English news channel of CCTV.

SINOMEDIA'S MEDIA RESOURCES IN 2011

The Group continues to refine and enrich its media resources in accordance with changes in advertising market, with a view to offering customers a quality advertising platform.

Media resources which the Group has acquired for 2011 are as follows:

CCTV-1 (General)

The Group has renewed the contracts for the exclusive underwriting rights to the advertising resources of the two programmes on CCTV-1, namely "Night News" and "News 30'". It also enjoys the priority over renewing the contracts in 2012.

CCTV-2 (Finance)

The Group added the exclusive rights to sell the advertising resources of "Make More Money (生財有道)" (formerly known as "Finance Management (理財在線)" and renamed as "Make More Money" in December 2010) on CCTV-2 (Finance), for a term of one year from 1 January to 31 December 2011. Launched in September of 2009, the programme features how people manage their money and create wealth. With a focus on new business owners, it tells the stories of different people venturing into new businesses and creating wealth, and also offers substantial information on ways to build up one's wealth. The programme is widely regarded as "a dark horse" among finance TV programmes.

CCTV-4 (Chinese International, including Europe and the US)

The Group has renewed the contracts with CCTV for the exclusive underwriting rights to the advertising resources of "Across the Strait", "China News Package" and "All-Day Package" on CCTV-4 (Chinese International, including Europe and the US). The Group also enjoys the priority over renewing the contracts in 2012. In light of clients' demand and market conditions, the management decided not to renew the underwriting contract for the programme "Walk Through China". Instead, it added the full-year exclusive rights to sell the advertising resources of "Exposition of Chinese Culture Relics (國寶檔案)" and "China Showbiz (中國文藝)". The adjustment to the underwriting rights to different programmes is set to attract new clients and offer existing clients a broader portfolio of programmes which they can choose to suit their advertising campaigns. The acquisition of the exclusive underwriting rights to the advertising time of the above five programmes (including packages) enables the Group to enjoy a dominant position on the exclusive underwriting rights to the advertising resources of the entire Chinese international channel of CCTV-4.

CCTV-5 (Sports)

The Group has acquired the exclusive underwriting rights to the advertising resources of "Weather Forecast (天氣預報)" in Sports News on CCTV-5, for a term of one year from 1 January to 31 December 2011.

The programme's air time falls on prime time, at 7:25 and 8:25 in the morning and 18:28 in the evening. Its average rating amounted to 0.39% in 2010 (Source: a study into 35 cities in Mainland China conducted by CVSC-Sofres Media), and tends to go up significantly when major events are on. The Group believes that the large number of young viewers of the programme will effectively enrich the clientele of its existing media resources and fulfil different advertising needs of its clients.

CCTV-7 (Military and Agriculture)

The Group continues to hold the exclusive underwriting rights to all advertising resources of seven programmes on CCTV-7, including "Zhi Fu Jing", "Daily Agricultural News", and "Focus on the Three Agricultural Issues". The exclusive rights are valid until 31 December 2013.

With the support of national agricultural policies, the growing consumption power of rural village residents, as well as the concessionary measures such as allowances for rural villagers to buy electrical appliances, cars and construction materials, the consumer market in first-tier counties and townships is set to grow continuously. As the only national-level agricultural channel, CCTV-7 is expected to gain even wider recognition among advertisers.

CCTV-NEWS

The Group has renewed its contracts with CCTV for the exclusive underwriting rights to the advertising resources of all programmes on CCTV-NEWS, the English news channel, and enjoys the priority over renewing the contracts in 2012.

Under the current media outlet setting, the Group believes that CCTV-NEWS, the only English news channel of CCTV, will effectively complement the Group's advertising resources on CCTV-4, the Chinese international channel of CCTV, and thereby effectively enrich the Group's advertising packages.

Nationwide Public Service Advertising Broadcast Network

The Group will continue to expand the business of nationwide public service advertising broadcast network, which covers over 120 local TV channels with the advertisement time of each channel covering no less than 30 seconds of evening prime time. These advertising resources provide customers an opportunity to establish their brand and corporate image at a cost lower than the general TV commercial advertisements.

MediaCorp

The Group entered into a media agency agreement with a wholly-owned subsidiary of MediaCorp Pte Ltd ("MediaCorp"), under which the Group has become the master advertising agent of MediaCorp's TV channels (including Channel NewsAsia and other TV channels) in China.

MediaCorp is Singapore's largest media company, with platforms spanning television, radio, newspapers, magazines, movies, digital and out-of-home media. Channel NewsAsia, one of the first Asian-owned English news channels with a regional reach, is widely influential in Singapore and has an audience of some 29 million households and hotel rooms in more than 20 territories across Asia. The partnership represents an important milestone of the Group's expansion into the international markets.

In summary, by renewing existing contracts and acquiring additional exclusive underwriting rights to prime advertising time of key programmes on CCTV-1, CCTV-2, CCTV-4, CCTV-5, CCTV-7 and CCTV-NEWS, the Group has more advertising time available for sale to its clients (including advertisers and advertising agents) in 2011. In addition, it will be able to offer clients a wider variety of product portfolio options to fit clients' advertising and promotion campaigns. This will definitely help to enhance the Group's revenue and to create greater values for its shareholders.

FINANCIAL REVIEW

Revenue and Profit Attributable to Owners of the Company

For the year ended 31 December 2010, the Group recorded a revenue of RMB1,373,173 thousand, up 79% from RMB766,804 thousand last year. The increase in revenue was mainly attributable to: (1) a significant increase in average selling price of the advertisement time of the Group's core CCTV advertising agency business; (2) the continuous expansion of new clientele; (3) CCTV-7 agency business and nationwide public service advertising broadcast network have moved from a start-up stage to a growth period and recorded increases in revenue due to improved utilization rates.

It includes:

(a) Before deduction for sales taxes and surcharges, advertising service revenue of RMB1,396,783 thousand, up 81% from RMB773,443 thousand last year. The continuous increase in advertising service revenue has proved the Group's ability to achieve sustainable growth for its core operations and to expand market share.

(b) Before deduction for sales taxes and surcharges, agency service revenue of RMB9,875 thousand, down 44% from RMB17,762 thousand year-on-year. During the year, the Group acquired a significant amount of new advertising resources through tender and negotiation. With a view to generating higher returns, the Group devoted more resources and time to promote and nurture its exclusive underwritten resources, which in turn reduced the input to its agency service business. However, agency service revenue is expected to return to its normal level amid growing customer demand and the Group's expansion in the future.

For the year ended 31 December 2010, profit attributable to owners of the Company was RMB158,064 thousand, up 63% from RMB97,245 thousand last year. The increase was mainly driven by the satisfactory gross profit margin of the new advertising resources while more revenue was derived from the new advertising resources. The gross profit margin for the first half and second half of 2010 amounted to 11.8% and 34.7% respectively. The gross profit margin for the second half of the year was much higher than that for the first half due to the usual seasonal factors, the increasing achievements of the Group's promotion and marketing efforts to new clients, and the clients' gradual acceptance for the significant increase in the new advertising prices in 2010. This growth momentum continues and, as a result, up to 31 December 2010 the Group has already sold in advance its advertisement time of 2011 for an amount of over approximately RMB950 million, a record high since the Group's inception.

Operating Expenses

For the year ended 31 December 2010, the Group's selling and marketing expenses amounted to RMB67,493 thousand, accounting for 4.9% of the Group's revenue (3.8% for the previous year). Reasons for the increase in selling and marketing expenses are: (1) Following the sharp increase in revenue, performance-based payroll of sales personnel (rose by RMB10,960 thousand year-on-year) increased. (2) For the year under review, the number of new programmes of which the Group has the exclusive underwriting rights for their advertising resources accounted for more than half of the total number of the Group's underwritten programmes. In order to shorten the start-up stage, the Group stepped up its efforts for the promotion of the new advertising resources and strove to obtain a better understanding of customers' demands through organizing dozens of media promotion activities during the year (the annual average was less than three in the past). The Group also conducted market research and industry analyses at various stages. Such promotional activities led to an increase of RMB21,474 thousand in selling and marketing expenses. Nonetheless, the Group's investment in the promotion and marketing campaigns laid a solid foundation for achieving satisfactory results for the year and generating good profits for its shareholders.

For the year ended 31 December 2010, the Group's general and administration expenses amounted to RMB68,820 thousand, representing a decrease of RMB9,951 thousand over last year. Excluding the impairment losses on bad and doubtful debts, general and administration expenses amounted to RMB55,576 thousand, accounting for 4.0% of the total revenue (5.8% in 2009). Despite the significant increase in revenue during the year, the expenses as a percentage of revenue remained at a relatively low level, thanks to the Group's effective control of such expenses. Also, as a result of the Group's efforts to reinforce the management of receivables, impairment losses on bad and doubtful debts for the year was only RMB13,244 thousand, representing a 61% decrease from RMB34,166 thousand in 2009.

Finance Income and Costs

For the year ended 31 December 2010, the Group's net finance income amounted to RMB13,554 thousand, up RMB7,908 thousand over the last year. The increase was mainly attributable to: (1) the change in fair value of derivative financial asset in relation to the option to acquire by the Group additional equity interest in a non-wholly owned subsidiary of the Group, Beijing Golden Bridge Senmeng Media Advertising Co., Ltd. ("Golden Bridge Senmeng"), and (2) the change in the expected consideration to be paid for such acquisitions, with a net impact of RMB8,703 thousand (2009: RMB2,335 thousand) credited to the consolidated income statement in 2010. Financial income and cost derived from such derivative financial asset and liability are considered as non-recurring and may vary from year to year.

Significant Investments and Acquisitions

Major acquisitions took place during the year are as follows:

1. On 11 November 2010, CTV Golden Bridge International Media Co., Ltd., a subsidiary of the Group, entered into equity transfer agreements with the minority shareholders of Beijing Taihe Ruishi Culture and Media Company Limited ("Beijing Taihe Ruishi") to acquire a combined 55% equity interest in Beijing Taihe Ruishi at an initial consideration of approximately RMB11.82 million in total. After completion of the equity transfer, Beijing Taihe Ruishi became a wholly-owned subsidiary of the Group.

Taihe Ruishi operates a nationwide public service advertising broadcast network of over 120 local television channels in China. The acquisition will enable the Group to open up local TV markets and build up its TV advertising resources spanning CCTV and various localities.

2. On 17 November 2010, CTV Golden Bridge International Media Co., Ltd. entered into agreements with the minority shareholder of Golden Bridge Senmeng on the acquisition of 40% interest in Golden Bridge Senmeng by stages. The consideration of the acquisition comprises both cash consideration and the grant of share options of the Company. The acquisition of the first 30% interest in Golden Bridge Senmeng is expected to be completed by early 2011, while the acquisition of the last 10% interest will take place in 2014 given that certain conditions are fulfilled. Upon completion of the acquisitions, Golden Bridge Senmeng will become a wholly-owned subsidiary of the Group.

   The minority shareholder of Golden Bridge Senmeng was one of the biggest TV advertising agents for the agricultural programmes on CCTV-7 and has built up a wealth of experience in implementing marketing strategies and running advertisements in the rural villages of China. The investment in Beijing Senmeng Media will not only bring to the Group promising development potential for the advertising business operation in respect of CCTV-7, but also help the Group provide a wider range of quality advertising choices to its clients. Since the agricultural programmes on CCTV-7 are supervised by the China Agriculture Film & Television Centre, the Group can diversify its media resources supply through Golden Bridge Senmeng.

3. On 8 December 2010, Beijing Bozhi Ruicheng Information Consultancy Co., Ltd. ("Bozhi Ruicheng"), a subsidiary of the Group, and Beijing Lotour Internet Technology Company Limited ("Lotour") entered an agreement, under which Bozhi Ruicheng and Lotour will establish a joint venture known as Beijing Lotour Huicheng Internet Technology Company Limited ("Lotour Huicheng") to operate a travel-related website. Bozhi Ruicheng will contribute 38% of the register capital of Lotour Huicheng by injection of an aggregate sum of approximately RMB30 million in cash and other assets.

   www.lotour.com is a leading internet portal for travel industry in China. The joint venture will enable the Group to provide more advertising channels to its clients in the travel sector. Through the investment, the Group can also take advantage of the fast-growing Internet advertising market and offer a cost-effective alternative to small and medium travel industry clients who cannot afford TV advertisements.

The Group is confident that the above three business segments will contribute to the Group's business growth and continue to thrive from 2011 onwards.

Liquidity and Financial Resources

During the year under review, the Group maintained adequate working capital and a strong financial position.

As at 31 December 2010, the Group's cash and bank balances amounted to RMB795,791 thousand, up 146% from RMB323,084 thousand last year, of which 96% was maintained in Renminbi and 4% in US dollar and other currencies.

In light of the significant increase in purchasing cost resulting from the Group's efforts in acquiring quality media resources, the Group has strengthened liquidity management to maintain adequate cash flow. During the year, net cash inflow from the Group's operating activities amounted to RMB504,392 thousand, which increased remarkably when compared to the net cash outflow of RMB227,308 thousand last year. The Group has reinforced the management of receivables and imposed strict control over delayed payments for advertisements. As a result, while the Group's revenue has increased significantly year-on-year, its receivables remained at a relatively low level. As at the end of the year, the Group's outstanding accounts receivables after provision for bad and doubtful debts amounted to RMB67,399 thousand.

As at 31 December 2010, total assets of the Group amounted to RMB1,284,248 thousand, which were financed by equity attributable to owners of the Company of RMB849,140 thousand and non-controlling interest of RMB6,904 thousand. At year end, there was no bank borrowing or asset held under finance lease.

The majority of the turnover, expenses and capital investment was denominated in Renminbi.

Human Resources

As at 31 December 2010, the Group had more than 330 employees in total, up approximately 20% from the beginning of the year. We implement a remuneration policy that is competitive in the industry, and pay commissions to our sales people and discretionary bonus to other employees with reference to performance of the Group and individual employees. In order to align the interests of employees with those of shareholders, share options were granted to employees under the Company's share option schemes. Share options that have been granted and remained unexercised as at the end of the year amounted to 36,768,000 units. We also provide employees with benefits such as insurance, medical check-ups and various training courses, with a view to maintaining the Group's competitiveness.

INDUSTRY AND GROUP OUTLOOK

The Order No. 61 of the State Administration of Radio, Film and Television, concerning the Administrative Measures for the Broadcasting of Radio and TV Advertisements, was effective from 1 January 2010. Accordingly, the amount of available TV advertisement time was reduced significantly. According to statistics released by CTR Market Research on 28 January 2011, for 2010 advertising spending on traditional media in China went up by 13%, in which the advertising spending on TV advertisements was up 11%, slightly lower than the overall growth rate. Nonetheless, TV advertising spending still accounted for 76% of the total advertising spending on all traditional media.

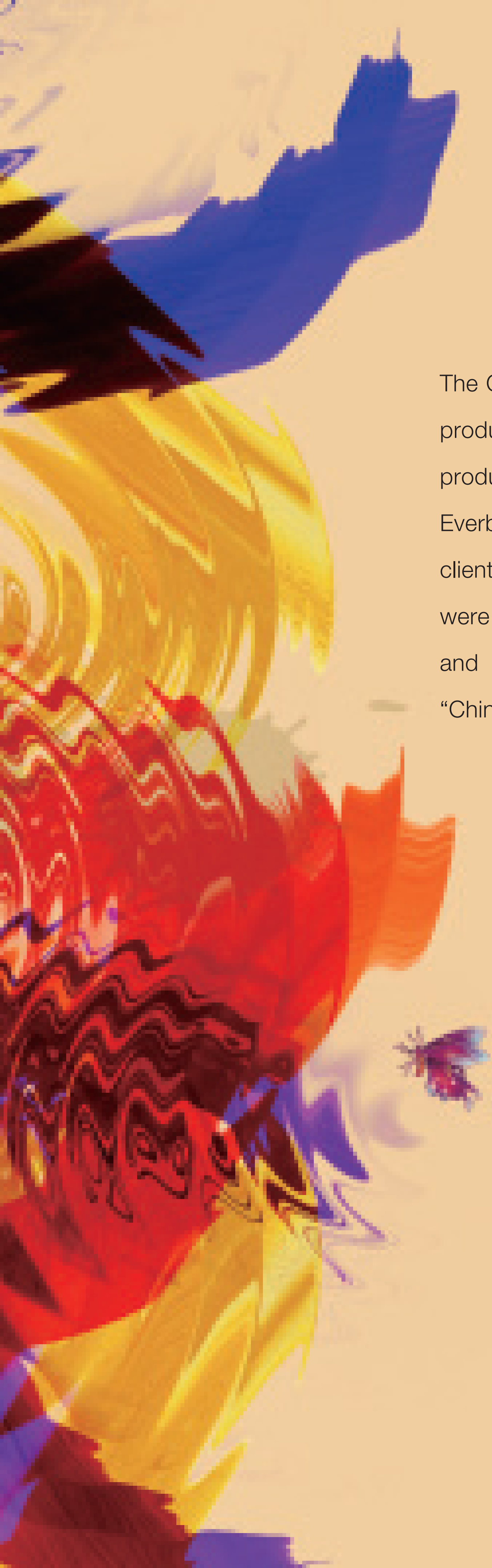
It should also be noted that the tender amount of CCTV 2011 Prime Resources Tender reached approximately RMB12.6 billion, the highest in the previous 17 years. The three major satellite TV stations (i.e. Hunan Satellite TV, Jiangsu Satellite TV and Anhui Satellite TV) together achieved a record high tender amount of around RMB4.3 billion in total. Indeed, the TV sector is still going strong at a time when new forms of media continue to emerge. With the shrinking of TV advertisement time, the Group believes that the value of "high quality yet scarce advertising resources" (i.e. advertising resources in prime TV channels with favourable time slots) will continue to soar. The Group will strive to maintain its leading advantage in identifying and acquiring high quality yet scarce advertising resources and step up its efforts to unlock the investment potential arising from its existing quality resources and clientele. For example, the Group will strengthen the cooperation with its tourism clients on their promotion campaigns for cities and scenic areas, thereby consolidating the Group's position in the industry related to cities and tourism brand promotions.

Amid scientific and technological development and relentless progress in information dissemination today, mobile Internet has become an integral part of modern life. Meanwhile, China's 3G network is also in a stage of high-speed growth, with the explosive growth in the number of users expected to peak in the coming two years. Since the second half of 2010, mobile terminals such as mobile phones have become a popular way for young Chinese people to obtain information and maintain contact with others. The Group takes a strong interest in the realm of mobile Internet and will actively look for development opportunities.

The Group is of the view that the influence of content and value of channel are the foundation of all forms of media regardless of how the media industry evolves. Since our listing on the Hong Kong Stock Exchange in July 2008, we have actively stepped up our strategic development in the industry with the capital raised. With the effective and well-defined corporate strategies set by our board of directors and management team, we have achieved significant success in expanding our business and enhancing our profitability. Moving forward, we will further strengthen our leading position in the media industry and speed up the process of consolidating our media resources layout with respect to areas including video channels and content production through self-development and capturing investment opportunities.

With the Chinese economy continuing to grow, the Group will endeavour to capitalise on new opportunities arising from the robust growth of the media industry. Cemented by the corporate culture of family values, the Board of Directors, the management and all employees will work together with a goal of making SinoMedia a leading industry player in China, and a first-class international media operator. We are all united and committed to strive for greater success, thereby continuously bringing fruitful returns to our investors.

High Quality
Advertising Production



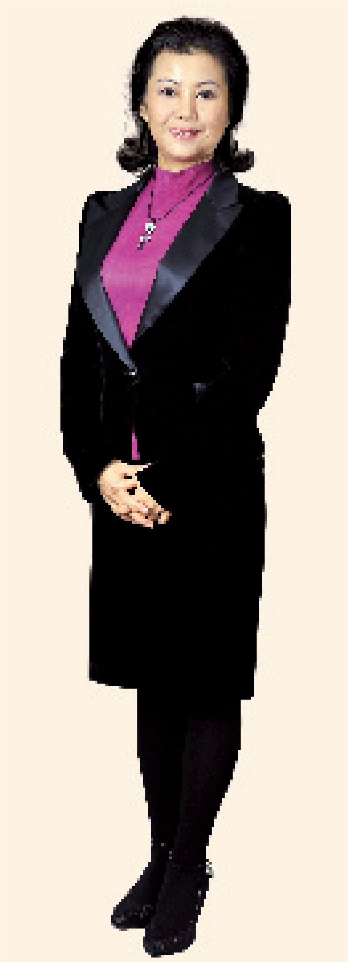
The Group continued to refine and enhance its advertising production in 2010. For example, SinoMedia's advertising production for Asia Pulp and Paper (APP) and China Everbright Bank have received positive feedback from clients. In 2010, two advertising productions of the Group were awarded " China's 4A Innovation Gold Seal Award", and another two advertising productions were awarded "Chinese Classics Communication Award".

Directors and Senior Management

DIRECTORS

Mr. Chen Xin (陳新)

aged 44, has been our executive director since November 2006. He was appointed as our Chairman in December 2007. He is primarily responsible for the strategic development, finance and overall management of the Group. Mr. Chen has over 20 years of experience in the media industry. He was previously a reporter for the overseas service department and the Australian branch of Xinhua News Agency. He was also a director of the economic news office, central news office and news distribution office of the overseas service department of Xinhua News Agency from 1988 to 2004. He is also the standing vice-president of the Magazine Publishing House, which publishes the periodical "China Radio Film and Television" (中國廣播影視), under the supervision of the State Administration of Radio, Film and Television. Mr. Chen received his Bachelor of Science degree in Biology and Genetics from Fudan University in 1986, completed a Master's course in International News from Fudan University in 1988 and received an EMBA degree from the Cheung Kong Graduate School of Business in 2006. Mr. Chen is the husband of Ms. Liu, our Chief Executive Officer and executive Director.



Ms. Liu Jinlan (劉矜蘭)

aged 42, has been our Chief Executive Officer since she founded the Group in 1999. She has served as a director since 24 October 2001. She is primarily responsible for the management of the overall business operation and customer development. Ms. Liu previously worked at CCTV as a news broadcaster, a reporter and then a director from 1995 to 1998. Since she founded our Group, she was instrumental in designing and executing advertising campaigns which have influenced the TV media industry, for which she was jointly recognised as one of the "Top Ten Female Advertising Professionals in China" (中國十大最具風采女性廣告人) by CCTV, Advertising School of the Communication University of China (中國傳媒大學廣告學院), "Advertising Guidance" (廣告導報) and "Business" magazine (經營者雜誌社) in 2006. She was elected chairman of The Association of Accredited Advertising Agencies of China (中國4A協會) in January 2008, and jointly recognised as one of the "2008 Top Ten People in Media Advertising in China" (2008中國十大傳媒廣告人物) by School of Journalism and Communication of Renmin University of China (中國人民大學新聞學院), Journalism School of Fudan University (復旦大學新聞學院) and other institutions in December 2008. In 2009, in a celebration marking the 60th founding of New China, she was jointly recognized as the "2009 China's Advertising Industry's Outstanding Woman" (2009年度中國廣告行業傑出女性) by China Advertising Association of Commerce (中國商務廣告協會), Beijing Advertising Association (北京廣告協會), 21st Century Advertising Magazine (21世紀廣告雙週刊), and the organizing committee of the 21st AD International Summit (21世紀廣告國際峰會組委會). She was also elected a vice-chairman of the first Media Committee of China Association of National Advertisers (中國廣告主協會) in 2009. She was jointly recognised as one of the "2009–2010 Top Ten Influential Female Advertising Professionals in China" (中國最具影響力十大女性廣告人) by "Advertising Guidance" magazine and MBA School of the Communication University of China (中國傳媒大學MBA學院) in September 2010. Ms. Liu graduated from the Beijing Broadcast College with a certificate in Linguistics, and received an EMBA degree from the Cheung Kong Graduate School of Business in 2006. Ms. Liu is the wife of Mr. Chen, our Chairman and executive Director.

Mr. Li Zongzhou (李宗洲)

aged 43, joined the Group in 2000 as financial supervisor and had been our general accountant from 2007 to 2008, and is now a vice-president. He was appointed as a director in November 2006. Currently, Mr. Li is responsible for internal audit, legal affairs, administration and human resources of the Group. He was previously the chief accountant and head of the financial department of Dunhua Forest Bureau from 1987 to 2000. Mr. Li received his Bachelor of Arts degree in Economics from Remin University in 1990. Mr. Li is the husband of Ms. Liu's niece.

Mr. Zhu Jia (竺稼)

aged 48, has been our non-executive director since November 2006. He is currently also a Managing Director of Bain Capital, LLC. Prior to joining Bain Capital, LLC in 2006, Mr. Zhu was a Managing Director of investment banking department of Morgan Stanley Asia Limited and Chief Executive Officer of its China business. Mr. Zhu has ample and extensive experience in a broad range of cross border merger and acquisition and international financing transactions of PRC companies. Mr. Zhu received a Bachelor of Arts degree from Zhengzhou University in 1982, a Master of Arts degree from Nanjing University in 1984 and a Juris Doctorate from Cornell Law School in 1992.

Mr. Zhu currently holds directorships in the following publicly listed companies: Gome Electrical Appliances Holding Limited (Hong Kong Stock Exchange), Sunac China Holdings Limited (Hong Kong Stock Exchange) and Greatview Aseptic Packaging Company Limited (Hong Kong Stock Exchange).

Mr. Huang Jingsheng (黃晶生)

aged 53, has been our non-executive director since November 2006. Currently, he is Managing Director of Bain Capital, LLC in Shanghai Office. Prior to joining Bain Capital LLC in 2005, Mr. Huang was Managing Director China at SOFTBANK Asia Infrastructure Fund (SAIF). Prior to joining SAIF, Mr. Huang was Partner at SUNeVision Ventures and Senior Manager of strategic investment at Intel Capital. Mr. Huang was Co-founder and Vice President of Marketing at Mtone Wireless Corporation. His career also included being Director of Asian Pacific Research Operations at Gartner Group and a lecturer at Communication University of China (中國傳媒大學), etc. Mr. Huang received an MBA degree from Harvard Business School, a Master of Arts in Sociology degree from Stanford University and a Bachelor of Arts degree from Beijing Foreign Studies University.

Mr. Huang currently holds directorships in the following publicly listed companies: Shanda Interactive Entertainment Limited (NASDAQ), Clear Media Limited (Hong Kong Stock Exchange) and Besunyen Holdings Company Limited (Hong Kong Stock Exchange).

Mr. Ding Junjie (丁俊杰)

aged 47, has been our independent non-executive director since May 2008. Mr. Ding has over 20 years of experience in the media and advertisement industry. He is a professor and a supervisor of Ph.D. candidates of the Communication University of China (中國傳媒大學) (formerly known as the Beijing Broadcasting Institute (北京廣播學院)) and served as the deputy head of the Advertising Teaching and Research Office, the deputy head of the Advertising Department, and the vice dean and the dean respectively of the News and Communication School (新聞傳播學院) and vice principal of the Communication University of China. Currently, he also serves as the deputy head of the academic committee of the Communication University of China, a director of the Research Base of Capital Media Economics (首都傳媒經濟研究基地) and the Asia Media Research Centre (亞洲傳媒研究中心) respectively, and a vice president of the China Advertising Association (中國廣告協會), the Chinese Association for History of Journalism and Mass Communication (中國新聞史學會) and the China Advertising Association of Commerce (中國商務廣告協會) respectively. Mr. Ding is also a chief editor of Media Magazine (媒介雜誌), International Advertising (國際廣告) and the Annual Book of Chinese Advertising Works (中國廣告作品年鑒) respectively. Mr. Ding received a Bachelor of Arts degree in Journalism in 1987 and a Ph.D. degree in Journalism in 2003, both from the Communication University of China.

Directors and Senior Management

Mr. Qi Daqing (齊大慶)

aged 46, has been our independent non-executive director since May 2008. He taught as an assistant professor and then an associate professor in accounting at the Chinese University of Hong Kong between 1996 and 2002. Mr. Qi joined the Cheung Kong Graduate School of Business in July 2002 where he currently serves as a professor of Accounting and associate dean. He serves as an independent director and a member of audit committee of Sohu.com Ltd., Focus Media Holding Limited and Honghua Group Limited respectively, and serves as an independent director, the chairman of audit committee and a member of remuneration and nomination committee of China Huiyuan Juice Group Limited. He also serves as an independent director of China Vanke Co., Ltd., DaQo New Energy Corp., AutoNavi Holdings Limited and Bona Film Group Limited respectively. Mr. Qi obtained a Bachelor of Science degree in biological physics in 1985 and a Bachelor of Arts degree in international mass communication in 1987, both from Fudan University in Shanghai. He received an MBA degree from the University of Hawaii at Manoa in 1992 and then a Ph.D. degree in accounting from the Michigan State University in 1996.

Mr. Qi currently holds directorships in the following publicly listed companies: Sohu.com Ltd. (NASDAQ), Focus Media Holding Limited (NASDAQ), Honghua Group Limited (Hong Kong Stock Exchange), China Huiyuan Juice Group Limited (Hong Kong Stock Exchange), China Vanke Co., Ltd. (Shenzhen Stock Exchange), DaQo New Energy Corp. (New York Stock Exchange), AutoNavi Holdings Limited (NASDAQ) and Bona Film Group Limited (NASDAQ).

Through his roles as an independent director in various companies and as a result of his overall professional experience, Mr. Qi has obtained expertise in accounting and financial management. In addition to lectures and presentations in accounting issues at various professional settings, he has authored research papers on accounting, financial reporting, capital market and other related topics that are published in leading academic journals. Mr. Qi is experienced in reviewing and analysing financial statements of public companies.

Mr. Chen Tianqiao (陳天橋)

aged 37, has been our independent non-executive director since May 2008. Mr. Chen is one of the co-founders of Shanghai Shanda Networking Co., Ltd and has served as its Chairman of the board of directors and its Chief Executive Officer since December 1999. He has been the Chairman and Chief Executive Officer of NASDAQ-listed Shanda Interactive Entertainment Limited since 2003, and has been a director of Ku6 Media Co., Ltd. (formerly known as Hurray! Holding Co., Ltd.) and Shanda Games Limited since July 2009 and September 2009 respectively. Prior to establishing Shanghai Shanda Networking Co., Ltd, Mr. Chen served as the vice director of the office of the president of Kinghing Trust & Investment Co., Ltd. from 1998 to 1999. From 1994 to 1998, he served in various management positions with Shanghai Lujiazui Group. Mr. Chen holds a Bachelor of Arts degree in Economics from Fudan University.

Mr. Chen currently holds directorships in the following publicly listed companies: Shanda Interactive Entertainment Limited (NASDAQ), Ku6 Media Co., Ltd. (NASDAQ) and Shanda Games Limited (NASDAQ).

SENIOR MANAGEMENT

Mr. Liu Xuming (劉旭明)

aged 43, has been our Senior Vice President in charge of our daily operations since 2005. He joined the Company in November 1999. Mr. Liu has 10 years of experience in TV media operation and management, advertisement design and market development, and has a strong understanding of the positioning, designing and operation of TV programmes. He was the president of Dunhua Cable TV Station in Jilin Province from 1997 to 1999. Mr. Liu received an MBA degree from California University of Management and Sciences in 2003.

Ms. Jin Lanxiang (金蘭香)

aged 32, has been our Vice President in charge of sales since April 2008. She joined the Group in 2001, and was the general manager of our City Branding Centre in 2006 and 2007. Ms. Jin majored in finance at Beijing Construction University from 1996 to 1999.

Mr. Tang Xiaoming (唐肖明)

aged 36, has been our Chief Investment Officer since July 2010. Mr. Tang is responsible for managing and monitoring investment activities, maintaining relations with the investor community, as well as identifying and implementing short-term and long-term investment strategies for the Group's sustainable growth. Mr. Tang has extensive investment experience in both traditional and Internet media. He worked for Redgate Media Group as the Senior Vice President from 2005 to 2009, in charge of investments, mergers and acquisitions. From 2000 to 2003, he was the Chief Financial Officer in Wanmo Performance Advertising. He also worked for Tyco International Ltd. from 1998 to 1999, responsible for mergers, acquisitions and investments. Mr. Tang received a Bachelor of Arts degree in Economics from Renmin University of China in 1995, and an MBA degree from the University of Chicago in 2005.

Mr. Cui Rui (崔銳)

aged 36, had been our Vice President in charge of research and marketing from April 2008 to July 2010, and is now an assistant to Chairman. Mr. Cui joined the Group in March 2003. Mr. Cui has over 10 years of experience in the advertising industry, and has original views on media strategy, advertising campaigns, advertising tender and advertising effectiveness research. He led the business of CCTV public tender and planned a number of creative advertising campaigns, including those of Ping An Insurance Company of China Ltd., Shanghai Pudong Development Bank, China National Heavy Duty Truck Group Co., Ltd. The advertising campaign of Ping An Insurance won the "2006 China Effie Award for Advertising Effectiveness" (2006年度中國艾菲實效廣告獎) and that of SinoTruk was awarded "the Fourth China's 4A Creative Gold Seal Award" (第四屆中國4A創意金印獎). He has been the editor of the Annual Research Report for City Tourism Brand Communication of China for years and has accumulated a wealth of experience in servicing corporate customers. Between 1999 and 2002, he worked for Beijing Great Dragon Advertising Co., Ltd. as a media manager. From 2002 to 2003, he was the operating manager of Asia Digital Interactive Media Ltd. Mr. Cui received a Bachelor of Arts degree from University of International Business and Economics in 1997 and a Bachelor of Arts degree in Advertising from Communication University of China in 2005.

Mr. Chan Oi Nin Derek (陳凱年)

aged 43, has been our Qualified Accountant and Company Secretary since May 2008, and was appointed as our Chief Financial Officer in June 2010. Mr. Chan has over 15 years of experience in accounting and auditing and was the financial controller and qualified accountant of TCL Multimedia Technology Holdings Limited before joining us. He is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. Chan received a Bachelor of Science degree from the Chinese University of Hong Kong in 1989 and an MBA degree from Monash University in 1995.





Extensive and Growing Clientele

SinoMedia continued to expand its corporate and city client base. The Group achieved a steady growth in expanding its city client base, and the Group has served more than ***500*** city clients so far. The Group has also served more than ***1,500*** corporations in total, from a wide range of industries such as automobiles, finance, IT, Chinese liquor, electrical appliances, new energy, etc. Revenue from automobile and Chinese liquor clients recorded remarkable year-on-year growth.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Company is committed to attaining and upholding a high standard of corporate governance practices to protect the interests of shareholders and the Company as a whole. The Company has made continuous efforts to constantly review and improve its corporate governance system in light of changes in regulations and developments in best practices and to ensure that the Group is under the leadership of an effective board to maximise return for shareholders.

During the year ended 31 December 2010, the Company has complied with all the applicable code provisions of the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions.

Having been made specific enquiry, the directors of the Company (the "Directors") confirmed that they have complied with the required standard set out in the Model Code during the year ended 31 December 2010.

THE BOARD OF DIRECTORS

The board of directors (the "Board") steers the Group's business direction. It is responsible for formulating the Group's long-term strategies, setting business objectives, monitoring the management's performance, and ensuring strict compliance with relevant statutory requirements and effective implementation of risk management measures on a regular basis. The biographical details of the Directors and relationship between members of the Board are set out in Directors and Senior Management section on pages 24 to 27 of this annual report.

The non-executive Directors, more than half of whom are independent, play an important role in the Board. They possess extensive academic, professional and industry expertise and management experience and have provided their professional advice to the Board. Accounting for the majority of Board members, they are providing adequate checks and balances for safeguarding the interests of shareholders and the Group as a whole.

The Company has arranged directors' and officers' liability insurance for all directors and senior officers against any legal liability arising from performance of their duties.

1. Composition of the Board

As at 31 December 2010, the Board comprised the following eight directors:

Executive Directors:
Mr. Chen Xin *(Chairman)*
Ms. Liu Jinlan
Mr. Li Zongzhou

Non-executive Directors:
Mr. Zhu Jia
Mr. Huang Jingsheng

Independent non-executive Directors:
Mr. Ding Junjie
Mr. Qi Daqing
Mr. Chen Tianqiao

Save and except that Mr. Chen Xin is the spouse of Ms. Liu Jinlan, Mr. Li Zongzhou is the husband of Ms. Liu Jinlan's niece, there are no relationships (including financial, business, family or other material or relevant relationships) among members of the Board.

2. Chairman and Chief Executive Officer

The positions of the Chairman of the Board and the Chief Executive Officer are held by separate individuals to ensure that a segregation of duties and a balance of power and authority are achieved. The Chairman is responsible for overseeing all Board functions in accordance with good corporate governance practice, developing strategies and instilling corporate culture. The Chief Executive Officer is responsible for formulating detailed plans for implementation of the objectives set by the Board and mainly focuses on day-to-day management and operation of the Group's business. Currently, the Chairman of the Board is Mr. Chen Xin and the Chief Executive Officer of the Company is Ms. Liu Jinlan.

3. Non-executive Directors

The non-executive Directors of the Company are appointed for a term of three years and are subject to the re-election at the Company's annual general meetings upon retirement in rotation at least every three years in accordance with the Articles of Association of the Company.

The Company has received written annual confirmation from each independent non-executive Directors of his independence pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive Directors to be independent in accordance with the independence guidelines set out in the Listing Rules.

4. Board Meetings

The Board meets regularly to discuss the overall strategy as well as the operation and financial performance of the Group. Directors may participate in person or through electronic means of communication. Six meetings were held by the Board during the year. Its composition and the attendance of each Director were set out as follows:

DIRECTORS	NUMBER OF MEETINGS ATTENDED
Executive Directors:	
Chen Xin	5/6
Liu Jinlan	6/6
Li Zongzhou	6/6
Non-executive Directors:	
Zhu Jia	4/6
Huang Jingsheng	6/6
Independent non-executive Directors:	
Ding Junjie	6/6
Qi Daqing	5/6
Chen Tianqiao	6/6

All Directors are provided with relevant materials in relation to the matters brought before the meetings. Reasonable notices of meetings are given to the Directors and the Directors are encouraged to propose new items as any other business for discussion at the meetings. The Board and each Director have separate access to the Company's senior management for information at all time and may seek independent professional advice at the Company's expense, if necessary. All minutes are kept by the company secretary and are open for inspections by all Directors at any reasonable time. Procedures for convening meetings of the Board and Board committees and preparing minutes of the meetings have complied with the requirements of the Articles of Association of the Company and the applicable rules and regulations.

5. Nomination of Directors

As the Company has not set up a nomination committee, the Board as a whole is responsible for considering the suitability of a candidate to act as Director, approving the appointment of a Director and nominating a Director for election and re-election by the shareholders of the Company. During the year under review, there was no appointment of new director nor was there the need to any change of the board structure.

Each of the Directors has entered into a service contract with the Company for a specific term and is subject to his/her re-election upon retirement at an annual general meeting in rotation every three years. In accordance with the Articles of Association of the Company, three Directors shall retire at the next following annual general meeting of the Company and shall be eligible for re-election.

Having been made specific enquiry, the Directors confirmed that the terms of their respective service contracts have been complied with and they had no interest in any company or business which competed either directly or indirectly with the Group's business.

6. Remuneration of Directors

The executive Directors and the non-executive Directors did not receive any allowance for service provided as directors throughout the year ended 31 December 2010. Executive Directors who are also the Company's staff are entitled to receive salaries according to their respective positions taken on a full-time basis in the Company.

Each independent non-executive Director had a remuneration of RMB128 thousand for service provided for the year under review.

Information relating to remuneration of each Director for 2010 is set out in note 13 to the financial statements on page 84 of this annual report.

7. Board Committees

The Board has established three board committees with defined terms of reference, namely Audit Committee, Remuneration Committee, and Compliance Committee. The terms of reference of Audit Committee and Remuneration Committee are on terms no less exacting than those set out in the CG Code.

Audit committee

The Audit Committee comprises the chairman Mr. Qi Daqing and the other members Mr. Ding Junjie and Mr. Huang Jingsheng. It is responsible for the review and supervision of the Group's financial reporting process and internal controls and the review of the Company's financial statements.

The Audit Committee met three times during the year and all members of the committee attended the meeting. At the meetings, the committee:

- discussed with management the financial reporting process of the Group and reviewed the 2009 annual report and the 2010 interim report;

- reviewed the Group's accounting policies and practices, statutory and Listing Rules compliance, other financial reporting matters and internal controls; and

- reviewed the terms of appointment of external auditors, and ensured the continuing independence of external auditors and the effectiveness of its audit process adopted.

Remuneration committee

The Remuneration Committee was established to make recommendations to the Board on the Company's policy and structure for remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration. The committee is chaired by Mr. Chen Xin, and the members include Mr. Ding Junjie and Mr. Chen Tianqiao.

During the year, one meeting was held to review the reasonableness as well as competitiveness of the 2010 remuneration packages of the Group's senior management members, including three executive Directors.

Compliance committee

The Compliance committee was established to oversee the Group's compliance with regulatory requirements and make recommendations to the Board on improvement of corporate governance of the Group. It comprises Mr. Li Zongzhou as the chairman and Mr. Chan Oi Nin Derek as member.

Two meetings were held during the year. Strategies for tax planning and policies of intra-group transfer pricing adopted by the Group had been reviewed by the committee.

FINANCIAL REPORTING AND INTERNAL CONTROL

1. Financial Reporting

Management provides explanation and information to the Board to facilitate an informed assessment of financial and other information put before the Board for approval. The Board acknowledges its responsibility in the preparation of financial statements to give a true and fair view of the Company's state of affairs. In the preparation of financial statements, the International Financial Reporting Standards have been adopted and appropriate accounting policies have been consistently used and applied.

The Board is not aware of any material uncertainties relating to events or conditions which may cast significant doubt over the Group's ability to continue as a going concern. Accordingly, the Board has been continuing to adopt the going concern basis in preparing the financial statements.

The reporting responsibilities of the Group's external auditors, KPMG, are set out in the Independent Auditor's Report on page 45 of this annual report.

2. External Auditors

Management performs a review of remuneration to external auditors on an annual basis. The fees for audit services have been reviewed by the Audit Committee, and the fees for non-audit services, if any, are approved by management.

3. Auditors' Remuneration

The total fee charged by the auditors generally depends on the scope and volume of the auditors' work. During the year, RMB2,800 thousand was charged by the Group's external auditors for annual audit services. No other professional services than audits has been provided by the auditors.

INTERNAL CONTROL

The Board has overall responsibility for maintaining sound and effective internal control system in the Group. The system of internal control has been designed to safeguard assets from unauthorised use or disposition, and to ensure maintenance of proper accounting records and compliance with relevant laws and regulations, thereby providing reasonable assurance regarding effective operation of the Group's business.

The Group has established a clear organisational structure, including the delegation of appropriate responsibilities from the Board to the board committees, members of senior management and the heads of operating divisions.

An internal audit department was established to review major operational and financial systems of the Group on a continuing basis and it aims to cover all significant functions within the Group on a rotational basis. The scope of the internal audit department's review and the audit programmes have been approved by the Audit Committee. The department reports directly to the Audit Committee and the Chairman of the Company, and submits regular reports for their review in accordance with the approved programmes. The department submits a detailed report at least once a year to the Board for their review of and monitors the effectiveness of the system of internal control of the Group.

External auditors will also report on weaknesses in the Group's internal control and accounting procedures which have come to their attention during the course of audit.

COMMUNICATION WITH SHAREHOLDERS

The Company has set up and maintained various channels of communication with its shareholders and the public to ensure that they are kept abreast of the Company's latest news and development. Information about the Company's financial results, corporate details and major events are disseminated through publication of announcements, circulars, interim and annual reports and press release. All published information is promptly uploaded to the Company's website at *www.sinomedia.com.hk*.

At the annual general meeting, shareholders can raise any questions relating to performance and future direction of the Group with the Directors. Press conferences and analysts briefings are held at least twice a year subsequent to the interim and final results announcements in which the Directors and management are available to answer questions about the Group. Investors can also submit enquiries to management by sending emails to *ir@sinomedia.com.hk* or making phone calls to our investor hotline at 86-10-59180628. In addition, the Company's dedicated investor relations team takes a proactive approach to communicate with existing and potential investors in a timely manner by making regular face-to-face meetings and conference calls with investors.

Rationalized Corporate Structure

SinoMedia rationalized and optimized its corporate structure in 2010. The Group has established four new business units, for advertising agency promotion, marketing and media strategy, brand building strategy and international business respectively.

Directors' Report

The directors have pleasure in submitting their annual report together with the audited financial statements for the year ended 31 December 2010.

PRINCIPAL PLACE OF BUSINESS

SinoMedia Holding Limited (the "Company") is a company incorporated and domiciled in Hong Kong and has its registered office at Room 1505, 15th Floor, World-wide House, 19 Des Voeux Road Central, Hong Kong, and principal place of business at Unit 15D, Xintian International Plaza, No. 450 Fushan Road, Pudong New District, Shanghai, PRC.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding, subsidiaries of which are providing nationwide TV advertising coverage and campaign planning, and TV advertisement production services for advertisers and advertising agents.

The analysis of the principal activities and geographical locations of the operations of the Company and its subsidiaries (the "Group") during the financial year ended 31 December 2010 are set out in note 1 and note 19 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively during the year ended 31 December 2010 is as follows:

	Percentage of the Group's total purchases
The largest supplier	99%
Five largest suppliers in aggregate	99%

The Group's five largest customers accounted for less than 15% of the Group's revenue.

At no time during the year had the directors, their associates and any shareholder of the Company (who or which to the knowledge of the directors owned more than 5% of the Company's issued share capital) had any interest in these major suppliers and customers.

FINANCIAL STATEMENTS

The profit of the Group for the year ended 31 December 2010 and the state of the Company's and the Group's affairs as at that date are set out in the financial statements on pages 47 to 51.

TRANSFER TO RESERVES

Profits attributable to owners of the Company, before dividends, of RMB158,064 thousand (2009: RMB97,245 thousand) have been transferred to reserves. Other movements in reserves are set out in the consolidated statements of changes in equity on page 52.

A dividend of RMB17,786 thousand (2009: RMB22,386 thousand) was paid in June 2010. The directors now recommend the payment of a final dividend of HKD6.6 cents (equivalent to approximately RMB5.6 cents) per share (2009: HKD3.6 cents per share) and a special dividend of HKD6.6 cents (equivalent to approximately RMB5.6 cents) per share (2009: nil) for the year ended 31 December 2010.

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment of the Group are set out in note 18 to the financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in note 25 to the financial statements.

There were no purchases, sales or redemptions of the Company's listed securities by the Company or any of its subsidiaries during the year.

DIRECTORS

The directors during the financial year were:

Executive directors
Chen Xin
Liu Jinlan
Li Zongzhou

Non-executive directors
Zhu Jia
Huang Jingsheng

Independent non-executive directors
Ding Junjie
Qi Daqing
Chen Tianqiao

In accordance with Article 105 of the Company's Articles of Association, Liu Jinlan, Qi Daqing, and Chen Tianqiao shall retire at the forthcoming annual general meeting ("AGM") of the shareholders of the Company. All of them, being eligible, except Chen Tianqiao who will not offer himself for re-election, will offer themselves for re-election at the AGM.

No director proposed for re-election at the forthcoming AGM has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory obligations.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2010, the interests and short positions of the directors and the chief executives of the Company in the shares, underlying shares and debenture of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which were required to be (a) notified to the

Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to Division 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) recorded in the register required to be kept by the Company under Section 352 of the SFO; or (c) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

(i) Interests in the Company — Long Positions

Name of director	Nature of interest	Number of ordinary shares held	Number of underlying shares held under equity derivatives *(Note 1)*	Total	Approximate percentage of issued share capital of the Company
Liu Jinlan	Founder of discretionary trust, beneficiary of trust, and beneficiary interest	251,428,169 *(Note 2)*	4,400,000	255,828,169	45.13%
Chen Xin	Founder of discretionary trust and beneficiary of trust	251,428,165 *(Note 3)*	—	251,428,165	44.36%
Li Zongzhou	Beneficial interest	—	2,500,000	2,500,000	0.44%
Qi Daqing	Beneficial interest	—	260,000	260,000	0.05%
Ding Junjie	Beneficial interest	—	200,000	200,000	0.04%
Chen Tianqiao	Beneficial interest	—	200,000	200,000	0.04%

Notes:

1. Details of the underlying shares are set out in the section headed "Share Option Schemes" in this report.

2. Liu Jinlan is deemed to be interested in 251,428,169 shares of the Company. These shares are held by three discretionary trusts, namely UME Trust, DFS (No. 2) Trust and CLH Trust, all founded by Liu Jinlan. In respect of 203,941,513 shares therein held by CLH Trust, Liu Jinlan is also a beneficiary of the trust.

3. Chen Xin is deemed to be interested in 251,428,165 shares of the Company. These shares are held by three discretionary trusts, namely MHS Trust, DFS (No. 1) Trust and CLH Trust, all founded by Chen Xin. In respect of 203,941,513 shares therein held by CLH Trust, Chen Xin is also a beneficiary of the trust.

(ii) Interests in associated corporations of the Company — Long Positions

Name of director	Name of associated corporation	Nature of interest	Approximate percentage of issued share capital of the associated corporation
Liu Jinlan	CLH Holding Limited	Founder of discretionary trust	100%
	Golden Bridge International Culture Limited	Corporate interest	100%
	Golden Bridge Int'l Advertising Holdings Limited	Corporate interest	100%
	CTV Golden Bridge International Media Co., Ltd.	Corporate interest	0.3%
Chen Xin	CLH Holding Limited	Founder of discretionary trust	100%
	Golden Bridge International Culture Limited	Corporate interest	100%
	Golden Bridge Int'l Advertising Holdings Limited	Corporate interest	100%

Apart from the foregoing, as at 31 December 2010, none of the directors and the chief executives of the Company had any interests or short positions in the shares, underlying shares and debenture of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were required to be (a) notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) recorded in the register required to be kept by the Company under Section 352 of the SFO; or (c) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEMES

The Company has adopted share option schemes on 29 June 2007 (the "Pre-IPO Scheme") and 27 May 2008 (the "Post-IPO Scheme"), respectively, whereby the directors of the Company are authorised, at their discretion, to invite any full time employee, director or any person approved by the board or shareholders of the Company to take up options (the "Pre-IPO Options" and the "Post-IPO Options", respectively) to subscribe for shares of the Company. No further options will be granted under the Pre-IPO Scheme. The Post-IPO Scheme shall be valid and effective for a period of ten years ending on 7 July 2018.

The total number of securities available for issue under both the Pre-IPO Scheme and the Post-IPO Scheme as at 31 December 2010 was 36,768,000 shares which represented approximately 6% of the issued share capital of the Company at 31 December 2010.

Movements of the share options under the share option schemes for the year ended 31 December 2010 are as follows:

	No. of options outstanding as at 1 January 2010	No. of options granted during the year	No. of options exercised during the year	No. of options forfeited during the year	No. of options outstanding as at 31 December 2010	Date of grant	Exercise price	Exercise period
Directors								
Liu Jinlan	3,200,000	–	–	–	3,200,000	10 July 2007	RMB1.56	*Note 2*
		1,200,000	–	–	1,200,000	2 July 2010	HKD1.84	*Note 4*
Li Zongzhou	1,600,000	–	–	–	1,600,000	10 July 2007	RMB1.56	*Note 1*
		900,000	–	–	900,000	2 July 2010	HKD1.84	*Note 4*
Qi Daqing	260,000	–	–	–	260,000	17 September 2009	HKD1.49	*Note 3*
Ding Junjie	200,000	–	–	–	200,000	17 September 2009	HKD1.49	*Note 3*
Chen Tianqiao	200,000	–	–	–	200,000	17 September 2009	HKD1.49	*Note 3*
Employees								
in aggregate	13,120,000	–	(2,528,000)	(984,000)	9,608,000	4 July 2007 to 7 March 2008	RMB1.56	*Note 1*
		17,480,000	–	(240,000)	17,240,000	2 July 2010	HKD1.84	*Note 4*
		1,300,000	–	–	1,300,000	22 November 2010	HKD2.82	*Note 4*
		1,060,000	–	–	1,060,000	6 December 2010	HKD2.88	*Note 4*

Directors' Report

Notes:

1 A Pre-IPO Options holder may exercise a maximum of 25% of the total number of the Pre-IPO Options granted after the elapse of 365 days from the acceptance of the Pre-IPO Options. Subsequently, for every full year of continuous service with the Company, the holder may exercise a maximum of another 25% of the total number of the Pre-IPO Options granted, up to eight years from the date of grant.

Pre-IPO Options granted to Li Zongzhou are exercisable from 8 January 2009 to 9 July 2015, subject to the vesting requirement mentioned above. Exercisable period of the Pre-IPO Options granted to employees of the Group commences on 8 January 2009 and expires on a date ranging from 3 July 2015 to 6 March 2016 (depending on their respective date of grant of the option), also subject to the vesting requirement mentioned above.

2 An exception to the vesting requirement mentioned in (1) above is that Liu Jinlan may exercise a maximum of 50% of the total number of the Pre-IPO Options granted after the elapse of 365 days from the acceptance of the options. Subsequently, for every full year of continuous service with the Company, Liu Jinlan may exercise a maximum of another 25% of the total number of the options granted, up to eight years from the date of grant.

Pre-IPO Options granted to Liu Jinlan is exercisable from 8 January 2009 to 9 July 2015, subject to the vesting requirement mentioned above.

3 A Post-IPO Options holder may exercise a maximum of 25% of the total number of the Post-IPO Options granted from the acceptance of the Post-IPO Options. Subsequently, for every full year of continuous service with the Company, the holder may exercise a maximum of another 25% of the total number of the Post-IPO Options granted, up to eight years from the date of grant.

4 A Post-IPO Options holder may exercise a maximum of 25% of the total number of the Post-IPO Options granted after the elapse of one full year from the date of grant of the Post-IPO Options. Subsequently, for every full year of continuous service with the Company, the holder may exercise a maximum of another 25% of the total number of the Post-IPO Options granted, up to eight years from the date of grant.

Information on the accounting policy for share options granted and the weighted average value per option is provided in note 3(g)(iii) and note 28 to the financial statements, respectively.

Apart from the foregoing, at no time during the year was the Company, or any of its holding company, subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES — LONG POSITIONS

As at 31 December 2010, so far as known to the directors and chief executive of the Company, the following corporations (other than a director or chief executive of the Company) had, or were deemed or taken to have interests or short position in the shares or underlying shares of the Company, which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO:

Substantial shareholder	Nature of interest	Total number of ordinary shares held	% of total issued shares
Equity Trustee Limited	Trustee *(Note 1)*	298,914,821	52.73%
CLH Holding Limited	Corporate interest *(Note 2)*	203,941,513	35.98%
Bain Capital CTVGB Holding L.P.	Corporate interest *(Note 3)*	117,624,579	20.75%

Notes:

1. Equity Trustee Limited is deemed to be interested in 298,914,821 shares of the Company as it is the trustee of CLH Trust (shares held by Golden Bridge International Culture Limited), MHS Trust (shares held by Merger Holding Service Company Limited), UME Trust (shares held by United Marine Enterprise Company Limited), DFS (No. 1) Trust (shares held by Digital Finance Service Company Limited) and DFS (No. 2) Trust (shares held by SinoMedia Investment Ltd.).

2. These shares are directly held by Golden Bridge International Culture Limited which is a wholly owned subsidiary of Golden Bridge Int'l Advertising Holdings Limited which in turn is a wholly owned subsidiary of CLH Holding Limited. CLH Holding Limited is deemed to be interested in 203,941,513 shares of the Company held by Golden Bridge International Culture Limited.

3. These shares are directly held by Bain Capital CTVGB Holding Ltd. which is a wholly owned subsidiary of Bain Capital CTVGB Holding L.P. Bain Capital CTVGB Holding L.P. is deemed to be interested in 117,624,579 shares of the Company held by Bain Capital CTVGB Holding Ltd.

Save as disclosed above, so far as known to the directors and chief executive of the Company, as at 31 December 2010, there were no other persons or corporations (other than a director or chief executive of the Company) who had any interests or short position in the shares or underlying shares of the Company, which would fall to be disclosed to the Company and the Stock Exchange under the provisions of the Division 2 and 3 of Part XV of the SFO.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors of the Company as at the date of this annual report, the Company has maintained the prescribed public float under the Listing Rules.

CONNECTED TRANSACTIONS

During the year ended 31 December 2010, the Group entered into the following connected transactions (other than connected transactions that are exempted under Rule 14A.31 of the Listing Rules) and continuing connected transactions (other than continuing connected transactions that are exempted under Rule 14A.33 of the Listing Rules):

(i) Second Supplemental agreement and option agreement for Golden Bridge Senmeng

CTV Golden Bridge International Media Co., Ltd. ("CTV Media (Shanghai)"), a 99.7% owned subsidiary of the Company, previously owned a 60% equity interest in Beijing Golden Bridge Senmeng Media Advertising Co., Ltd. ("Golden Bridge Senmeng"). On 17 November 2010, CTV Media (Shanghai) entered into a supplemental agreement and an option agreement respectively with the minority shareholder and its beneficial owner of Golden Bridge Senmeng in respect of the arrangement for acquisition of the remaining 40% equity interest in Golden Bridge Senmeng. Pursuant to the agreements, CTV Media (Shanghai) shall acquire in total 30% equity interest in Golden Bridge Senmeng by 2011 and, subject to certain conditions, acquire the last 10% equity interest in Golden Bridge Senmeng in 2014, by payment of cash consideration and grant of share options of the Company to the vendor and the vendor's beneficial owner, respectively. Upon completion of the acquisitions, Golden Bridge Senmeng will become a wholly-owned subsidiary of the Group.

(ii) Equity transfer agreements for Beijing Taihe Ruishi

On 11 November 2010, CTV Media (Shanghai) entered into equity transfer agreements with the minority shareholders of Beijing Taihe Ruishi Culture and Media Company Limited ("Beijing Taihe Ruishi") to acquire from the latter 55% in aggregate of equity interest in Beijing Taihe Ruish at an initial consideration of approximately RMB11.82 million in total. Upon the completion of the equity transfer, Beijing Taihe Ruishi will become a wholly owned subsidiary of CTV Media (Shanghai).

(iii) Lease Agreement of Xintian International Building

On 31 December 2007, CTV Media (Shanghai) entered into a lease agreement with Shanghai CTV Golden Bridge International Culture and Communication Company Limited, in which Liu Jinlan holds 100% equity interest, to lease from the latter office premises at Xintian International Building, 450 Fushan Road, Pudong New Area, Shanghai. The lease agreement is for a term of three years from 1 January 2008 to 31 December 2010 with an annual rent of RMB577,500 (excluding utility fees). During the year ended 31 December 2010, rental of RMB577,500 was paid for the lease.

(vi) Lease Agreement of Xinzhou Commercial Building

On 28 September 2009, Golden Bridge Senmeng and Liu Jinlan entered into a lease agreement to lease from the latter office premises at Xinzhou Commercial Building, 58 Fucheng Road, Haidian District, Beijing. The lease agreement was for a term from 11 September 2009 to 10 September 2012 with an annual rental of RMB972,099. During the year ended 31 December 2010, rental of RMB972,099 was paid for the lease.

The independent non-executive directors have reviewed the continuing connected transactions as set out in (iii) and (vi) above and confirmed that they have been entered into (a) on normal commercial terms; (b) in the ordinary course of the business of the Group; and (c) on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company has applied to the Stock Exchange for, and the Stock Exchange has agreed to grant a waiver pursuant to Rule 14A.42(3) of the Listing Rules from strict compliance with the announcement requirement set out in Chapter 14A of the Listing Rules for each of the continuing connected transactions set out above.

DIRECTORS' INTERESTS IN CONTRACTS

Save for the above, no contract of significance to which the Company, or any of its holding company, subsidiaries or fellow subsidiaries was a party, and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

FIVE YEAR SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on pages 127 of the annual report.

PROVIDENT AND RETIREMENT FUND SCHEMES

The Group's employees in the PRC participate in various defined contribution schemes by the relevant municipal and provincial governments under which the Group is required to make monthly contributions to these plans. The Group's subsidiaries in the PRC contribute funds to the retirement schemes, which are calculated on a stipulated percentage of the average employee salary as agreed by the relevant municipal and provincial government. The Group has no further obligations for the actual payment of post-retirement benefits beyond the contributions.

Details of the Group's contributions to the retirement benefit schemes are shown in note 10 to the financial statements.

AUDITORS

KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as the Company's auditors will be proposed at the forthcoming AGM.

Independent Auditor's Report

Independent auditor's report to the shareholders of SinoMedia Holding Limited

(Incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of SinoMedia Holding Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 47 to 126, which comprise the consolidated and company statements of financial position as at 31 December 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

Independent Auditor's Report

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

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

23 March 2011

Consolidated Income Statement

For the year ended 31 December 2010
(Expressed in Renminbi)

	Note	2010 *RMB'000*	2009 *RMB'000*
Revenue	*7*	**1,373,173**	766,804
Cost of services		**(1,033,979)**	(542,729)
Gross profit		**339,194**	224,075
Other income	*8*	**6,098**	4,663
Selling and marketing expenses		**(67,493)**	(29,060)
General and administration expenses		**(68,820)**	(78,771)
Profit from operations		**208,979**	120,907
Finance income	*11*	**20,960**	6,000
Finance costs	*11*	**(7,406)**	(354)
Net finance income		**13,554**	5,646
Share of loss of equity accounted investees (net of income tax)		**(584)**	(259)
Profit before income tax		**221,949**	126,294
Income tax expense	*12*	**(55,598)**	(37,407)
Profit for the year		**166,351**	88,887
Attributable to:			
Owners of the Company		**158,064**	97,245
Non-controlling interest		**8,287**	(8,358)
Profit for the year		**166,351**	88,887
Earnings per share	*17*		
Basic earnings per share *(RMB)*		**0.279**	0.172
Diluted earnings per share *(RMB)*		**0.278**	0.172

The notes on pages 55 to 126 are an integral part of these financial statements. Details of dividends payable to owners of the Company attributable to the profit for the year are set out in note 26(b).

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2010
(Expressed in Renminbi)

	2010 *RMB'000*	2009 *RMB'000*
Profit for the year	**166,351**	88,887
Other comprehensive income for the year (after tax)	**(1,270)**	(518)
Exchange differences on translation of financial statements of the Company	**(1,270)**	(518)
Total comprehensive income for the year	**165,081**	88,369
Attributable to:		
Owners of the Company	**156,794**	96,727
Non-controlling interest	**8,287**	(8,358)
Total comprehensive income for the year	**165,081**	88,369

The notes on pages 55 to 126 are an integral part of these financial statements.

Consolidated Statement of Financial Position

At 31 December 2010
(Expressed in Renminbi)

	Note	2010 RMB'000	2009 RMB'000
Assets			
Property, plant and equipment	*18*	**54,601**	57,062
Investment in equity accounted investees	*20*	**6,000**	584
Other financial asset	*21*	**—**	11,031
Deferred tax assets	*22*	**8,748**	9,779
Non-current assets		**69,349**	78,456
Trade and other receivables	*23*	**419,108**	515,466
Cash and cash equivalents	*24*	**795,791**	323,084
Current assets		**1,214,899**	838,550
Total assets		**1,284,248**	917,006
Equity			
Share capital	*25*	**174**	173
Reserves		**848,966**	736,300
Equity attributable to owners of the Company		**849,140**	736,473
Non-controlling interest		**6,904**	5,465
Total equity		**856,044**	741,938
Liabilities			
Other non-current financial liability	*21*	**13,657**	18,155
Deferred tax liability	*22*	**4,041**	2,315
Non-current liabilities		**17,698**	20,470
Trade and other payables	*27*	**369,185**	134,917
Current taxation	*12(c)*	**29,450**	19,681
Other current financial liability	*21*	**11,871**	—
Current liabilities		**410,506**	154,598

Consolidated Statement of Financial Position

At 31 December 2010
(Expressed in Renminbi)

	2010 RMB'000	2009 RMB'000
Total liabilities	**428,204**	175,068
Total equity and liabilities	**1,284,248**	917,006
Net current assets	**804,393**	683,952
Total assets less current liabilities	**873,742**	762,408

Approved and authorised for issue by the board of directors on 23 March 2011.

Chen Xin
Chairman

Huang Jingsheng
Director

The notes on pages 55 to 126 are an integral part of these financial statements.

Statement of Financial Position

At 31 December 2010
(Expressed in Renminbi)

	Note	2010 RMB'000	2009 RMB'000
Assets			
Investments in subsidiaries	19	**210,854**	214,764
Non-current assets		**210,854**	214,764
Trade and other receivables	23	**319,199**	201,306
Cash and cash equivalents	24	**33,550**	109,576
Current assets		**352,749**	310,882
Total assets		**563,603**	525,646
Equity			
Share capital	25	**174**	173
Reserves	26	**552,442**	507,926
Total equity		**552,616**	508,099
Liabilities			
Trade and other payables		**10,987**	17,547
Current liabilities		**10,987**	17,547
Total liabilities		**10,987**	17,547
Total equity and liabilities		**563,603**	525,646
Net current assets		**341,762**	293,335
Total assets less current liabilities		**552,616**	508,099

Approved and authorised for issue by the board of directors on 23 March 2011.

Chen Xin
Chairman

Huang Jingsheng
Director

The notes on pages 55 to 126 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2010
(Expressed in Renminbi)

	Attributable to owners of the Company										
	Share capital *RMB'000* *(note 25)*	Share premium *RMB'000*	Capital redemption reserve *RMB'000* *(note 26(c))*	Capital reserve *RMB'000* *(note 26(c))*	Statutory reserve *RMB'000* *(note 26(c))*	Translation reserve *RMB'000* *(note 26(c))*	Other reserves *RMB'000* *(note 26(c))*	Retained earnings *RMB'000*	Total *RMB'000*	Non-controlling interest *RMB'000*	Total equity *RMB'000*
Balance at 1 January 2009	173	461,741	18	12,469	25,538	3,294	2,308	165,105	670,646	7,419	678,065
Share-based payments *(note 28)*	–	–	–	4,945	–	–	–	–	4,945	–	4,945
Acquisition of non-controlling interest	–	–	–	–	–	–	(1,813)	–	(1,813)	(2,520)	(4,333)
Contribution from non-controlling interest	–	–	–	–	–	–	–	–	–	9,025	9,025
Appropriation to reserves	–	–	–	–	12,197	–	–	(12,197)	–	–	–
Dividends *(note 26(b))*	–	–	–	–	–	–	–	(22,386)	(22,386)	(101)	(22,487)
Expected consideration to be paid for the acquisition of non-controlling interest	–	–	–	–	–	–	(11,646)	–	(11,646)	–	(11,646)
Total comprehensive income for the year	–	–	–	–	–	(518)	–	97,245	96,727	(8,358)	88,369
Balance at 31 December 2009	173	461,741	18	17,414	37,735	2,776	(11,151)	227,767	736,473	5,465	741,938
Share-based payments *(note 28)*	**–**	**–**	**–**	**3,362**	**–**	**–**	**–**	**–**	**3,362**	**19**	**3,381**
Acquisition of non-controlling interest	**–**	**–**	**–**	**–**	**–**	**–**	**1,813**	**(35,436)**	**(33,623)**	**(6,867)**	**(40,490)**
Dividends *(note 26(b))*	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(17,786)**	**(17,786)**	**–**	**(17,786)**
Appropriation to reserves	**–**	**–**	**–**	**–**	**17,482**	**–**	**–**	**(17,482)**	**–**	**–**	**–**
Exercise of share option	**1**	**6,665**	**–**	**(2,746)**	**–**	**–**	**–**	**–**	**3,920**	**–**	**3,920**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**(1,270)**	**–**	**158,064**	**156,794**	**8,287**	**165,081**
Balance at 31 December 2010	**174**	**468,406**	**18**	**18,030**	**55,217**	**1,506**	**(9,338)**	**315,127**	**849,140**	**6,904**	**856,044**

The notes on pages 55 to 126 are an integral part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2010
(Expressed in Renminbi)

	Note	2010 RMB'000	2009 RMB'000
Cash flows from operating activities			
Profit for the year		**166,351**	88,887
Adjustments for:			
Depreciation	*9*	**5,012**	4,118
Gain on sale of property, plant and equipment		**303**	—
Income tax expense	*12(b)*	**55,598**	37,407
Finance costs	*11*	**7,373**	354
Finance income	*11*	**(20,889)**	(6,000)
Share of loss of equity accounted investees		**584**	259
Equity-settled share-based payments	*28*	**3,381**	4,945
		217,713	129,970
Change in trade and other receivables		**97,083**	(312,818)
Change in trade and other payables		**232,668**	(8,334)
		547,464	(191,182)
Income tax paid	*12(c)*	**(43,072)**	(36,126)
Net cash from (used in) operating activities		**504,392**	(227,308)
Cash flows from investing activities			
Interest received		**3,835**	3,542
Proceeds from sales of property, plant and equipment		**755**	—
Acquisition of property, plant and equipment		**(3,571)**	(6,818)
Payment for purchase of investment in equity accounted investee		**(6,000)**	—
Net cash used in investing activities		**(4,981)**	(3,276)

Consolidated Cash Flow Statement

For the year ended 31 December 2010
(Expressed in Renminbi)

	Note	2010 RMB'000	2009 RMB'000
Cash flows from financing activities			
Capital contribution from non-controlling interest		**—**	8,820
Acquisition of non-controlling interest	*6(a)*	**(11,820)**	(6,520)
Shares issued under share option scheme		**4,172**	—
Dividends paid		**(17,786)**	(22,386)
Net cash used in financing activities		**(25,434)**	(20,086)
Net increase (decrease) in cash and cash equivalents		**473,977**	(250,670)
Cash and cash equivalents at the beginning of the year		**323,084**	574,503
Effect of exchange rate fluctuations on cash held		**(1,270)**	(749)
Cash and cash equivalents at the end of the year	*24*	**795,791**	323,084

The notes on pages 55 to 126 are an integral part of these financial statements.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1. REPORTING ENTITY AND CORPORATE INFORMATION

SinoMedia Holding Limited (the "Company") is a company domiciled in Hong Kong. The address of the Company's registered office is Room 1505, 15th Floor, World-wide House, 19 Des Voeux Road Central, Hong Kong. The consolidated financial statements of the Company as at and for the year ended 31 December 2010 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interest in associate. The Group primarily is involved in providing nationwide TV advertising coverage and campaign planning, and TV advertisement production services for advertisers and advertising agents.

The Company's shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited on 8 July 2008.

2. BASIS OF PREPARATION

(a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The financial statements were authorised for issue by the Board of Directors on 23 March 2011.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following:

- derivative financial instruments are measured at fair value

The methods used to measure fair values are discussed further in note 4.

(c) Functional and presentation currency

The functional currency of the Company is HKD and the functional currencies of other entities in the Group are RMB. The financial statements are presented in RMB. All financial information presented in RMB has been rounded to the nearest thousand unless otherwise indicated.

2. BASIS OF PREPARATION (CONTINUED)

(d) Use of estimates and judgments

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 32.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by Group entities.

(a) Basis of consolidation

(i) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

(i) Subsidiaries and non-controlling interests (continued)

Non-controlling interests (previously known as "minority interests") represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity owners of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity owners of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or jointly controlled entity.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 3(f)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance. In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 3(f)).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

(ii) Special purpose entities

The Group has establishes special purpose entities (SPEs) for investment purposes. The Group does not have any direct or indirect shareholdings in these entities. An SPE is consolidated if, based on an evaluation of the substance of its relationship with the Group and the SPE's risks and rewards, the Group concludes that it controls the SPE. SPEs controlled by the Group were established under terms that impose strict limitations on the decision-making powers of the SPEs' management and that result in the Group receiving the majority of the benefits related to the SPEs' operations and net assets, being exposed to the majority of risks incident to the SPEs' activities, and retaining the majority of the residual or ownership risks related to the SPEs or their assets.

(iii) Acquisition from entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the owners that control the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established; for this purpose comparatives are restated. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group's controlling owners' consolidated financial statements. The components of equity of the acquired entities are added to the same components within Group equity and any gain/loss arising is recognised directly in equity.

(iv) Investments in associates and jointly controlled entities (equity-accounted investees)

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity. Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

Investments in associates and jointly controlled entities are accounted for using the equity method (equity-accounted investees) and are recognised initially at cost. The cost of the investment includes transaction cost.

The consolidated financial statements include the Group's share of profit or loss and other comprehensive income, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

(iv) Investments in associates and jointly controlled entities (equity-accounted investees) (continued)

When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

(v) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity investments, a financial liability designated as a hedge of the net investment in a foreign operation that is effective, or qualifying cash flow hedges, which are recognised in other comprehensive income.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Foreign currencies (continued)

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Renminbi at exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to Renminbi at exchange rates at the dates of the transactions.

The income and expenses of foreign operations in hyperinflationary economies are translated to Renminbi at the exchange rate at the reporting date. Prior to translating the financial statements of foreign operations in hyperinflationary economies, their financial statements for the current year are restated to account for changes in the general purchasing power of the local currency. The restatement is based on relevant price indices at the reporting date.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and presented in the translation reserve in equity.

(c) Financial instruments

(i) Non-derivative financial assets

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (continued)

(i) Non-derivative financial assets (continued)

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial assets:

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise trade and other receivables (see note 23).

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less.

(ii) Non-derivative financial liabilities

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (continued)

(ii) Non-derivative financial liabilities (continued)

The Group has the following non-derivative financial liabilities: trade and other payables and other financial liability.

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

(iii) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

Repurchase of share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity.

(iv) Derivative financial instruments

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognised immediately in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gain and loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and is recognised net within other income/other expenses in profit or loss.

(ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Property, plant and equipment (continued)

(iii) Depreciation (continued)

The estimated useful lives for the current and comparative years are as follows:

Buildings	30 years
Fixtures, fittings, and computer equipment	3–5 years
Motor vehicles	5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(e) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the group's previously held equity interest in the acquiree; over

(ii) the group's interest in the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment.

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Impairment

(i) Non-derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor will enter bankruptcy.

The Group considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Impairment (continued)

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Employee benefits

(i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan that are due more than 12 months after the end of the period in which the employees render the service are discounted to their present value.

(ii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(iii) Share-based payment transactions

The grant date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Employee benefits (continued)

(iv) Termination benefits

Termination benefits are recognised as an expense when the Group is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

(h) Cash and Cash equivalents

Cash and cash equivalents comprise cash at bank and on hand.

(i) Provisions and contingent liabilities

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Revenue

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the income statement as follows:

(i) Advertising service revenue

Advertising service revenue is primarily derived from the placement of advertisements. Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to reports issued by an independent third party with relevant qualification and experience on a monthly basis, which evidence the advertisement actually broadcast.

(ii) Agency service revenue

When the Group acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognised is the net amount of commission made by the Group in proportion to the stage of completion of the transaction on a monthly basis. The stage of completion is assessed by reference to service performed to date as a percentage of total services to be performed.

(k) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised in profit or loss as other income on a systematic basis over the periods necessary to match them with the related expenses. Government grants that become receivable as compensation for expenses already incurred are recognised in profit or loss as other income of the period in which they become receivable.

(l) Finance income and costs

Finance income comprises interest income on cash deposits in bank and changes in the fair value of financial instruments at fair value through profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprise changes in the expected consideration to be paid for the acquisition of non-controlling interests.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

(n) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Income tax (continued)

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(o) Earnings per share

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

(p) Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Related parties (continued)

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(q) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

In a manner consistent with the way in which information is reported internally to the group's most senior executive management for the purposes of resources allocation and performance assessment, the Group has determined and presented a single reportable segment to disclose information as a whole about its services, geographical areas, and major customers.

(r) New standards and interpretations not adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2010, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except for IFRS 9 Financial Instruments, which becomes mandatory for the Group's 2013 consolidated financial statements and could change the classification and measurement of financial assets. The Group does not plan to adopt this standard early and the extent of the impact has not been determined.

4. DETERMINATION OF FAIR VALUES

(a) Employees share options

The fair value of the employee share options is measured using the binominal lattice model (see note 28).

(b) Derivatives

The fair value of the option to acquire non-controlling interests of a subsidiary is measured using the Black-Scholes model.

(c) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

(d) Trade and other receivables

The fair value of trade and other receivables, excluding construction work in progress, but including service concession receivables, is estimated at the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes or when acquired in a business combination.

5. FINANCIAL RISK MANAGEMENT

The Group has exposure to the following risks from its use of financial instruments:

— credit risk

— liquidity risk

— foreign currency risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these financial statements. The Company's board of directors (the "Board") has overall responsibility for the establishment and oversight of the Group's risk management framework. The risks are mitigated by various measures as disclosed below.

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

(i) Trade and other receivables

The Group's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

In respect of trade and other receivables, credit evaluations are performed on all customers requiring credit over a certain amount. The credit terms granted for trade receivables are generally from nil to 90 days, based on an individual basis. Debtors with overdue balances are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry in which customers operate also has an influence on credit risk but to a lesser extent. The Group has no significant concentrations of credit risk.

The maximum exposure to credit risk without taking account of any collateral is represented by the carrying amount of trade and other receivables in the statement of financial position after deducting any impairment allowance. The Group does not provide any other guarantees which would expose the Group to credit risk.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 23 and 31.

(ii) Cash and cash equivalents

The Group mitigates its exposure to credit risk by depositing in financial institutions in Hong Kong with high credit ratings assigned by international credit-rating agencies and state-controlled financial institutions with good reputations in mainland China.

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and cash equivalents to meet its liquidity requirements in the short and longer term.

(c) Foreign currency risk

The Group has foreign currency risk as certain cash and cash equivalents are denominated in Australia Dollars and United States Dollars, representing approximately 4% of the total cash and cash equivalents of the Group. Major business operations of the Group are carried out in Renminbi.

(d) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for owners and benefits for other stakeholders, by pricing services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

There were no changes in the Group's approach to capital management during the year.

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

6. ACQUISITION OF NON-CONTROLLING INTERESTS AND ESTABLISHMENT OF SUBSIDIARIES

(a) Acquisition of non-controlling interest

i) *Acquisition of non-controlling interest of Beijing Golden Bridge Senmeng Media Advertising Company Limited*

Beijing Golden Bridge Senmeng Media Advertising Company Limited is a subsidiary within the Group, which CTV Golden Bridge International Media Company Limited, a 99.7% owned subsidiary of the Company, and Beijing Senmeng Media Advertising Company Limited ("Beijing Senmeng") hold 60% and 40% of its equity interest as at 31 December 2009, respectively.

On 9 January 2009, CTV Golden Bridge International Media Company Limited entered into an agreement with Beijing Senmeng ("Senmeng Agreement") for the purchase of 40% equity interest of Beijing Golden Bridge Senmeng Media Advertising Company Limited held by Beijing Senmeng in the subsequent years, of which the obligation/rights and the consideration between two parties were based on the 2009 and 2010 financial performance of Beijing Golden Bridge Senmeng Media Advertising Company Limited.

On 17 November 2010, CTV Golden Bridge International Media Company Limited entered into a supplementary agreement to Senmeng Agreement and a share option agreement with Beijing Senmeng and the beneficial owner of Beijing Senmeng respectively. The key terms of the supplementary agreement and share option agreement are as below:

- Based on the mechanism in Senmeng Agreement and 2009 financial performance, CTV Golden Bridge International Media Company Limited will pay RMB469 thousand to Beijing Senmeng and certain number of share options of the Company to the beneficial owner of Beijing Senmeng, for 20% equity interest of Beijing Golden Bridge Senmeng Media Advertising Company Limited; and

- CTV Golden Bridge International Media Company Limited is obliged or granted an option to purchase 10% and the remaining 10% equity interests of Beijing Golden Bridge Senmeng Media Advertising Company Limited from Beijing Senmeng in 2011 and 2014 respectively under certain conditions. The consideration will be settled by cash and certain number of share options of the Company.

6. ACQUISITION OF NON-CONTROLLING INTERESTS AND ESTABLISHMENT OF SUBSIDIARIES (CONTINUED)

(a) Acquisition of non-controlling interest (continued)

i) *Acquisition of non-controlling interest of Beijing Golden Bridge Senmeng Media Advertising Company Limited (continued)*

Following the supplementary agreement and option agreement, CTV Golden Bridge International Media Company Limited held the 80% equity interest of Beijing Golden Bridge Senmeng Media Advertising Company Limited as at 31 December 2010.

The following summarises the effect of changes in the Group's (parent) ownership interest in Beijing Golden Bridge Senmeng Media Advertising Company Limited from 60% to 80%:

	2010 *RMB'000*
Parent's ownership interest at 1 January	**4,688**
Effect of acquisition of non-controlling interest	**5,022**
Share of comprehensive income	**10,380**
Parent's ownership interest at 31 December	**20,090**

ii) *Acquisition of non-controlling interest of Beijing Taihe Ruishi Culture and Media Company Limited*

In 2008, CTV Golden Bridge International Media Company Limited, a 99.7% owned subsidiary of the Company, and other two investors established Beijing Taihe Ruishi Culture and Media Company and held 45% and 55% of its equity interests, respectively.

Although the Group owns less than half of the ownership interest of Beijing Taihe Ruishi Culture and Media Company Limited, it is able to govern the financial and operating policies of the company by virtue of an agreement with the other investors of Beijing Taihe Ruishi Culture and Media Company Limited. Consequently, the Group consolidates its investment in Beijing Taihe Ruishi Culture and Media Company Limited.

6. ACQUISITION OF NON-CONTROLLING INTERESTS AND ESTABLISHMENT OF SUBSIDIARIES (CONTINUED)

(a) Acquisition of non-controlling interest (continued)

ii) Acquisition of non-controlling interest of Beijing Taihe Ruishi Culture and Media Company Limited (continued)

On 11 November 2010, CTV Golden Bridge International Media Company Limited enter into an agreement with other two investors of Beijing Taihe Ruishi Culture and Media Company to purchase the remaining 55% equity interest of Beijing Taihe Ruishi Culture and Media Company from the other two investors by cash payment of RMB11,820 thousand in total, increasing the ownership from 45% to 100%.

	2010 ***RMB'000***
Parent's ownership interest at 1 January	**798**
Effect of acquisition of non-controlling interest	**1,844**
Share of comprehensive income	**712**
Parent's ownership interest at 31 December	**3,354**

(b) Establishment of subsidiaries

(i) Shanghai Golden Bridge Culture and Media Company Limited

On 19 January 2010, Shanghai Golden Bridge Culture and Media Company Limited was established with an initial registered and paid-up capital of RMB10,000,000, which was 100% contributed by CTV Golden Bridge International Media Company Limited.

6. ACQUISITION OF NON-CONTROLLING INTERESTS AND ESTABLISHMENT OF SUBSIDIARIES (CONTINUED)

(b) Establishment of subsidiaries (continued)

(ii) Beijing Bozhiruicheng Information Consultancy Company Limited

In order to comply with applicable PRC laws and regulations, CTV Golden Bridge International Media Company Limited, a subsidiary of the Company, entered into a series of contractual arrangements with Beijing Bozhi Ruicheng Information Consultancy Company Limited ("Bozhi Ruicheng") and its shareholders, which are the key employees with PRC citizenship of CTV Golden Bridge International Media Company Limited on 21 November 2010. The main business of Bozhi Ruicheng is to invest 38% equity interest in Beijing Lotour Huicheng Internet Technology Company Limited ("Lotour Huicheng"), a internet content provider focusing on tour and sightseeing. CTV Golden Bridge International Media Company Limited does not have legal ownership in equity of Bozhi Ruicheng. Nevertheless, those contractual arrangements allow CTV Golden Bridge International Media Company Limited to effectively control Bozhi Ruicheng and to derive all of the economic benefits from it. Accordingly, the Group treats Bozhi Ruicheng as special purpose entity and a consolidated subsidiary of the Group and Lotour Huicheng was treated as an investment in equity-accounted investee of the Group (see note 20).

7. REVENUE

	2010 ***RMB'000***	2009 *RMB'000*
Advertising service revenue	**1,396,783**	773,443
Agency service revenue	**9,875**	17,762
Less: Sales taxes and surcharges	**(33,485)**	(24,401)
	1,373,173	766,804

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

8. OTHER INCOME

	Note	2010 *RMB'000*	2009 *RMB'000*
Government grant	*(i)*	**5,982**	4,663
Others		**116**	—
		6,098	4,663

(i) It is the unconditional discretionary grants received from a local government authority in recognition of the Group's contribution to the development of local economies.

9. EXPENSES BY NATURE

The following expenses are included in cost of services, selling and marketing expenses and general and administration expenses.

	2010 *RMB'000*	2009 *RMB'000*
Impairment losses on bad and doubtful accounts	**13,244**	34,166
Depreciation	**5,012**	4,118
Professional fee	**2,397**	2,729
Auditors' remuneration	**2,800**	2,874
Operating lease rental charges	**3,477**	4,106

10. PERSONNEL EXPENSES

	Note	**2010** **RMB'000**	2009 RMB'000
Salaries, wages and other benefits		**44,845**	26,856
Contribution to defined contribution plan	*(i)*	**6,110**	4,222
Equity-settled share-based payments	*28*	**3,362**	4,945
		54,317	36,023

(i) Defined contribution plan

As stipulated by the regulations of the PRC, the Group participates in a defined contribution retirement plan organised by municipal and provincial governments for its employees. The Group is required to make contributions to the retirement plans at rates ranging from 20% to 22% of the salaries, bonuses and certain allowances of the employees. A member of the plan is entitled to a pension equal to a fixed proportion of the salary prevailing at the member's retirement date. The Group has no other material obligation for the payment of pension benefits associated with these plans beyond the annual contributions described above.

11. FINANCE INCOME AND COSTS

	Note	**2010** **RMB'000**	2009 RMB'000
Interest income on bank deposits		**4,813**	3,542
Changes in fair value of derivative financial asset	*21*	**16,076**	2,458
Net foreign exchange gain		**71**	—
Finance income		**20,960**	6,000
Changes in the expected consideration to be paid for the acquisition of non-controlling interest	*21*	**(7,373)**	(123)
Net foreign exchange loss		**—**	(18)
Others		**(33)**	(213)
Finance costs		**(7,406)**	(354)
Net finance income		**13,554**	5,646

12. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

	2010 *RMB'000*	2009 *RMB'000*
Current tax expense		
Provision for PRC income tax	**52,841**	39,807
Deferred tax expense		
Temporary differences	**2,757**	(2,400)
Total income tax expense	**55,598**	37,407

(i) No provision has been made for Hong Kong profits tax as the Company did not earn any income subject to Hong Kong profits tax during the year.

(ii) The provision for PRC income tax is based on the respective applicable rates on the estimated assessable income of the Group entities in the PRC as determined in accordance with the relevant income tax rules and regulations of the PRC.

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the People's Republic of China (the "New Tax Law") which became effective on 1 January 2008. The New Tax Law adopts a uniform tax rate of 25% for all enterprises including foreign investment enterprises.

Pursuant to the transitional arrangement by the 19th Tax Office of the State and Local Tax Bureau of Pudong New District, CTV Golden Bridge International Media Company Limited enjoyed a reduced income tax rate of 22% in 2010 (2009: 20%).

Except for the Company and CTV Golden Bridge International Media Company Limited, applicable income tax rate of other Group entities in the PRC is the uniform tax rate of 25%.

12. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT (CONTINUED)

(b) Reconciliation between income tax expense and accounting profit at applicable tax rates:

	2010 *RMB'000*	2009 *RMB'000*
Profit before income tax	**221,949**	126,294
Income tax at the applicable PRC income tax rate	**55,488**	31,574
Non-deductible expenses	**4,420**	9,925
Effect of differential tax rate on income	**(6,567)**	(7,870)
Withholding tax on profits retained by PRC subsidiaries	**1,726**	1,029
Recognised impairment of deferred tax assets	**—**	3,177
Non-taxable income	**531**	(428)
Income tax expense for the year	**55,598**	37,407

(c) Current taxation in the statement of financial position represents:

	2010 *RMB'000*	2009 *RMB'000*
PRC income tax		
Balance at the beginning of the year	**19,681**	16,000
Provision for the year	**52,841**	39,807
Tax paid	**(43,072)**	(36,126)
Balance of tax provision at the end of the year	**29,450**	19,681

13. DIRECTORS' REMUNERATION

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

For the year ended 31 December 2010

	Directors' fees *RMB'000*	Salaries, allowances and other benefits in kind *RMB'000*	Discretionary bonuses *RMB'000*	Contribution to defined contribution plan *RMB'000*	Equity settled share-based payment *RMB'000*	Total *RMB'000*
Executive directors						
Chen Xin	–	864	–	62	–	926
Liu Jinlan	–	864	–	62	164	1,090
Li Zongzhou	–	600	200	–	227	1,027
Non-executive directors						
Zhu Jia	–	–	–	–	–	–
Huang Jingsheng	–	–	–	–	–	–
Independent non-executive directors						
Ding Junjie	128	–	–	–	32	160
Qi Daqing	128	–	–	–	41	169
Chen Tianqiao	128	–	–	–	32	160
	384	2,328	200	124	496	3,532

13. DIRECTORS' REMUNERATION (CONTINUED)

For the year ended 31 December 2009

	Directors' fees *RMB'000*	Salaries, allowances and other benefits in kind *RMB'000*	Discretionary bonuses *RMB'000*	Contribution to defined contribution plan *RMB'000*	Equity settled share-based payment *RMB'000*	Total *RMB'000*
Executive directors						
Chen Xin	–	780	–	56	–	836
Liu Jinlan	–	780	–	56	574	1,410
Li Zongzhou	–	422	90	–	499	1,011
Non-executive directors						
Zhu Jia	–	–	–	–	–	–
Huang Jingsheng	–	–	–	–	–	–
Independent non-executive directors						
Ding Junjie	132	–	–	–	30	162
Qi Daqing	132	–	–	–	38	170
Chen Tianqiao	132	–	–	–	30	162
	396	1,982	90	112	1,171	3,751

During the year, no amount was paid or payable by the Group to the directors or any of the five highest paid individuals set out in note 14 below as an inducement to join or upon joining the Group or as compensation for loss of office. Also there was no arrangement under which a director waived or agreed to waive any remuneration during the year.

14. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments during the year ended 31 December 2010, one (2009: one) is a director whose emoluments is disclosed in note 13. The aggregate of the emoluments in respect of the other four (2009: four) are as follows:

	2010	2009
	RMB'000	*RMB'000*
Salaries, allowances and other benefits in kind	**3,929**	4,114
Contribution to defined contribution plan	**192**	177
Equity-settled share-based payment transactions	**630**	924
	4,751	5,215

The emoluments of the four (2009: four) individuals with the highest emoluments are within the following bands:

	2010	2009
Nil to RMB1,000,000	**–**	2
RMB1,000,001 to RMB1,500,000	**4**	1
RMB2,000,001 to RMB2,500,000	**–**	1

15. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated profit attributable to owners of the Company for the year ended 31 December 2010 includes a loss of RMB4,278 thousand (2009: loss of RMB4,485 thousand) and dividends of RMB75,772 thousand (2009: dividends of RMB33,618 thousand) from subsidiaries attributable to the profit of previous financial years, which have been dealt with in the financial statements of the Company.

Reconciliation of the above amount to the Company's profit/(loss) for the year:

	2010 *RMB'000*	2009 *RMB'000*
Amount of consolidated loss attributable to owners dealt with in the Company's financial statements	**(4,278)**	(4,485)
Dividends from subsidiaries attributable to the profit of previous financial years, approved during the year	**75,772**	33,618
Company's profit for the year *(note 26)*	**71,494**	29,133

Details of dividends paid and payable to owners of the Company are set out in note 26(b)(i).

16. OTHER COMPREHENSIVE INCOME

There are no tax effects relating to the exchange differences on translation of financial statements of the Company during the year (2009: nil).

17. EARNINGS PER SHARE

(a) Basic earning per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity owners of the Company of RMB158,064 thousand (2009: RMB97,245 thousand) and the weighted average of 565,716 thousand ordinary shares (2009: 564,310 thousand shares) in issue during the year, calculated as follows:

Profit attributable to ordinary equity shareholders	*Note*	**2010** *RMB'000*	2009 *RMB'000*
Profit for the year		**158,064**	97,245
Profit attributable to ordinary equity shareholders		**158,064**	97,245

Weighted average number of ordinary shares		**2010** *'000*	2009 *'000*
Issued ordinary shares at 1 January		**564,310**	564,310
Effect of issues of ordinary shares upon exercise of share options	*25*	**1,406**	—
Weighted average number of ordinary shares at 31 December		**565,716**	564,310

17. EARNINGS PER SHARE (CONTINUED)

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB158,064 thousand (2009: RMB97,245 thousand) and the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 569,298 thousand shares (2009: 564,325 thousand shares), calculated as follows:

Profit attributable to ordinary equity shareholders (diluted)	**2010** *RMB'000*	2009 *RMB'000*
Profit attributable to ordinary equity shareholders (basic and diluted)	**158,064**	97,245

Weighted average number of ordinary shares (diluted)	**2010** *'000*	2009 *'000*
Weighted average number of ordinary shares (basic)	**565,716**	564,310
Effect of share options on issue	**3,582**	15
Weighted average number of ordinary shares (diluted) at 31 December	**569,298**	564,325

18. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Fixtures, fittings and computer equipment RMB'000	Motor vehicles RMB'000	Under construction RMB'000	Total RMB'000
Original cost					
Balance at 1 January 2009	44,617	457	10,892	3,567	59,533
Additions	5,545	3,000	2,020	512	11,077
Transfers	—	—	—	(4,079)	(4,079)
Balance at 31 December 2009	50,162	3,457	12,912	—	66,531
Balance at 1 January 2010	**50,162**	**3,457**	**12,912**	**—**	**66,531**
Additions	**—**	**1,005**	**2,604**	**—**	**3,609**
Disposals	**—**	**—**	**(1,452)**	**—**	**(1,452)**
Balance at 31 December 2010	**50,162**	**4,462**	**14,064**	**—**	**68,688**
Depreciation					
Balance at 1 January 2009	1,821	96	3,434	—	5,351
Depreciation for the year	1,640	709	1,769	—	4,118
Balance at 31 December 2009	3,461	805	5,203	—	9,469
Balance at 1 January 2010	**3,461**	**805**	**5,203**	**—**	**9,469**
Depreciation for the year	**2,218**	**834**	**1,960**	**—**	**5,012**
Disposals	**—**	**—**	**(394)**	**—**	**(394)**
Balance at 31 December 2010	**5,679**	**1,639**	**6,769**	**—**	**14,087**
Carrying amounts					
At 31 December 2009	46,701	2,652	7,709	—	57,062
At 31 December 2010	**44,483**	**2,823**	**7,295**	**—**	**54,601**

19. INVESTMENT IN SUBSIDIARIES

	The Company	
	2010	2009
	RMB'000	*RMB'000*
Investment, at cost	**204,593**	204,593
Share-based payments	**6,261**	10,171
	210,854	214,764

As at 31 December 2010, the Company had direct and indirect interests in the following subsidiaries:

				Proportion of ownership interest			
Name of company	*Note*	**Place and date of incorporation/ establishment**	**Registered and fully paid capital**	**Group's effective interest**	**Held by the Company**	**Held by a subsidiary**	**Principal activities**
Sino-foreign equity joint venture enterprise established in the PRC							
CTV Golden Bridge International Media Company Limited 中視金橋國際傳媒有限公司	*(i)*	Shanghai, the PRC 23 June 2005	USD30,000,000	99.7%	99.7%	–	Provision of nationwide TV advertising coverage and campaign planning, and TV advertisement production services for advertisers and advertising agents
Domestic companies established in the PRC							
CTV Golden Bridge International Media Jiangsu Company Limited 中視金橋國際傳媒江蘇有限公司	*(ii)*	Jiangsu, the PRC 30 January 2007	RMB2,000,000	99.7%	–	100%	Provision of nationwide TV advertising coverage and campaign planning, and TV advertisement production services for advertisers and advertising agents

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19. INVESTMENT IN SUBSIDIARIES (CONTINUED)

As at 31 December 2010, the Company had direct and indirect interests in the following subsidiaries: (continued)

Name of company	Note	Place and date of incorporation/ establishment	Registered and fully paid capital	Proportion of ownership interest Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Beijing Taihe Ruishi Culture and Media Company Limited 北京太合瑞視文化傳媒有限公司	(ii) (iii)	Beijing, the PRC 4 November 2008	RMB3,000,000	99.7%	–	100%	Provision of nationwide advertising coverage and campaign planning, and advertisement production services for advertisers and advertising agents
Beijing Golden Bridge Senmeng Media Advertising Company Limited 北京金橋森盟傳媒廣告有限公司	(ii) (iii)	Beijing, the PRC 6 November 2008	RMB28,000,000	79.8%	–	80%	Provision of nationwide advertising coverage and campaign planning, and advertisement production services for advertisers and advertising agents
Beijing Chengshi Zhiguang Advertising Company Limited 北京城市之光廣告有限公司	(ii) (iii)	Beijing, the PRC 19 October 2009	RMB3,000,000	99.7%	–	100%	Provision of nationwide advertising coverage and campaign planning, and advertisement production services for advertisers and advertising agents
Beijing Laite Laide Management Consultancy Company Limited 北京萊特萊德管理咨詢有限公司	(ii) (iii)	Beijing, the PRC 19 October 2009	RMB5,000,000	99.7%	–	100%	Provision of nationwide advertising coverage and campaign planning, and advertisement production services for advertisers and advertising agents
Shanghai Golden Bridge Culture and Media Company Limited 上海中視金橋文化傳媒有限公司	(ii) (iii)	Shanghai, the PRC 19 January 2010	RMB10,000,000	99.7%	–	100%	Provision of nationwide advertising coverage and campaign planning, and advertisement production advertising agents
Beijing Bozhi Ruicheng Information Consultancy Company Limited 北京博智瑞誠信息諮詢有限公司	(ii) (iii) (iv)	Beijing, the PRC 23 November 2010	RMB25,000,000	99.7%	–	100%	Investment holding

19. INVESTMENT IN SUBSIDIARIES (CONTINUED)

As at 31 December 2010, the Company had direct and indirect interests in the following principal subsidiaries: (continued)

Notes:

(i) This entity is invested by the Company and Shanghai CTV Golden Bridge International Culture and Communication Company Limited.

(ii) These seven entities are invested by CTV Golden Bridge International Media Company Limited.

(iii) Entities not audited by KPMG.

(iv) This entity is controlled by CTV Golden Bridge International Media Company Limited through contractual arrangements. (see note 6(b))

(v) The English translation of the names of the above companies is for reference only. The official names of the companies are in Chinese.

20. INVESTMENT IN EQUITY ACCOUNTED INVESTEE

	The Group	
	2010	2009
	RMB'000	*RMB'000*
Share of net assets	**6,000**	584

The following list contains particulars of associates which principally affected the results or assets of the Group:

Name of company	*Note*	Place of incorporation	Paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Dongfang Kaishi Media Advertising (Beijing) Company Limited 東方凱視傳媒廣告（北京）有限公司	*(i)*	Beijing, the PRC 29 July 2008	RMB5,000,000	18.9%	–	19%	Provision of nationwide advertising coverage and campaign planning, and advertisement production services for advertisers and advertising agents
Beijing Lotour Huicheng Internet Technology Company Limited 北京樂途滙誠網絡技術有限責任公司	*(i)*	Beijing, the PRC 21 December 2010	RMB5,000,000	37.9%	–	38%	Provision of nationwide advertising coverage and campaign planning, advertisement production, conference service and exhibition design service for advertisers and advertising agents

20. INVESTMENT IN EQUITY ACCOUNTED INVESTEE (CONTINUED)

Note:

(i) The English translation of the name of the companies above is for reference only. The official name of the companies is in Chinese.

(a) Dongfang Kaishi Media Advertising (Beijing) Company Limited

Although the Group owns less than 20% of the voting power of Dongfang Kaishi Media Advertising (Beijing) Company Limited, it has significant influence over the financial and operating policies by virtue of an agreement with Ms. Gehong who holds 81% of the equity interest in Dongfang Kaishi Media Advertising (Beijing) Company Limited. Pursuant to the agreement, the Group has the power to appoint one of the three directors on the board and to appoint the finance director.

(b) Beijing Lotour Huicheng Internet Technology Company Limited

Bozhi Ruicheng, a subsidiary controlled by the Group through contractual arrangements (see note 6(b)), owns 38% of the voting power of Lotour Huicheng and has significant influence over the financial and operating policies of Lotour Huicheng. Lotour Huicheng was established by Bozhi Ruicheng and Beijing Lotour Internet Technology Company Limited, with paid up capital of RMB5,000 thousand as at 31 December 2010, among which Bozhi Ruicheng holds 38% equity interest of Lotour Huicheng, and Beijing Lotour Internet Technology Company Limited holds 62% equity interest.

Summary financial information for the equity accounted investees, not adjusted for the percentage ownership held by the Group:

	Assets *RMB'000*	Liabilities *RMB'000*	Equity *RMB'000*	Revenue *RMB'000*	Expenses *RMB'000*	Loss *RMB'000*
2010						
Dongfang Kaishi Media Advertising (Beijing) Company Limited	**4,285**	**7,664**	**(3,379)**	**–**	**(6,501)**	**(6,501)**
Beijing Lotour Huicheng Internet Technology Company Limited	**6,000**	**5**	**5,995**	**–**	**(5)**	**(5)**

21. OTHER FINANCIAL ASSET AND OTHER FINANCIAL LIABILITY

(a) Other financial asset

Other financial asset accounted for the option to acquire 20% equity interest in Beijing Golden Bridge Senmeng Media Advertising Company Limited in 2010 (see note 6(a)). The estimate of the fair value of the option is measured using the Black-Scholes Model.

	17 November 2010 ***RMB'000***	31 December 2009 *RMB'000*
Fair value of the option and assumptions		
Fair value at measurement date	**27,107**	11,031
Spot price	**28,670**	13,506
Strike price	**1,562**	2,700
Expected volatility	**39.7%**	48.4%
Option life	**0 years**	3 years
Risk-free interest rate	**2.22%**	2.40%

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rates are market related rates for a similar instrument at the measurement dates.

On 17 November 2010, the option was exercised to purchase 20% equity interest of Beijing Golden Bridge Senmeng Media Advertising Company Limited (see note 6(a)). The movement of the other financial asset is as follows:

	The Group ***RMB'000***
At 31 December 2009	**11,031**
Changes in fair value	**16,076**
Exercise of the option	**(27,107)**
At 31 December 2010	**–**

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21. OTHER FINANCIAL ASSET AND OTHER FINANCIAL LIABILITY (CONTINUED)

(b) Other financial liability

Other financial liability as at 31 December 2010 accounted for the present value of the expected consideration to be paid for the acquisition of remaining 20% equity interests in Beijing Golden Bridge Senmeng Media Advertising Company Limited (see note 6(a)).

The expected consideration to be paid was made based on management's best estimation and the discount rates were based on the government bond yield curve at the measurement dates.

	The Group *RMB'000*
At 31 December 2009	**18,155**
Changes of fair value according to the supplementary agreement	**7,067**
Interest expenses for the period from 18 November 2010 to 31 December 2010	**306**
At 31 December 2010	**25,528**

22. DEFERRED TAX ASSETS AND LIABILITIES

(a) Recognised deferred tax assets and liabilities

The components of deferred tax assets/liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

Deferred tax arising from	Accrual for cost of services deductible in future *RMB'000*	Withholding tax on profits retained by PRC subsidiaries *RMB'000*	Tax loss carry-forwards *RMB'000*	Impairment loss for doubtful accounts *RMB'000*	Totals *RMB'000*
At 1 January 2009	–	1,286	(3,173)	(3,177)	(5,064)
Charged/(credited) to profit or loss	(3,470)	1,029	(3,136)	3,177	(2,400)
At 31 December 2009	(3,470)	2,315	(6,309)	–	(7,464)
At 1 January 2010	**(3,470)**	**2,315**	**(6,309)**	**–**	**(7,464)**
Charged/(credited) to profit or loss	**(3,086)**	**1,726**	**4,117**	**–**	**2,757**
At 31 December 2010	**(6,556)**	**4,041**	**(2,192)**	**–**	**(4,707)**

22. DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

(a) Recognised deferred tax assets and liabilities (continued)

Pursuant to the New Tax Law and the Sino-Hong Kong Double Tax Arrangement, 5% withholding tax is levied on the Company in respect of dividend distributions arising from PRC subsidiaries' profit earned after 1 January 2008. Deferred tax liability were recognised for part of the undistributed earnings recorded in the books and accounts of the Group's PRC subsidiaries for the year ended 31 December 2010 which has been determined as probable to be distributed in the foreseeable future.

	2010 ***RMB'000***	2009 *RMB'000*
Net deferred tax asset recognised on the statement of financial position	**(8,748)**	(9,779)
Net deferred tax liability recognised on the statement of financial position	**4,041**	2,315
	(4,707)	(7,464)

(b) Unrecognised deferred tax liability

At 31 December 2010, temporary differences relating to the undistributed retained earnings of PRC subsidiaries amounted to RMB323,314 thousand (2009: RMB185,235 thousand). Deferred tax liability of RMB16,166 thousand (2009: RMB9,262 thousand) have not been recognised in respect of the tax that would be payable on the distribution of these retained earnings as the Company controls the dividend policy of these subsidiaries and the Directors have determined that those retained earnings are not likely to be distributed in the foreseeable future.

23. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Trade and bills receivables	**134,654**	88,630	**—**	—
Less: Impairment losses on bad and doubtful accounts	**(60,115)**	(46,871)	**—**	—
	74,539	41,759	**—**	—
Amounts due from subsidiaries	**—**	—	**318,163**	200,702
Loans and receivables	**74,539**	41,759	**318,163**	200,702
Prepayments and deposits to media suppliers	**334,546**	468,030	**—**	—
Advances to employees	**3,804**	4,116	**905**	580
Other debtors	**5,240**	1,561	**131**	24
Interest receivables	**979**	—	**—**	—
	419,108	515,466	**319,199**	201,306

(a) Ageing analysis

Included in trade and other receivables are trade and bills receivables (net of impairment losses on bad and doubtful accounts) with the following ageing analysis as of the reporting date:

	2010		2009	
	Gross	**Impairment**	Gross	Impairment
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
Less than three months	**74,495**	**—**	32,713	—
Three months to six months	**3,624**	**3,580**	2,326	153
Six months to one year	**486**	**486**	18	—
More than one year	**56,049**	**56,049**	53,573	46,718
	134,654	**60,115**	88,630	46,871

23. TRADE AND OTHER RECEIVABLES (CONTINUED)

(a) Ageing analysis (continued)

Credit terms are granted to the customers, depending on credit assessment carried out by management on an individual basis. The credit terms for trade receivables are generally from nil to 90 days.

The Group's exposure to credit risks related to trade and other receivables are disclosed in note 31.

(b) Impairment of trade and bills receivables

Impairment losses in respect of trade and bills receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade and bills receivables directly.

The movement in the allowance for impairment in respect of trade and bills receivables during the year is as follows:

	2010	2009
	RMB'000	*RMB'000*
Balance at 1 January	**46,871**	12,705
Impairment loss recognised	**13,244**	34,166
Balance at 31 December	**60,115**	46,871

At 31 December 2010, the Group's trade and bills receivables of RMB60,115 thousand (2009: RMB46,871 thousand) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered. Consequently, specific allowances for doubtful debts of RMB60,115 thousand (2009: RMB46,871 thousand) were recognised. The Group does not hold any collateral over these balances.

23. TRADE AND OTHER RECEIVABLES (CONTINUED)

(c) Trade and bills receivables that are not impaired

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

	The Group	
	2010	2009
	RMB'000	*RMB'000*
Less than three months	**74,495**	32,713
Three months to six months	**44**	2,173
Six months to one year	**—**	18
More than one year	**—**	6,855
	74,539	41,759

Receivables that were not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

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24. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Cash at bank and on hand	**795,791**	323,084	**33,550**	109,576

Cash at bank and cash on hand are denominated in

	The Group		The Company	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
RMB	**762,241**	213,508	**—**	—
USD	**32,444**	94,034	**32,444**	94,034
AUD	**9**	8	**9**	8
HKD	**1,097**	15,534	**1,097**	15,534
	795,791	323,084	**33,550**	109,576

As at 31 December 2010, there was no bank balance of the Group nor the Company that was restricted for the issue of an irrevocable standby letter of credit. (2009: USD12,000 thousand equivalent to RMB81,977 thousand)

25. SHARE CAPITAL

(a) Authorised and issued share capital

	2010		2009	
	No. of Ordinary shares	Nominal value of ordinary shares *HKD*	No. of ordinary shares	Nominal value of ordinary shares *HKD*
Authorised:				
At 1 January and 31 December	**1,800,000,000**	**562,500**	1,800,000,000	562,500
Issued and fully paid				
At 1 January	**564,310,400**	**176,347**	564,310,400	176,347
Shares issued under share option scheme	**2,528,000**	**790**	—	—
At 31 December	**566,838,400**	**177,137**	564,310,400	176,347
RMB equivalent		**173,872**		173,182

(Expressed in Renminbi unless otherwise indicated)

25. SHARE CAPITAL (CONTINUED)

(b) Terms of unexpired and unexercised share options at the end of reporting period

(i) *Pre-IPO Scheme*

A pre-IPO share options holder may exercise a maximum of 25% of the total number of the pre-IPO share options granted after the elapse of 365 days from the acceptance of the pre-IPO share options. Subsequently, for every full year of continuous service with the Company, the holder may exercise a maximum of another 25% of the total number of the pre-IPO share options granted, up to eight years from the date on which the pre-IPO share options are granted.

Exercisable period of the pre-IPO share options granted to employees of the Group commences on 8 January 2009 and expires on a date ranging from 3 July 2015 to 6 March 2016 (depending on their respective date of grant of the option), subject to the vesting requirement mentioned above.

At 31 December 2010, there were 14,408,000 unexercised pre-IPO share options (2009:17,920,000) at an exercise price of RMB1.56.

(ii) *Post-IPO Scheme*

Exercise period	Exercise price	2010 *Number*	2009 *Number*
17 September 2009 to 16 September 2017	HKD1.49	**165,000**	165,000
17 September 2010 to 16 September 2017	HKD1.49	**165,000**	165,000
17 September 2011 to 16 September 2017	HKD1.49	**165,000**	165,000
17 September 2012 to 16 September 2017	HKD1.49	**165,000**	165,000
2 July 2011 to 1 July 2018	HKD1.84	**4,835,000**	–
2 July 2012 to 1 July 2018	HKD1.84	**4,835,000**	–
2 July 2013 to 1 July 2018	HKD1.84	**4,835,000**	–
2 July 2014 to 1 July 2018	HKD1.84	**4,835,000**	–
22 November 2011 to 21 November 2018	HKD2.82	**325,000**	–
22 November 2012 to 21 November 2018	HKD2.82	**325,000**	–
22 November 2013 to 21 November 2018	HKD2.82	**325,000**	–
22 November 2014 to 21 November 2018	HKD2.82	**325,000**	–
6 December 2011 to 5 December 2018	HKD2.88	**265,000**	–
6 December 2012 to 5 December 2018	HKD2.88	**265,000**	–
6 December 2013 to 5 December 2018	HKD2.88	**265,000**	–
6 December 2014 to 5 December 2018	HKD2.88	**265,000**	–
		22,360,000	660,000

Each option entitles the holder to subscribe for one ordinary share in the Company. Further details of these options are set out in note 28 to the financial statements.

26. RESERVES AND DIVIDENDS

(a) Movements in components of reserves

The reconciliation between the opening and closing balances of each component of the Group's reserves is set out in the Consolidated Statement of Changes in Equity. Details of the changes in the Company's individual components of reserves between the beginning and the end of the year are set out below:

	Share premium *RMB'000*	Capital redemption reserve *RMB'000* *(note 26(c))*	Capital reserve *RMB'000* *(note 26(c))*	Translation reserve *RMB'000* *(note 26(c))*	Retained earnings *RMB'000*	Total *RMB'000*
Balance at 1 January 2009	461,741	18	12,469	(3,698)	26,500	497,030
Changes in equity for 2009:						
Share-based payments *(note 28)*	–	–	4,945	–	–	4,945
Total comprehensive income for the year	–	–	–	(796)	29,133	28,337
Dividends	–	–	–	–	(22,386)	(22,386)
Balance at 31 December 2009	461,741	18	17,414	(4,494)	33,247	507,926
Balance at 1 January 2010	**461,741**	**18**	**17,414**	**(4,494)**	**33,247**	**507,926**
Changes in equity for 2010:						
Share-based payments *(note 28)*	**–**	**–**	**3,362**	**–**	**–**	**3,362**
Exercise of share option	**6,665**	**–**	**(2,746)**	**–**	**–**	**3,919**
Total comprehensive income for the year	**–**	**–**	**–**	**(16,473)**	**71,494**	**55,021**
Dividends	**–**	**–**	**–**	**–**	**(17,786)**	**(17,786)**
Balance at 31 December 2010	**468,406**	**18**	**18,030**	**(20,967)**	**86,955**	**552,442**

26. RESERVES AND DIVIDENDS (CONTINUED)

(b) Dividends

(i) Dividends payable to owners of the Company attributable to the year

	2010 *RMB'000*	2009 *RMB'000*
Final dividend proposed after the end of reporting period date of approximately RMB5.6 cents per ordinary share (2009: approximately RMB3 cents per ordinary share)	**31,472**	17,832
Special dividend proposed after the end of reporting period date of approximately RMB5.6 cents per ordinary share (2009: nil)	**31,472**	—
	62,944	17,832

The final dividend and special dividend proposed after the end of reporting period have not been recognised as a liability at the end of reporting period.

(ii) Dividends payable to owners of the Group attributable to the previous financial year approved during the year

	2010 *RMB'000*	2009 *RMB'000*
Dividends to owners of the Company	**17,786**	22,386
Dividends to non-controlling interest of a subsidiary	**—**	101
	17,786	22,487

Pursuant to the board resolutions dated 28 May 2010, the Company declared dividends at an aggregate amount of HKD20,388 thousand (equivalent to approximately RMB17,786 thousand at an exchange rate of 0.87239) to the shareholders from the distributable reserve. Such dividends were fully paid in June 2010.

26. RESERVES AND DIVIDENDS (CONTINUED)

(c) Nature and purpose of reserves

(i) Share premium and capital redemption reserve

The application of the share premium account and the capital redemption serve is governed by Sections 48B and 49H respectively of the Hong Kong Companies Ordinance.

(ii) Capital reserve

The capital reserve comprises the portion of the grant date fair value of unexercised share options granted to employees and directors of the Group that has been recognised in accordance with the accounting policy adopted for share-based payments in note 3(g)(iii).

(iii) Statutory reserve

Pursuant to applicable PRC regulations, certain PRC subsidiaries are required to transfer 10% of their profit after income tax (after offsetting prior year's losses, if applicable) to statutory reserve until such reserve reaches 50% of the registered capital. The transfer to the reserve must be made before distribution of dividends to equity holders. The statutory reserve can be utilised, upon approval by the relevant authorities, to offset accumulated losses or to increase registered capital of the subsidiary, provided that the balance after such issue is not less than 25% of its registered capital.

(iv) Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements presented in any currencies other than RMB which are dealt with in accordance with the accounting policies as set out in note 3(b).

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26. RESERVES AND DIVIDENDS (CONTINUED)

(c) Nature and purpose of reserves (continued)

(v) Other reserve

Other reserve comprises the following parts:

the offsetting entry of the present value of the expected consideration to be paid for the acquisition of the non-controlling interests of a subsidiary (note 21(b)); and

the difference between the carrying amount of the net assets received and the consideration paid, as a result of the reorganization during which the Company acquired subsidiaries from the ultimate controlling shareholders of the Group in 2006 and 2007.

(vi) Distributability of reserves

At 31 December 2010 the aggregate amount of reserves available for distribution to owners of the Company was RMB86,955 thousand (2009: RMB33,247 thousand).

27. TRADE AND OTHER PAYABLES

	Note	2010 RMB'000	2009 RMB'000
Trade and bills payables	(i)	**130,949**	13,087
Payroll and welfare expenses payables		**11,266**	2,367
Other compulsory payables		**—**	2,717
Other tax payables	(ii)	**18,801**	2,500
Other payables and accrued charges		**6,548**	3,355
Dividends payable due to non-controlling interest of a subsidiary		**16**	16
Financial liabilities measured at amortised cost		**167,580**	24,042
Advances from customers	(iii)	**201,605**	110,875
		369,185	134,917

27. TRADE AND OTHER PAYABLES (CONTINUED)

(i) An ageing analysis of trade and bills payables is as follows:

	2010 *RMB'000*	2009 *RMB'000*
Due within three months or on demand	**130,949**	13,087
	130,949	13,087

(ii) Other tax payables mainly comprised business tax payable and surcharges payable.

(iii) Advances from customers represented the down-payments received from customers, which are expected to be recognised as revenue within one year.

The Group's exposure to liquidity risk related to trade and other payables is disclosed in note 31.

28. SHARE-BASED PAYMENTS

(a) Pre-IPO Share Option Scheme

On 1 July 2007, the Group granted share options to employees of the Group, including directors of any companies in the Group, to subscribe for shares of the Company. Each option entitles the holder to purchase one ordinary share of the Company. The consideration for the acceptance of the option is RMB0.1 per option.

Pursuant to the written resolutions of the directors of the Company passed on 24 April 2008, each of the share option granted was sub-divided into 3.2 share options and the exercise price of share option was divided by 3.2 accordingly. The number and exercise price of share option granted have been retrospectively adjusted for the effects of the share subdivision as if the share option subdivision had took place as at the grant date.

The share options granted vest in instalments over 4 years. Each instalment is accounted for as a separate share-based payment arrangement.

(Expressed in Renminbi unless otherwise indicated)

28. SHARE-BASED PAYMENTS (CONTINUED)

(a) Pre-IPO Share Option Scheme (continued)

(i) The terms and conditions of the grants that exist during the years are as follows:

Grant date	Number of options	Vesting conditions	Contractual life of options
1 July 2007	4,400,000	One year's service	8 years
1 July 2007	3,472,000	Two years' service	8 years
1 July 2007	3,584,000	Three years' service	8 years
1 July 2007	2,952,000	Four years' service	8 years

(ii) The number and weighted average exercise prices of share options are as follows:

	2010		2009	
	Weighted average exercise price	**Number of options**	Weighted average exercise price	Number of options
Outstanding at the beginning of the year	**RMB1.56**	**17,920,000**	RMB1.56	17,920,000
Exercised during the year	**RMB1.56**	**2,528,000**		—
Forfeited during the year	**RMB1.56**	**984,000**		—
Outstanding at the end of the year		**14,408,000**		17,920,000
Exercisable at the end of the year		**11,456,000**		10,360,000

The options outstanding as at 31 December 2010 had an exercise price of RMB1.56 per share and a weighted average remaining contractual life of 4.5 years.

28. SHARE-BASED PAYMENTS (CONTINUED)

(a) Pre-IPO Share Option Scheme (continued)

(iii) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted was measured based on a binominal lattice model, with following input:

	1 July 2007
Share price	RMB2.31
Exercise price	RMB1.56
Expected volatility	34.39%
Option life (expressed as weighted average life)	8 years
Expected dividends	0.00%
Risk-free interest rate	4.17%

The expected volatility is based on average implied volatility of comparable companies in the media industry as at 1 July 2007 used in modelling under binomial option pricing model. Expected dividends are based on management estimate. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options are granted under a service condition. The condition has not been taken into account in the grant date fair value measurement of the services received. There was no market condition associated with the share option grants.

During the year ended 31 December 2010, equity-settled share-based payments expenses of RMB602 thousand (2009: RMB4,847 thousand) in respect of the Pre-IPO Share Option Scheme were recognised in the consolidated income statements.

(Expressed in Renminbi unless otherwise indicated)

28. SHARE-BASED PAYMENTS (CONTINUED)

(b) Post-IPO Share Option Scheme

Pursuant to the ordinary resolutions of the shareholders of the Company passed on 27 May 2008, the Company has adopted a share option scheme (the "Post-IPO Scheme") whereby directors of the Company may, at their discretion, invite any full time employee, director or any person approved by the Board or shareholders of the Company to take up options which entitle them to subscribe for shares of the Company.

Up to 31 December 2010, the Company granted four tranches of share option under Post-IPO Scheme.

(i) The terms and conditions of the grants that exist during the years are as follows:

(1) Post-IPO 1st tranche

On 17 September 2009, the Group granted share options to three independent non-executive directors of the Group, to subscribe for shares of the Company. Each option entitles the holder to purchase one ordinary share of the Company.

The share options granted vest in instalments over 3 years. Each instalment is accounted for as a separate share-based payment arrangement.

The terms and conditions of the grants that exist during the years are as follows:

Grant date	Number of options	Vesting conditions	Contractual life of options
17 September 2009	165,000	On the date of grant	8 years
17 September 2009	165,000	One year's service	8 years
17 September 2009	165,000	Two years' service	8 years
17 September 2009	165,000	Three years' service	8 years

28. SHARE-BASED PAYMENTS (CONTINUED)

(b) Post-IPO Share Option Scheme (continued)

(i) The terms and conditions of the grants that exist during the years are as follows: (continued)

(2) Post-IPO 2nd tranche

On 2 July 2010, the Group granted share options to full time employee and two directors of the Group, to subscribe for shares of the Company. Each option entitles the holder to purchase one ordinary share of the Company.

The share options granted vest in instalments over 4 years. Each instalment is accounted for as a separate share-based payment arrangement.

The terms and conditions of the grants that exist during the years are as follows:

Grant date	Number of options	Vesting conditions	Contractual life of options
2 July 2010	4,895,000	One year's service	8 years
2 July 2010	4,895,000	Two years' service	8 years
2 July 2010	4,895,000	Three years' service	8 years
2 July 2010	4,895,000	Four years' service	8 years

(3) Post-IPO 3rd tranche

On 22 November 2010, the Group granted share options to full time employee of the Group, to subscribe for shares of the Company. Each option entitles the holder to purchase one ordinary share of the Company.

The share options granted vest in instalments over 4 years. Each instalment is accounted for as a separate share-based payment arrangement.

(Expressed in Renminbi unless otherwise indicated)

28. SHARE-BASED PAYMENTS (CONTINUED)

(b) Post-IPO Share Option Scheme (continued)

(i) The terms and conditions of the grants that exist during the years are as follows: (continued)

(3) Post-IPO 3rd tranche (continued)

The terms and conditions of the grants that exist during the years are as follows:

Grant date	Number of options	Vesting conditions	Contractual life of options
22 November 2010	325,000	One year's service	8 years
22 November 2010	325,000	Two years' service	8 years
22 November 2010	325,000	Three years' service	8 years
22 November 2010	325,000	Four years' service	8 years

(4) Post-IPO 4th tranche

On 6 December 2010, the Group granted share options to full time employee of the Group, to subscribe for shares of the Company. Each option entitles the holder to purchase one ordinary share of the Company.

The share options granted vest in instalments over 4 years. Each instalment is accounted for as a separate share-based payment arrangement.

The terms and conditions of the grants that exist during the years are as follows:

Grant date	Number of options	Vesting conditions	Contractual life of options
6 December 2010	265,000	One year's service	8 years
6 December 2010	265,000	Two years' service	8 years
6 December 2010	265,000	Three years' service	8 years
6 December 2010	265,000	Four years' service	8 years

28. SHARE-BASED PAYMENTS (CONTINUED)

(b) Post-IPO Share Option Scheme (continued)

(ii) The number and weighted average exercise prices of share options are as follows:

	Post-IPO Option 1st tranche Average exercise price	Post-IPO Option 1st tranche No. of options	Post-IPO Option 2nd tranche Average exercise price	Post-IPO Option 2nd tranche No. of options	Post-IPO Option 3rd tranche Average exercise price	Post-IPO Option 3rd tranche No. of options	Post-IPO Option 4th tranche Average exercise price	Post-IPO Option 4th tranche No. of options	Total No. of options
At 1 January 2009		–		–		–		–	–
Granted	HKD1.49	660,000		–		–		–	660,000
Exercised		–		–		–		–	–
Lapsed		–		–		–		–	–
At 31 December 2009	HKD1.49	660,000		–		–		–	660,000
Currently exercisable as at 31 December 2009	HKD1.49	165,000		–		–		–	165,000
At 1 January 2010	**HKD1.49**	**660,000**		**–**		**–**		**–**	**660,000**
Granted		**–**	**HKD1.84**	**19,580,000**	**HKD2.82**	**1,300,000**	**HKD2.88**	**1,060,000**	**21,940,000**
Exercised		**–**		**–**		**–**		**–**	**–**
Lapsed		**–**	**HKD1.84**	**240,000**		**–**		**–**	**240,000**
At 31 December 2010	**HKD1.49**	**660,000**	**HKD1.84**	**19,340,000**	**HKD2.82**	**1,300,000**	**HKD2.88**	**1,060,000**	**22,360,000**
Currently exercisable as at 31 December 2010	**HKD1.49**	**330,000**		**–**		**–**		**–**	**330,000**

The options of Post-IPO 1st tranche outstanding as at 31 December 2010 had an exercise price of HKD1.49 per share and a weighted average remaining contractual life of 6.75 years.

The options of Post-IPO 2nd tranche outstanding as at 31 December 2010 had an exercise price of HKD1.84 per share and a weighted average remaining contractual life of 7.5 years.

The options of Post-IPO 3rd tranche outstanding as at 31 December 2010 had an exercise price of HKD2.82 per share and a weighted average remaining contractual life of 7.9 years.

The options of Post-IPO 4th tranche outstanding as at 31 December 2010 had an exercise price of HKD2.88 per share and a weighted average remaining contractual life of 7.95 years.

(Expressed in Renminbi unless otherwise indicated)

28. SHARE-BASED PAYMENTS (CONTINUED)

(b) Post-IPO Share Option Scheme (continued)

(iii) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted was measured based on a binominal lattice model, with following input:

	Date of grant	Share price at grant date	Exercise price	Expected volatility	Option life (expressed as weighted average life)	Expected dividends	Risk-free interest rate
Post-IPO 1st tranche	17 September 2009	HKD1.49	HKD1.49	43.77%	8 years	2.49%	2.16%
Post-IPO 2nd tranche	2 July 2010	HKD1.74	HKD1.84	46.17%	8 years	1.61%	2.09%
Post-IPO 3rd tranche	22 November 2010	HKD2.82	HKD2.82	45.72%	8 years	1.30%	2.02%
Post-IPO 4th tranche	6 December 2010	HKD2.88	HKD2.88	45.70%	8 years	1.30%	2.16%

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected change to future volatility based on publicly available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options are granted mainly under a service condition. The condition has not been taken into account in the grant date fair value measurement of the services received. There was no market condition associated with the share option grants.

During the year ended 31 December 2010, equity-settled share-based payments expenses of RMB2,760 thousand (2009: 98 thousand) in respect of the Post-IPO Share Option scheme were recognised in the consolidated income statements.

29. COMMITMENTS AND CONTINGENT LIABILITIES

(a) Capital commitments

As at the reporting date, the Group and the Company did not have any significant capital commitments.

(b) Operating commitments

As at the reporting date, non-cancellable rentals payable by the Group are as follows:

	2010	2009
	RMB'000	*RMB'000*
Within one year	**1,757**	2,054
After one year but within five years	**1,088**	1,649
Total	**2,845**	3,703

As at the reporting date, non-cancellable contracts for purchasing advertisement resources payable by the Group are as follows:

	2010	2009
	RMB'000	*RMB'000*
Within one year	**117,766**	97,928
After one year but within five years	**18,594**	105,877
After five years	**—**	1,050
Total	**136,360**	204,855

(c) Contingent liabilities

As at the reporting date, the Group and the Company did not have any significant contingent liabilities.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

30. RELATED PARTY TRANSACTIONS

(a) Transactions with the ultimate controlling shareholder of the Group

The Group had the following transactions with the ultimate controlling shareholder of the Group that were carried out in the normal course of business:

	Note	**2010** *RMB'000*	2009 *RMB'000*
Rental of office	*(i)*	**972**	1,106

(i) Beijing Golden Bridge Senmeng Media Advertising Company Limited rented the office in Xinzhou Commercial Building from Ms. Liu Jinlan, the ultimate controlling shareholder of the Group, at a price of RMB972 thousand for the year ended 31 December 2010.

(b) Transactions with other related parties

	Note	**2010** *RMB'000*	2009 *RMB'000*
Rental of office	*(i)*	**578**	578
Purchase of media inspection reports	*(ii)*	**700**	140

(i) CTV Golden Bridge International Media Company Limited, a subsidiary of the Company, rented an office from Shanghai CTV Golden Bridge International Culture and Communication Company Limited, which was effectively controlled by the ultimate controlling shareholder of the Group, for the period from 1 January 2008 to 31 December 2010 at a price of RMB577,500 per annual. The amount of rent charged under the lease was determined with reference to amounts charged by Shanghai CTV Golden Bridge International Culture and Communication Company Limited to third parties.

(ii) CTV Golden Bridge International Media Company Limited purchased the media inspection reports from Beijing Zhongguang Chuanhua Film Culture Consulting Company Limited, an entity under the control by Mr. Chen Xin and Ms. Liu Jinlan, executive directors of the Company, at a price of RMB700 thousand in 2010 (2009: RMB140 thousand).

30. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Key management personnel remuneration

Remuneration for key management personnel of the Group is as follows:

	2010 *RMB'000*	2009 *RMB'000*
Short-term employee benefits	**3,036**	2,580
Equity-settled share-based payment transactions	**496**	1,171
	3,532	3,751

Total remuneration is included in "Personnel expenses" (see note 10).

31. FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business.

The Group's exposure to these risks is described below. The financial risk management policies and practices used by the Group to manage these risks are described in note 5.

(a) Credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

		Carrying amount	
	Note	**2010** ***RMB'000***	2009 *RMB'000*
Loans and receivables	*23*	**74,539**	41,759
Cash and cash equivalents	*24*	**795,791**	323,084
Other financial asset	*21*	**—**	11,031

31. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Credit risk (continued)

The maximum exposure to credit risk for loans and receivables at the reporting date by type of counterparty was:

	Carrying amount	
	2010	2009
	RMB'000	*RMB'000*
Customers		
Advertising agencies	**19,687**	12,516
Corporates	**41,731**	19,220
Government entities	**13,121**	10,023
	74,539	41,759

The impairment losses of trade and bills receivables have been disclosed in note 23(b).

(b) Liquidity risk

The following tables show the remaining contractual maturities at the end of reporting period of the Group's and the Company's financial liabilities, which are based on contractual undiscounted cash flows at the earliest date the Group and the Company can be required to pay:

The Group

	2010					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and other payables*	167,580	–	–	–	167,580	167,580
Balance of profits tax provision relating to the year	29,450	–	–	–	29,450	29,450
Other financial liability	12,064	–	15,652	–	27,716	25,528

* Excludes advances from customers

31. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Liquidity risk (continued)

	2009 Contractual undiscounted cash outflow					
	Within 1 year or on demand *RMB'000*	More than 1 year but less than 2 years *RMB'000*	More than 2 years but less than 5 years *RMB'000*	More than 5 years *RMB'000*	Total *RMB'000*	Carrying amount *RMB'000*
Trade and other payables*	24,042	—	—	—	24,042	24,042
Balance of profits tax provision relating to the year	19,681	—	—	—	19,681	19,681
Other financial liability	—	18,602	—	—	18,602	18,155

* Excludes advances from customers

The Company

	2010 Contractual undiscounted cash outflow					
	Within 1 year or on demand ***RMB'000***	**More than 1 year but less than 2 years** ***RMB'000***	**More than 2 years but less than 5 years** ***RMB'000***	**More than 5 years** ***RMB'000***	**Total** ***RMB'000***	**Carrying amount** ***RMB'000***
Trade and other payables	**10,987**	**—**	**—**	**—**	**10,987**	**10,987**

	2009 Contractual undiscounted cash outflow					
	Within 1 year or on demand *RMB'000*	More than 1 year but less than 2 years *RMB'000*	More than 2 years but less than 5 years *RMB'000*	More than 5 years *RMB'000*	Total *RMB'000*	Carrying amount *RMB'000*
Trade and other payables	17,547	—	—	—	17,547	17,547

31. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Foreign currency risk

(i) Exposure to currency risk

The following table details the Group's and the Company's exposure at the end of reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in Renminbi, translated using the spot rate at the year end date. Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency are excluded.

	The Group		The Company	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Cash and cash equivalents	**32,453**	94,042	**32,453**	94,042
— in USD	**32,444**	94,034	**32,444**	94,034
— in AUD	**9**	8	**9**	8
Gross exposure	**32,453**	94,042	**32,453**	94,042

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
RMB	**2010**	2009	**2010**	2009
USD	**6.7255**	6.8314	**6.6227**	6.8282
AUD	**6.4217**	5.4215	**6.7139**	6.1294

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after tax (and retained earnings) that would arise if foreign exchange rates to which the Group has significant exposure at the end of reporting period had changed at that date, assuming all other risk variable remained constant.

31. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Foreign currency risk (continued)

(ii) Sensitivity analysis (continued)

The Group and the Company

	2010		2009	
	Increase/ (decrease) in foreign exchange rates	**Effect on profit after tax and retained profits**	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits
		RMB'000		*RMB'000*
USD	**10%**	**3,244**	10%	9,403
	(10%)	**(3,244)**	(10%)	(9,403)
AUD	**10%**	**1**	10%	1
	(10%)	**(1)**	(10%)	(1)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after tax measured in the respective functional currencies, translated into Renminbi at the exchange rate ruling at the end of reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2009.

31. FINANCIAL INSTRUMENTS (CONTINUED)

(d) Fair values

(i) Financial instruments carried at fair value

The following table presents the carrying value of financial instruments measured at fair value at the end of reporting period across the three levels of the fair value hierarchy defined in IFRS 7, Financial Instruments: Disclosures, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments
- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data
- Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data

2010

	The group			
	Level 1 *RMB'000*	Level 2 *RMB'000*	Level 3 *RMB'000*	Total *RMB'000*
Assets				
Derivative financial instruments				
— Option to acquire non-controlling interests	–	–	–	–

31. FINANCIAL INSTRUMENTS (CONTINUED)

(d) Fair values (continued)

(i) Financial instruments carried at fair value (continued)

2009

	The group			
	Level 1	Level 2	Level 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets				
Derivative financial instruments				
— Option to acquire non-controlling interests	—	—	11,031	11,031

During the year there were no significant transfers between instruments in Level 1 and Level 2.

The movement during the year in the balance of Level 3 fair value measurements is disclosed in note 21.

(ii) Fair values of financial instruments carried at other than fair value

The carrying amounts of the Group's and the Company's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2010 and 2009.

32. ACCOUNTING JUDGEMENTS AND ESTIMATES

(a) Critical accounting judgements in applying the group's accounting policies

Accounting judgements made by management in the process of applying the Group's accounting policies is included in note 3(d), 3(f), 3(g), 3(n) and 4.

(b) Sources of estimation uncertainty

Notes 21, 28 and 31 contain information about the assumptions and their risk factors relating to fair value of other financial asset, share options and financial instruments.

33. ULTIMATE HOLDING COMPANY

At 31 December 2010, the directors of the Company consider the parent and the ultimate holding company to be Golden Bridge International Culture Limited and Golden Bridge Int'l Advertising Holdings Limited respectively, both of which are incorporated in Cayman Islands. These two entities do not produce financial statements available for public use.

34. SUBSEQUENT EVENTS

The following significant events took place subsequent to 31 December 2010:

On 23 March 2011, the directors of the Company proposed a final dividend and a special dividend for the year ended 31 December 2010. Further details are disclosed in note 26.

Five Year Summary

(Expressed in Renminbi)

	2010 *RMB'000*	2009 *RMB'000*	2008 *RMB'000*	2007 *RMB'000*	2006 *RMB'000*
Results					
Revenue	**1,373,173**	766,804	558,356	364,702	263,657
Profit from operations	**208,979**	120,907	159,712	79,630	74,780
Net finance income/(expense)	**13,554**	5,646	(7,159)	(23,608)	(6,228)
Share of profit equity accounted investees (net of income tax)	**(584)**	(259)	(107)	—	—
Profit before income tax	**221,949**	126,294	152,446	56,022	68,552
Income tax expense	**(55,598)**	(37,407)	(31,343)	(13,247)	(7,233)
Profit for the year	**166,351**	88,887	121,103	42,775	61,319
Attributable to:					
Owners of the Company	**158,064**	97,245	120,800	42,316	61,319
Non-controlling interest	**8,287**	(8,358)	303	459	—
Profit for the year	**166,351**	88,887	121,103	42,775	61,319
Assets and liabilities					
Property, plant and equipment	**54,601**	57,062	54,182	48,266	23,831
Investment in equity accounted investees	**6,000**	584	843	—	—
Other financial asset	**—**	11,031	—	—	—
Deferred tax assets	**8,748**	9,779	6,350	3,268	—
Net current assets	**804,393**	683,952	617,976	338,087	296,283
Total assets less current liabilities	**873,742**	762,408	679,351	389,621	320,114
Deferred tax liability	**(4,041)**	(2,315)	(1,286)	—	—
Other non-current liabilities	**(13,657)**	(18,155)	—	—	(265,423)
NET ASSETS	**856,044**	741,938	678,065	389,621	54,691

Five Year Summary

(Expressed in Renminbi)

	2010	2009	2008	2007	2006
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Capital and reserves					
Share capital	**174**	173	173	137	90
Reserves	**848,966**	736,300	670,473	388,556	54,591
Total equity attributable to owners of the Company	**849,140**	736,473	670,646	388,693	54,681
Non-controlling interest	**6,904**	5,465	7,419	928	10
TOTAL EQUITY	**856,044**	741,938	678,065	389,621	54,691
Earnings per share					
Basic earnings per share *(RMB)*	**0.279**	0.172	0.243	0.098	0.122
Diluted earnings per share *(RMB)*	**0.278**	0.172	0.243	0.096	0.122

NOTE TO THE FIVE YEAR SUMMARY

As a result of the sub-divisions of ordinary shares in 2007 and 2008, figures for the years from 2006 to 2007 have been adjusted for comparison purposes.


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