ANNUAL REPORT
2011年報

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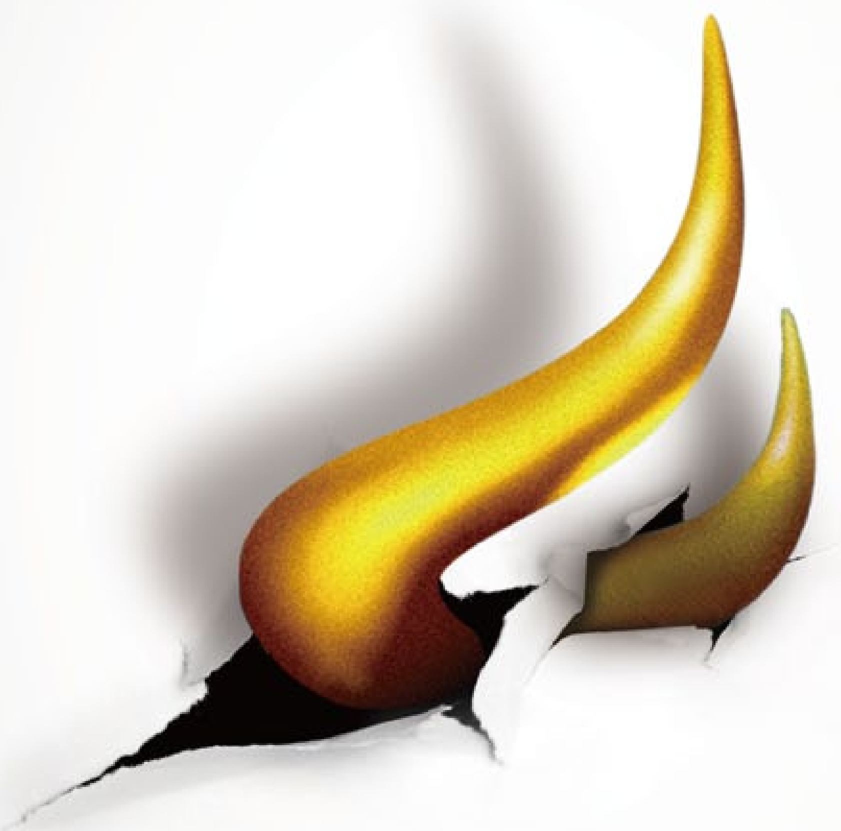

中視金橋國際傳媒控股有限公司
SinoMedia Holding Limited

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

About us

SinoMedia Holding Limited (the "Company" or "SinoMedia") and its subsidiaries (collectively the "Group") is a leading media corporation in China, with a focus on structuring and developing four businesses, namely "media resources management, integrated brand communication services, creative production of advertisement and content, and new media investment and integration".

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」)是中國領先的傳媒運營集團，重點構建和發展媒體資源運營、品牌整合傳播服務、廣告與內容創意製作以及新媒體投資與整合運營四大板塊。

Contents

Financial Summary

	For the year ended 31 December 2011 RMB'000	For the year ended 31 December 2010 RMB'000	Change (%)
Revenue	**1,617,800**	1,373,173	+18%
Profit from operations	**352,292**	208,979	+69%
Profit attributable to equity shareholders of the Company	**238,945**	158,064	+51%
Earnings per share (RMB)			
— Basic	**0.424**	0.279	+52%
— Diluted	**0.419**	0.278	+51%
Proposed dividends per share (HK cents)			
— Final	**10.6**	6.6	+61%
— Special	**10.6**	6.6	+61%

Revenue:

	For the year ended 31 December 2011 RMB'000	For the year ended 31 December 2010 RMB'000	Change (%)
Media resources management	**1,605,435**	1,378,316	+16%
Integrated brand communication services	**18,613**	9,875	+88%
Creative production of advertisement and content	**39,255**	18,467	+113%
Others	**638**	—	N/A
Sales taxes and surcharges	**(46,141)**	(33,485)	+38%
Revenue	**1,617,800**	1,373,173	+18%

	As at 31 December 2011	As at 31 December 2010
Total assets	**1,851,158**	1,284,248
Equity attributable to equity shareholders of the Company	**1,018,875**	849,140

Corporate Information

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

NON-EXECUTIVE DIRECTORS
Mr. Zhu Jia
Mr. He Hui David

INDEPENDENT NON-EXECUTIVE DIRECTORS
Mr. Ding Junjie
Mr. Qi Daqing
Mr. Lian Yuming

AUDIT COMMITTEE
Mr. Qi Daqing *(Chairman)*
Mr. Ding Junjie
Mr. He Hui David

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

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
iPR Ogilvy Ltd.

WEBSITE
www.sinomedia.com.hk

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January

- **Acquisition of the exclusive underwriting rights to "Weather Forecast" on CCTV-5 (Sports).**
  In addition to the current underwriting rights to channels and programmes, SinoMedia entered into a cooperation agreement with Beijing Huafeng Meteorological Audio & Video Technology Center and acquired the exclusive underwriting rights to the advertising resources of "Weather Forecast" in Sports News on CCTV-5 (Sports). This programme is the only weather services programme on CCTV-5 (Sports).
- **Acquisition of the master advertising agency rights of MediaCorp TV channels in China**
  SinoMedia entered into a media agency agreement with a wholly-owned subsidiary of MediaCorp Pte Ltd ("MediaCorp"), and became the master advertising agent of MediaCorp TV channels (including Channel NewsAsia and other TV channels) in China.

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February

- **Winning the honour of First Class Advertising Enterprise of China again**
  SinoMedia won the honour of First Class Advertising Enterprise of China in the media service category again. The accreditation of First Class Advertising Agency of China is organised and initiated by China Advertising Association (Committee of Enterprise Accreditation), to fully recognise the contributions of enterprises to advertising industry and social welfare, highlighting the influence and credibility of enterprises. SinoMedia gains unanimous recognition from industry associates and all sectors of the society by virtue of its positive development momentum and operation results. This is not only an affirmation of its economic strength and operation capacity, but also an assurance for developing long-term strategic cooperative partnership between the enterprise and clients.

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April

- **SinoMedia acquired the creative, filming and production project of the promotional video for the luxurious "Royal Ruyi" products of Shandong Ruyi Science & Technology Group**

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May

- **Entering into a strategic cooperation with the magazine "Global Brand Insight"**
  SinoMedia signed a strategic cooperative framework agreement with the magazine "Global Brand Insight" of China Advertising Association of Commerce, which further expands and extends SinoMedia into the field of enterprise brand marketing.

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June

- **Image video of Everbright Bank was included in the IAI Annual Book**
  After competitive presentation, SinoMedia entered into a creative advertising and graphic design agreement with China Everbright Bank. The series of overall image advertisement for Everbright Bank which were aired on CCTV during 2010–2011, and was included in the IAI 2011 Annual Book of Chinese Advertising Works (中國廣告作品年鑒).

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July

- **Winning the media agency business of China Life**
  In the bidding of the media agency project held by China Life, after two rounds of competitive presentations among various media agencies, SinoMedia was finally appointed the service provider for advertising services procurement projects under the media agency category of China Life for the year 2011–2012. The winning of the bid fully demonstrated the overall strengths of SinoMedia in providing comprehensive media services to large enterprises.

- **Establish a Foothold in Mobile Internet Industry to Explore Mobile TV Market**
  SinoMedia has entered into agreements to invest in cash for the acquisition of the equity interests of two mobile TV operators, 100 TV and CNLive and became an important strategic investor for the two companies. SinoMedia establishes a solid foothold in the mobile Internet media operations.

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August

- **Entering into a creative, filming and production agreement with Henan Provincial Tourism Bureau for the creative production of microfilm by the Company**
- **SinoMedia becomes CNBC's Exclusive Advertising Sales Representative in China**
  SinoMedia entered into a cooperation agreement with CNBC Asia Pacific, which authorises SinoMedia to be the exclusive advertising sales representative for CNBC TV and Internet in Mainland China.

2011
Year in Review

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September

- **The contract for SinoMedia and THE PLACE project signed in Beijing**
  On 19 September 2011, SinoMedia entered into a cooperation agreement with THE PLACE INVESTMENT (BEIJING) CO., LTD and held a signing ceremony for the office building project of SinoMedia and THE PLACE. This project will provide a versatile working environment for the future strategic development of SinoMedia which is beneficial to the overall future management of the Group.
- **SinoMedia was named Asia's 200 Best Under A Billion by Forbes**
  SinoMedia was named as one of the 200 "Best Under A Billion" by Forbes (Asia) in the September 2011 issue. The ranking was made from a selection of approximately 15,000 companies with active stock dealings and annual sales between USD5 million to 1 billion in the Asian-Pacific region, and other indicators such as enterprise profit margin, growth rate, analysis of enterprise's assets and liabilities and future development potential of enterprise. A total of 65 enterprises in mainland China and Hong Kong were named while SinoMedia was the only named domestic media operation group focusing on integrated media operation and underwriting.
- **Won the competitive presentation for the production and filming contract on the promotional video of Zhengzhou Municipal Tourism Administration**

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November

- **SinoMedia doubled its tendering business and brand service improved rapidly**
  In the presale tender for 2012 CCTV primetime advertisement resources, SinoMedia achieved a record of RMB1.4 billion of contract value, doubling that of 2011. This signified that SinoMedia's integrated brand communication services are taking shape as SinoMedia acquired higher market recognition for its extensive experience in integrated brand communication services.
- **Being appointed the service provider for procurement project under the media agency category of the People's Insurance Company (Group) of China**
  After several rounds of the agency selection procedures and competitive presentations, leveraging on years of professional experience in finance and insurance industries as well as its capabilities of media planning and purchasing, SinoMedia was finally appointed the service provider for advertising services procurement project under the media agency category of the People's Insurance Company (Group) of China for the year 2011–2012.

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December

- **The award ceremony of China 4A Gold Seal Awards was successfully held**
  On 9 December 2011, SinoMedia, as the vice-director unit of China 4A, successfully organised the award ceremony of the sixth China 4A Gold Seal Awards. It was highly acclaimed in the settings of auditorium, overall creativity, program rundown and on-spot arrangement. SinoMedia fully demonstrated its high level of professionalism in the planning and implementation of public relations activities.
- **"WGOOL" carried out internal test within the Group**
  In December 2011, an agricultural portal website, "www.wgool.com", was newly established by CTV Golden Bridge Culture Development (Beijing) Company Limited, a wholly-owned subsidiary of SinoMedia. Internal test within the Group was then commenced and the website was launched online in February 2012. It is an important milestone signifying the Group's expansion from downstream media sales operation to upstream media content production. It is also an important move of the Group towards establishing a versatile industry chain and interactive media operating system.

Awards and Recognition

Company

I.

Award:	Outstanding Media Organisation for Innovation and Integrity
Time:	February 2011
Awarded by:	China Association of National Advertisers
Award Description:	Awarded by China Association of National Advertisers in the 2010 Annual Meeting and Summit of Marketing Innovation and Brand Image Improvement in the "12th Five-Year" period, and the award aims at advocating advertiser enterprises' core values of innovation and integrity and encouraging Chinese advertisers in promoting the sustainable and sound development of the China's advertising industry with the synergy of innovation in terms of technology, management and marketing network.

II.

Award:	China Advertising Gold Medal Award for Comprehensive Strategy
Time:	October 2011
Awarded by:	China International Advertising Festival
Award description:	China International Advertising Festival is the most influential industrial platform in China, aiming to promote the communication and interaction between media and enterprises, and encourage the cross-promotion between media and enterprises. The award was granted at China Advertising Underwriter Commendation Congress during the 18th China International Advertising Festival, which was co-hosted by Television Branch of China Advertising Association, Newspaper and Magazine Branch of China Advertising Association and Ad Men Magazine Publishing House. The candidates for the award were nominated by mainstream media such as CCTV , Hunan Satellite Television, Youku and Sohu. The winner will be chosen according to the published articles on authoritative media like R3, CTR, New Era and the evaluation criteria include service reputation, resource integration, marketing precision, technology matching and new media brand.

III.

Award:	2011 Top 10 CCTV Advertising Agency
Time:	February 2012
Awarded by:	China Central Television Station Advertising Center
Award Description:	"Top 10 CCTV Advertising Agency" is the annual award presented by CCTV to its advertising agency partners and it is the highest recognition granted by CCTV to its advertising agencies. It has been the sixth consecutive year for SinoMedia to receive such an award.

Creative design

I.

Annual Report:	SinoMedia 2010 Annual Report
Award:	Cover Design Gold Award (media and advertising companies) of ARC Awards
Time:	June 2011
Awarded by:	MerComm, Inc.
Award description:	The ARC Awards, established by MerComm, Inc. in 1987, is one of the world's largest and the most authoritative competitions for honoring excellence in annual reports. The award is considered highly respected and prestigious in the industry, and is called "Oscar Award of Annual Report" by the finance media.

II.

Annual Report:	SinoMedia 2010 Annual Report
Award:	League of American Communications Professionals LLC (LACP) the Vision Awards — the Listed Company Annual Report Gold Award, Top 50 in the Asia-Pacific Region and Top 20 Chinese companies
Time:	June 2011
Awarded by:	League of American Communications Professionals LLC (LACP)
Award description:	League of American Communications Professionals LLC is committed to creating professional display platform in public relations section to set good examples around the world.

III.

Advertisement:	"NEET-China National Committee on Ageing" graphic design
Award:	Silver Award (Corporate image) of the Chinese Classics Communication Awards
Time:	June 2011
Award by:	Chinese Classics Communication Awards Committee
Award description:	Organised by "Advertising Panorama Magazine", the Chinese Classics Communication Awards is one of the most authoritative and influential awards in the commercial advertising industry in China.

IV.

Film Advertisement:	"From Capital Bank to Humanism Bank -China Everbright Bank" film advertisement
Award:	Bronze Award (Financial) of the Chinese Classics Communication Awards
Time:	June 2011
Award by:	Chinese Classics Communication Awards Committee
Award Description:	Organised by "Advertising Panorama Magazine", the Chinese Classics Communication Awards is one of the most authoritative and influential awards in the commercial advertising industry in China.

V.

Advertisement:	“Seeking — WWF” graphic design
Award:	Bronze Award (Corporate Image) of the Chinese Classics Communication Activities Awards
Time:	June 2011
Awarded by:	Chinese Classics Communication Awards Committee
Award description:	Organised by “Advertising Panorama Magazine”, the Chinese Classics Communication Awards is one of the most authoritative and influential awards in the commercial advertising industry in China.

VI.

Advertisement:	“Protect the Breast — Pink Ribbon”
Award:	Silver Award (Conference & Events) of the Chinese Classics Communication Activities Awards in 2010
Time:	June 2011
Awarded by:	Chinese Classics Communication Activities Awards Committee
Award description:	Organised by “Advertising Panorama Magazine”, the Chinese Classics Communication Awards is one of the most authoritative and influential awards in the commercial advertising industry in China.

VII.

Advertisement:	“National Public Relations in the Sincere Context — APP”
Award:	Silver Award (Office Supplies) of the Chinese Classics Communication Activities Awards
Time:	June 2011
Awarded by:	Chinese Classics Communication Awards Committee
Award description:	Organised by “Advertising Panorama Magazine”, the Chinese Classics Communication Awards is one of the most authoritative and influential awards in the commercial advertising industry in China.

VIII.

Advertisement:	“Wu Song Feeding Tigers”
Award:	Finalist (Graphic Design) of the Chinese Element Creative Award
Time:	September 2011
Awarded by:	Organising Committee of the Chinese Element Creative Award
Award description:	It is an international creative award hosted by the China Association of National Advertisers and directed and directly organised by the Organising Committee of the Chinese Element Creative Award with a view to inheriting and carrying forward the vitality and creativity of the native cultural elements in China, promoting the formation of China’s unique advertising creative culture in the advertising and advertising creative industries, and initiating and advocating the popularization and application of Chinese elements all over the world as well as commending the advertising creators worldwide for the achievements they have accomplished.

IX.

Advertisement:	Lu Zhishen Planting Trees
Award:	Finalist (Graphic Design) of the Chinese Element Creative Award
Time:	September 2011
Awarded by:	Organising Committee of the Chinese Element Creative Award
Award description:	It is an international creative award hosted by the China Association of National Advertisers and directed and organized directly by the Organizing Committee of the Chinese Element Creative Award with a view to inheriting and carrying forward the vitality and creativity of the native cultural elements in China, promoting the formation of China’s unique advertising creative culture in the advertising and advertising creative industries, and initiating and advocating the popularization and application of Chinese elements all over the world as well as commending the advertising creators worldwide for the achievements they have accomplished.

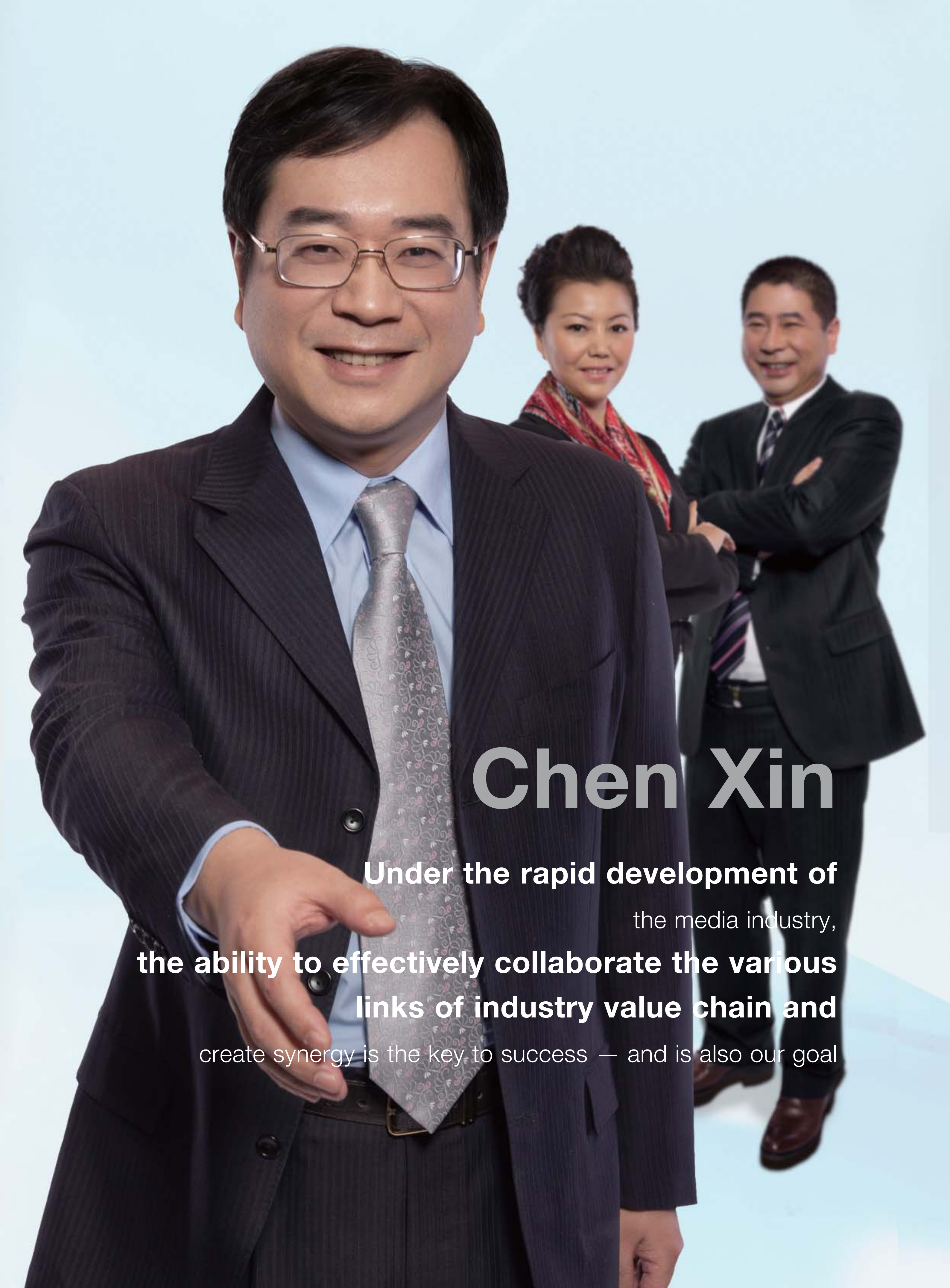
Management

I.

Winner:	Ms. Liu Jinlan
Award:	2011 Outstanding Figures of Innovation and Integrity
Time:	February 2011
Awarded by:	China Association of National Advertisers
Award Description:	Awarded by China Association of National Advertisers in the 2010 Annual Meeting and Summit of Marketing Innovation and Brand Image Improvement in the “12th Five-Year” period, and the award aims at advocating advertiser enterprises’ core values of innovation and integrity and encouraging Chinese advertisers in promoting the sustainable and sound development of the China’s advertising industry with the synergy of innovation in terms of technology, management and marketing network.

II.

Electee:	Ms. Liu Jinlan
Position:	Practice Tutor for Graduate School of Management of Communication University of China
Time:	September 2011
Organization:	Communication University of China
Description:	MBA course of Communication University of China is the first national MBA education project with “cultural media” features, focusing on developing new generation talents for high-ranking management positions with media knowledge and management quality.


Chen Xin
Under the rapid development of
the media industry,
the ability to effectively collaborate the various
links of industry value chain and
create synergy is the key to success — and is also our goal

Chairman's Statement

2011 was a year of exceptional excellence for Sinomedia, and the year of development of its different business sectors in the vertical media industry chain. The Group has made remarkable progress with the development on its four core businesses, namely media resources management, integrated brand communication services, creative production of advertisement and content, and new media investment and integration. The Group has thus moved closer to the strategic goal of becoming "the leading media corporation with video media management as its core business".

While continuing to consolidate its strength in media resource management notably with China Central Television Station ("CCTV") as the core platform, the Group also focuses on enhancing the integrated band communication service, and increasing its investments in upstream channels, content and technological platforms. Meanwhile, the Group speeds up the international communications of clients' brands by cooperating with international media in agency business.

Media resource management is currently the core business which contributes the most revenue of the Group. During the year, the Group managed advertising time resources of programmes from channels including CCTV-1 (General)/CCTV-News (Chinese), CCTV-2 (Finance), CCTV-4 (Chinese International, including Europe and US), CCTV-5 (Sports), CCTV-7 (Military and Agriculture) and CCTV-NEWS (English). This allows the flexibility in the creative presentation of ideas, and opens up a wider demographic of the client.

The Group also offers a full range of campaign strategy and execution services that target our clients' different brand communication needs. A comprehensive advertising procurement system that covers TV, the Internet and mobile Internet, radio, print and outdoor media resources is in place. During the year, the Group was appointed by numerous national and large-scale corporations to be their media procurement agent. At the 2012 CCTV Prime Time Resources Bidding, by adopting highly cost-effective media strategies, the Group purchased on behalf of its clients advertising resources that doubled in value from the previous year. The above achievements symbolise that the Group's integrated brand communication services have already established and widely recognised by the clients' market.

The Group conquered the geographic limitation during the year under review, entered into cooperation agreements with MediaCorp from Singapore, and CNBC, the financial TV station from the United States of America, to become their business partner, expanding steadily into the international media domain. In line with the strategy of business globalisation, the Group has formally established its subsidiary in Hong Kong to provide advertising services to Hong Kong and overseas clients to promote their corporate and product brands in the China market. The Group will continue its efforts in gaining more national and international media resources, in order to provide our clients with more vivid and diverse communication schemes.

The group has actively promoted the business segment of creative production of advertisement and content in 2011. During the year under review, revenue from this business significantly increased and plenty of notable awards were won, both globally and domestically. In addition, the Group produced creative microfilms which are applicable for interactive new media communications, providing clients with creative and abundant communication videos. The nationwide public service advertising broadcast network further expanded to cover a total of 150 regional television channels.

The Group successively completed key strategic investments, including the mobile video operators 100TV and CNLive, and a tourism portal www.lotour.com. Besides, preparation for the establishment of the agricultural portal www.wgool.com was kicked off in the second half of the year. The website was officially online in early 2012, aiming to integrate Internet and mobile terminals and become the largest and the most authoritative agricultural website for the vast Chinese rural users and agriculture-related enterprises, to provide various product information and a promotion platform.

In 2011, the growth of China's economy experienced a steady slowdown, while the advertising market still retained a higher growth rate than that of the overall economy. The Group will closely monitor the current uncertainties of the decelerating economic growth and the industry development, while still remains cautiously positive to the outlook of whole year of 2012. We believe that under the rapid integration of the media industry, the ability to effectively collaborate television, the Internet and mobile Internet platforms and to create synergy among the various links of the industry value chain, is the key to success — and is also the long-term goal of the Group. With the Group's well-established four core businesses, we will continue to consolidate its unique strengths to gradually increase the synergy and ensure the medium and long-term sustainable development of the Group. In order to facilitate the operational system of the Group, we will continuously improve our internal organisational structure, enhance the talent introduction and training system, and provide competitive remuneration packages for our staffs, to help prepare the Group, in respect of its human resources needs, for rapid development.

Last but not least, on behalf of the Board, I would like to take this opportunity to express my appreciation to our shareholders, clients and commercial partners for their unyielding trust and support, and to our management team and staffs for their professionalism and contribution. Along with the ongoing development of China's economy and the rapid growth of the media industry in the mainland, we will continue to strive for excellence and greater returns for our shareholders.

Chairman
Chen Xin

Hong Kong, 16 March 2012

All-round Development in Business Segments

SinoMedia has formulated a comprehensive and in-depth strategy for its future development focusing on four major business segments, namely media resources management, integrated brand communication services, creative advertisement and content production and new media investment and integration. Throughout the year, each business segment has been mature and SinoMedia integrates state and local media, traditional and new media, domestic and international media to form a global media communication platform, and to grow into the nationally leading and internationally influential media operation group.

Maintaining its Edges in Media Resources

In 2011, SinoMedia continued to maintain its edges in TV media resources. On top of CCTV's news programmes, the Company also covered various types of programmes including news information, editorials, finance, lifestyle, arts and culture, as well as agriculture etc, which serve an audienceship of 1.12 billion in China, and TV viewers from more than 150 oversea countries and regions.

Management Discussion and Analysis

ABOUT THE GROUP

Since 2011, according to the strategic goals of becoming "the leading media corporation with video media management as its core business" set out by the Board of Directors, the Group has made remarkable progress on developing four core businesses, namely, "the media resources management, integrated brand communication services, creative production of advertisement and content, and new media investment and integration".

While continues to consolidate its notable advantage on China Central Television Station ("CCTV") for the core media resource management, the Group focuses on the increase of its investments in upstream channels, content and technological platforms, including making active expansion in the field of mobile video and preparation for building agricultural new media platform. Meanwhile, the Group speeds up the international communications of clients' brands and the cooperation with international media, and is actively engaged in video management service and content production including that of microfilms.

With regard to internal management, the Group continues to adjust its organisational structure to adapt for group management, and has improved its systems of the recruitment, promotion and training of staff so as to ensure that human resource supply can keep up with the sustained rapid expansion of the Group, thereby having taken the first strategic step to upgrade the Group from a media advertising company to a media corporation.

BUSINESS REVIEW

I. Media Resources Management

The Group enjoys notable advantages in the media resources management. It is one of the leading operators for CCTV in terms of the long partnership, the abundance of underwriting resources, the form of cooperation and the scale of operations, and has been awarded one of the "CCTV's Top Ten Advertising Agencies" for consecutive years.

During the year under review, the Group renewed its current exclusive underwriting contracts and acquired additional exclusive underwriting rights, which consolidated and strengthened the Group's position as a leading underwriter of CCTV's programme advertisements. The Group had approximately 41,209 minutes of advertising time resources for a total of 46 programmes on channels including CCTV-1 (General)/CCTV-News (Chinese), CCTV-2 (Finance), CCTV-4 (Chinese International, including Europe and US), CCTV-5 (Sports), CCTV-7 (Military and Agriculture) and CCTV-NEWS (English). We have advertising resources of the "Night News (晚間新聞)" on CCTV-1 (General), "News 30' (新聞30分)" joint broadcast on CCTV-1 (General)/CCTV-News (Chinese), "Make More Money" (生財有道) on CCTV-2 (Finance), "China News (中國新聞)", "Across the Strait (海峽兩岸)", "All-Day Package (全天時段套)", "Exposition of Chinese Culture Relics (國寶檔案)" and "China Showbiz (中國文藝)" on CCTV-4 (Chinese International, including Europe and US), "Weather Forecast" during "Sports News" programmes on CCTV-5 (Sports), seven programmes including "Zhi Fu Jing (致富經)", "Focus on the Three Agricultural Issues (聚焦三農)" and "Daily Agricultural News (每日農經)" on CCTV-7 (Military and Agriculture), and all programmes on CCTV-NEWS (English).

II. Integrated Brand Communication Services

In addition to recommending advertisement placement on our exclusive underwritten media resources, the Group also offers a full range of campaign strategy and execution services that target our clients' different brand communication needs. A comprehensive advertising procurement system that covers TV, the Internet and mobile Internet, radio, print and outdoor media is in place. This system includes brand positioning, media strategy and procurement execution.

During the year under review, the Group successively acquired the businesses of omni-media procurement agency services of China Life Insurance (Group) Company, Postal Savings Bank of China and The People's Insurance Company (Group) of China Limited in the year of 2011 through 2012. Once again, the Group delivered impressive results in the 2012 CCTV Prime Time Resources Bidding. By adopting highly cost effective media strategies, it purchased on behalf of its clients advertising resources worth over RMB1.4 billion, which was more than double of 2011. The above achievements symbolise that the Group's integrated brand communication services have already established and are widely recognised by the market.

Additionally, the Group is the first domestic company in the industry to strategically expand into the international media domain. In 2011, we entered into cooperation agreements with MediaCorp from Singapore and CNBC, the world's largest financial TV station, from the United States of America, becoming their master advertising agent and exclusive advertising sales representative respectively in Mainland China. Expansion into the international media domain at the right time and pace not only demonstrates the Group's strategic development towards internationalisation, but also enables Chinese clients to develop global business with effective brand and advertising exposure in overseas markets through our abundant and high quality domestic and international media resources. This also allows the Group to gain firsthand experience from international communication services, winning the initiative for further development.

In line with the strategy of business globalisation, the Group has formally established its subsidiary in Hong Kong in September 2011. Currently, the Hong Kong subsidiary is mainly engaged in providing Hong Kong and overseas clients with advertising services of the Group's exclusive media resources which would help Hong Kong and offshore clients promote their corporate and product brands in Chinese market through the strongest media platform in the mainland. The Group is one of the few domestic advertising agencies that have overseas sales offices. We consider the establishment of the Hong Kong subsidiary as an important strategic deployment for the gradual expansion of the Group's overseas business.

III. Creative Production of Advertisement and Content

1. Creative production services for commercial advertisements and microfilms

Since establishment, the Group has produced numerous cases of successful advertisements. We have extensive execution experience in campaign strategy, brand creativity, visual design and filming of advertisements and won several prestigious awards both domestically and internationally. At the same time, the Group's client volume and contract amounts had also reached a record high. During the year under review, the Group acquired new business from Everbright Bank to provide annual service of creative advertisement and graphic design, as well as the domestic luxury brand "Royal Ruyi" to provide creative production of its image film.

In addition, the Group produced several microfilms applicable for interactive new media communications for clients. This particular service provides clients with creative production service for videos of longer duration and more vivid and rich content, so as to satisfy consumers' changing habit of watching video online and on mobile Internet.

2. ***Creative production and syndication of public service advertisements***

The Group's wholly owned subsidiary Beijing Taihe Ruishi Culture and Media Company Limited is the only operator in China that has a nationwide public service advertising broadcast network of 150 regional television channels which not only helps SinoMedia to increase its influence in the creative production sector, but also supplements the Group's existing advertising media resources.

With the standardisation of the broadcasting of domestic commercial TV advertisements by the State Administration of Radio Film and Television, TV media increased the promotion of public service advertisements and the trend of using public service advertisements for building corporate brands become more prominent. Hence, the Group expects that through the independent creativity, filming and production of public service advertisements and their syndication to a wide range of regional television channels, this platform will attract more interest of clients, bringing in more sponsorship revenue from corporate clients for the Group.

3. ***Video dynamic management service***

During the year under review, the Group set up the only media asset management system in advertising industry to provide clients with dynamic management services of gathering, collating, editing and the application of video information. It would help clients manage their video advertising more effectively and systematically. At the same time, the Group can significantly improve the efficiency of its production team which helps to improve the quality of video production service. This system is currently in service and enquiries are also received from interested clients.

IV. New Media Investment and Integration

The Group strongly believes that the increase in Internet population and the development of mobile smart terminals, the Internet, especially mobile Internet, will accelerate the change in the media industry and promote the consolidation and development of various media in the next decade. During this process, content production with creativity and communications capacity will be the core competitiveness of the media. Accordingly, during its process of developing into a leading media corporation in China, the Group will continue to pay particular attention to the development of content platforms in the new media and, leveraging on its own edges, it will focus on the development of video-related business.

In 2011, several key strategic investments were made or completed, including the investments in www.lotour.com, FoneNet Inc. ("100TV") and Beijing Zhongtoushixun Cultural Media Co., Ltd. ("Zhongtoushixun"), and the preparation for the establishment of the agricultural Internet portal www.wgool.com was started off in the second half of the year. The details are as follows:

1. ***100TV***

With the investment in 100TV completed in July 2011, the Group became the third largest shareholder of 100TV and appointed a member with preferred voting rights to join its board of directors. 100TV is one of the largest mobile TV platforms and service providers in China, focusing on the development of mobile TV technology and video players, and has obtained business licenses for telecommunications and information services and value-added telecommunications services.

2. ***CNLive***

The Group's acquisition of 5% stake in Zhongtoushixun was completed in July 2011. With the China Internet Information Center holding the controlling stake, Zhongtoushixun is a mobile TV operator that is responsible for the production of audio and visual content for CNLive's mobile TV platform, as well as mobile TV services through the mobile communication network. The company also provides video services to its subscribers through the Internet.

3. ***www.lotour.com***

In December 2010, the Group entered into an agreement with Beijing Lotour Internet Technology Co., Ltd. to establish a joint venture for the exclusive operation of www.lotour.com, the largest Internet portal for the travel industry. During the year under review, the Group successfully completed its investment in this joint venture.

4. ***www.wgool.com***

In August 2011, the Group started to build the Internet portal www.wgool.com which aims to becoming the largest and the most authoritative agricultural website in China. This website has been officially online in early 2012. This project demonstrates the Group's determination to develop its new media investment and integration business, and represents a critical initiative for the Group to expand its business to upstream content production of the media value chain and to establish a complete and three-dimensional media operation system. Moreover, it shows that the Group is optimistic towards the unprecedented opportunities arising from the informationalised development in the Chinese agriculture and the brand development of agricultural products.

During the year under review, the above projects as a whole did not yet make contribution to the profit of the Group. The Group expects to nurture the market with the project partners and develop the Group's integration and operation capability in the related new media sector in the next one to two years. Given the promising outlook of the aforementioned projects and our good expectation on the increasing synergy of our operations in the future, the Group believes that these sectors will soon become new revenue drivers of the Group after one to two years, and will play a positive role in the Group's growth in the long run.

FINANCIAL REVIEW

Revenue and Profit Attributable to the Equity Shareholders of the Company

For the year ended 31 December 2011, the Group recorded a revenue of RMB1,617,800 thousand, representing a 18% increase from RMB1,373,173 thousand recorded in 2010. The increase of the revenue was mainly attributable to (1) the increase of the average selling prices and the utilisation rates of the advertising time of the key programmes of the Group's core business, media resources management; (2) the continuous expansion of the scale of operation of the integrated brand communication services; and (3) the increase of the revenue of creative production of advertisement and content business driven by its continuously improving standard of work.

Details of the revenue are as follows:

I. Before the deduction for sales taxes and surcharges, revenue recorded from the media resources management was RMB1,605,435 thousand, up 16% from RMB1,378,316 thousand last year. The sustained growth of revenue from this business was attributable to the increase in the advertising time of exclusive underwritten resources sold, as compared with the last year. The Group managed to promote sales by enhancing sales efforts, offering a more diversified product portfolio and strengthening regional sales and promotional initiatives. Besides, the Group continued to enhance our professional services provided for clients.

II. Before the deduction for sales taxes and surcharges, turnover recorded from the integrated brand communication services was RMB849,943 thousand, up 54% from RMB552,619 thousand year-on-year. Under the International Accounting Standards, the Group's revenue shall be recognised on a net basis with the related procurement costs deducted from the turnover if the Group procures media resources in the capacity of an agency for clients, and pursuant to which, revenue from the business was RMB18,613 thousand, significantly increased 88% from RMB9,875 thousand last year. The increase was mainly due to the fact that the Group enhanced its promotion efforts and increased resource allocation to this business, thereby increasingly expanding the scale of this business and gaining higher recognition from clients.

III. Before the deduction for sales taxes and surcharges, revenue from creative production of advertisement and content was RMB39,255 thousand, up 113% from RMB18,467 thousand last year. This revenue included the revenue from production services for commercial advertising and revenue from the production and distribution of advertisements by the nationwide public service advertising broadcast network.

    1. The Group provided full range of high-quality creative production of advertisement and content services for its clients. This year, the Group successfully won several large commercial advertisement production projects through creative proposals and competitive presentation, and achieved a significant increase in client volume and contract amounts compared with the last year.

    2. The nationwide public service advertising broadcast network, which comprises numerous local TV stations, continued to maintain a favorable growth momentum after dedicated nurturing, and recorded an increase of revenue compared with the last year. The Group will continue to provide clients with opportunities to build their brands and corporate image on social responsibility at a cost lower than that of ordinary television commercials, with an aim to achieving the Group's goal of expanding to the upstream of the media value chain and developing innovative business models.

As the revenue recorded from all the above businesses grew significantly, while the cost of services and operating expenses were maintained at reasonable levels, the profit attributable to equity shareholders of the Company for the year ended 31 December 2011 rose to RMB238,945 thousand, representing a significant increase by 51% from RMB158,064 thousand year-on-year.

Operating Expenses

For the year ended 31 December 2011, the Group's overall operating expenses were RMB156,126 thousand, increased RMB19,813 thousand year-on-year, and accounted for 9.7% of the Group's revenue (year ended 31 December 2010: 9.9%).

The operating expenses include the followings:

I. Selling and marketing expenses amounted to RMB66,778 thousand, showing a slight decrease from RMB67,493 thousand last year, and accounted for 4.1% of the Group's revenue (year ended 31 December 2010: 4.9%). The decrease in selling and marketing expenses was mainly due to the fact that: (1) following the sharp increase in revenue, performance-based payroll of sales personnel rose by approximately RMB3,001 thousand year-on-year; (2) With the Group's measures on further control over expenses showing effect and the agency for some of the Group's exclusive underwritten TV programs approaching the maturity phase of their product life cycles, promotion and marketing expenses for activities including promotion fairs, market research and industry analyses decreased by approximately RMB5,874 thousand compared with the last year.

II. General and administration expenses amounted to RMB89,348 thousand, representing an increase of RMB20,528 thousand from the last year (year ended 31 December 2010: RMB68,820 thousand). The increase of the general and administration expenses was mainly due to:

   1. In line with business expansion, additional office space and office equipment were needed. Lease and property management fees, office expenses and depreciation increased by approximately RMB10,175 thousand compared with the last year.

   2. Provision for bad and doubtful debts and impairment on long-term investment for the year increased by approximately RMB4,892 thousand compared with the last year. Among them, provision for bad and doubtful debts significantly decreased by RMB14,060 thousand compared to last year under strict control over delayed payments for advertisements and our extra effort in managing the recovery of the receivables; but due to the drastic changes in market environment, for prudence and having taken into consideration of the evaluation results of the recoverability analysis, the Group made an one-off full impairment on an equity investment in a group purchase website for the year, which amounted to RMB18,952 thousand.

   Before provision for bad and doubtful debts and impairment loss on long-term investment, general and administration expenses amounted to RMB71,212 thousand, representing 4.4% of the Group's revenue (year ended 31 December 2010: 4.0%). Despite the continuous expansion of the scale of the Group's operation, the amount of expenses as a percentage of the Group's revenue still remained at a relatively low level, which indicated that the Group maintained a satisfactory control over the general and administration expenses.

Significant Investments and Acquisitions

Major investments and acquisitions took place during the year are as follows:

I. The Group has completed the strategic equity investment in www.lotour.com, 100TV and CNLive respectively. The details are set out in section headed "New media investment and integration" of Business Review.

Management Discussion and Analysis

II. In July 2011, the Group entered an agreement with Life Media Limited acquiring the minority interest of Life Media Limited and began business cooperation with it. Life Media Limited operates the domestic group purchase website "F-tuan". The group purchase business of F-tuan began in 2010. Currently, it is one of the leading brands in the highly competitive group purchase market in China.

III. In September 2011, the Group entered into a framework agreement with an independent third party to acquire a building for office premises purposes, located at the 12 Dongdaqiao Road, Chaoyang District which is at the heart of Beijing, at a consideration of RMB258 million.

To facilitate future development of the Group, the Group sees the need of consolidating current office locations of various subsidiaries and departments and preparing office for the operation of new projects. The acquisition will enhance the Group's general operation efficiency and increase the edges of overall internal coordination.

Liquidity and Financial Resources

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

As at 31 December 2011, the Group's cash and bank balances amounted to RMB913,179 thousand (as at 31 December 2010: RMB795,791 thousand), up 15% compared to the last year, of which 97% was denominated in Renminbi and 3% in US dollar and other currencies.

The Group strengthened liquidity management to maintain adequate cash flows. During the year under review, the net cash inflow from operating activities amounted to RMB526,983 thousand (year ended 31 December 2010: RMB504,392 thousand). The Group reinforced the management of receivables and imposed strict control over delayed payments for advertisements. As a result, while the Group's revenue increased significantly year-on-year, its receivables remained at a low level. As at the end of the year, the Group's outstanding accounts receivables (excluding notes receivables) after provision for bad and doubtful debts amounted to RMB74,811 thousand.

As at 31 December 2011, the Group's total assets amounted to RMB1,851,158 thousand, which were financed by equity attributable to equity shareholders of the Company of RMB1,018,875 thousand, and non-controlling interests of RMB6,359 thousand. As at year end, there were no bank borrowings or assets held under financial lease.

The majority of the turnover, expenses and capital investments of the Group were denominated in RMB.

Human Resources

As at 31 December 2011, the Group had over 380 employees in total, increased by approximately 15% 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 bonuses to our other employees in view of the 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 36,780,000 units. We also continued to provide employees with benefits like insurance, medical check-ups and various training courses with a view to maintaining the Group's competitiveness.

INDUSTRY AND GROUP OUTLOOK

In 2011, China's economy growth was slowing down steadily. The Group considers that it is the expected outcome of PRC government curbing over-investment and restructuring industry. On the contrary, the news of "the once rapidly rising Consumer Price Index (CPI) turned around in the fourth quarter of 2011" and "the government decided to offer preferential treatment on corporate income tax for small and medium-sized enterprises" laid a foundation for the strong recovery of the economy in the second half of 2012. As to the industry, according to the latest release of China's advertising spending data compiled by an authoritative research institution, CTR Marketing Research, the total income of China's advertising market (measured by standard rate card) grew by 13% in 2011, higher than the 9.2% growth rate of China's gross domestic product (GDP) for the year. Therefore, the Group will closely monitor the current uncertainties of the decreasing economic growth and the industry development, while still remains cautiously positive to the outlook of whole year of 2012.

We consider that driven by capital, technology and policy, consolidation in the industry will be further accelerated and the "Matthew effect" will appear among media and advertising companies. Whoever integrates various media platforms of television, the Internet and mobile Internet better and coordinates the various sectors of the industry value chain will continue to lead the race.

The "opinions on further strengthening the management of television programmes of general satellite channels" (commonly called "cutback on TV entertainment") and the "notice of further strengthening the management of the advertisement broadcasting on radio and television" (commonly called "cutback on TV commercials") issued by the State Administration of Radio, Film and Television have been put into effect, which would slow down the migration of television audience to the Internet media, and also shrink the TV advertisement resources of entertainment shows and TV dramas, resulting in the improvement of the viewing experience of television audience. Hence, the Group firmly believes that having news programmes as its core, the media resources management business that accounts for the majority of the Group's businesses will continue to grow consistently and rapidly.

However, the rapid increase in the number of users of new media will cause a profound change in media industry. According to the "29th Statistical Report on Internet Development in China" published by the China Internet Network Information Center (CNNIC), as of the end of December 2011, China had a total of over 500 million Internet users, including 325 million online video users and 356 million mobile Internet users. The Group expects that the increasing smartphone population in China will trigger a wave of innovative developments just like that happened on desktop computers.

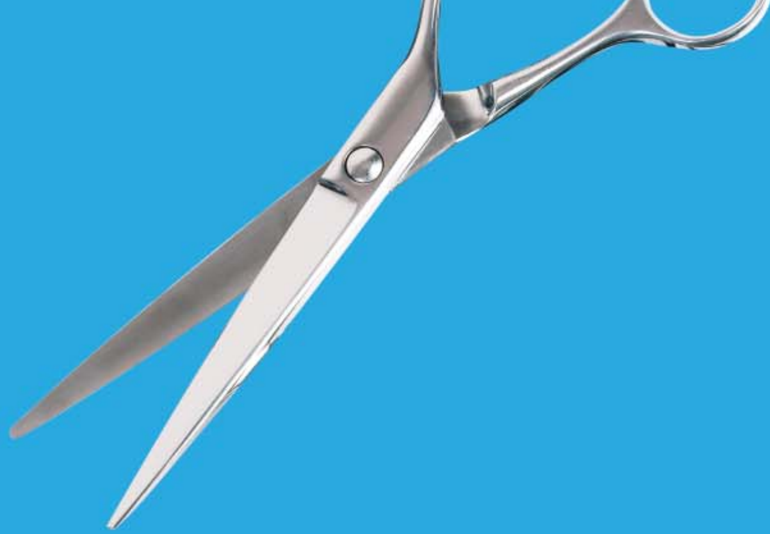
Leveraging on its competitive edges and upholding the principle of "video media operation as its core", the Group will integrate various terminals like television, the Internet and mobile Internet. In particular, we will assure that operation of the agricultural Internet portal, www.wgool.com, will be stable in the first half of 2012, and at the same time we will strive to complete one to two investment projects on video platforms during the year in order to lay a foundation for diversifying source of income and sustainable development of the Group. During the process, the Group will continue to increase its investment on human resources and management to maintain its core competencies.

From the perspective of clients, we reckon that the "one-stop" service concept covering creative and production, advertising strategy and procurement, public relations activity is a general trend. Therefore, we will accelerate our cooperation with overseas media to cater to the increasing communication needs of domestic brands, and at the same time get in touch with clients proactively in various aspects of the above so as to satisfy clients' multiple demands.

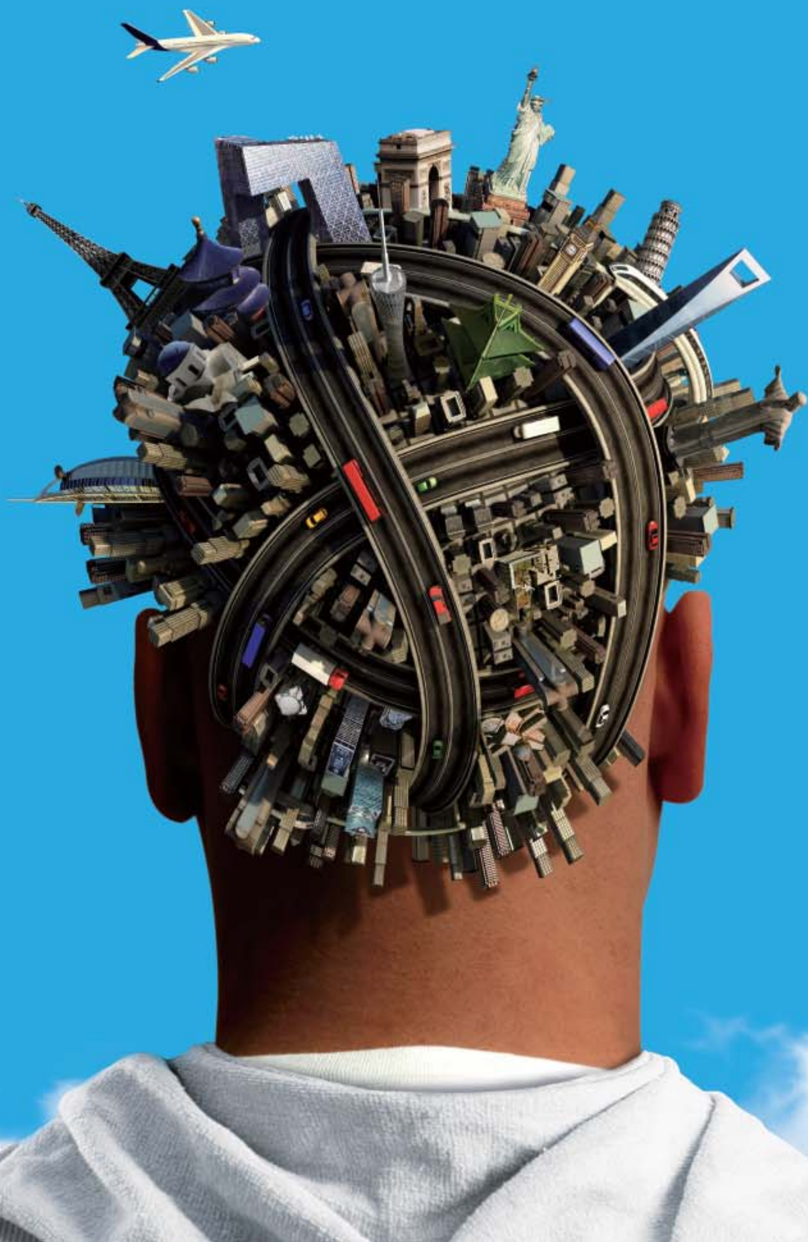
We believe that with the continued growth of China's economy and the opportunities in the vibrant domestic media industry, the Board of Directors, the management and the Group's entire staff will all aim at realising the mission of becoming a leading media corporation in China and worldwide. With the Group's concerted efforts and proactive attitude, we will continue to deliver the good investment returns to our shareholders.

Significant Progress in Integrated Communication

SinoMedia invested substantially in integrated brand communication for providing "one-stop" integrated brand communication services. In the 2012 CCTV Primetime Advertisement Resources Presale Tender, the total value of sales contracts signed by SinoMedia exceeded RMB1.4 billion, representing an increase of more than 100% over the previous year. It signified SinoMedia's initial success in the integrated brand communication services and that its extensive experience in this area was widely recognised by the clients' market. The integrated brand communication services has become another growth segment of the Group.



Global Setting and Integrated Communication



Since 2011, SinoMedia has been steadily promoting the setting for branding communication globalisation by establishing branches overseas and signing cooperation agreement with internationally renowned media magnates in order to provide the best support to both China and overseas clients in branding communication. At present, the Group has already set up cooperation agreements with renowned international media groups such as MediaCorp Pte Ltd (新加坡新傳媒) and CNBC finance television channel and (美國CNBC財經電視台), CTV Golden Bridge International Media (Hong Kong) Co., Ltd., a subsidiary of SinoMedia, was officially established as a vital division to strategically deploy international business and gradually expand the overseas business of the Group. SinoMedia has thus become the first domestic media operation group mainly acting as an agent for television advertisement that has overseas branches.

Directors and Senior Management

DIRECTORS

MR. CHEN XIN (陳新)

aged 45, 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, financial planning 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 43, 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 for two successive years as one of the 2009/2010 and 2010/2011 "Top Ten Influential Female Advertising Professionals in China" (中國最具影响力十大女性廣告人) by "Advertising Guidance" magazine (廣告導報雜誌社) and MBA School of the Communication University of China (中國傳媒大學MBA學院) in September 2010 and April 2011 respectively. Ms. Liu graduated from the Beijing Broadcast Institute 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 44, joined the Group in 2000 as financial supervisor and had been our General Accountant from 2007 to 2008. He was then a Vice-president and is currently our Chief Internal Control Officer. He was appointed as a director in November 2006. Mr. Li is responsible for financial audit, risk management, legal affairs and human resources management 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 Renmin University of China in 1990. Mr. Li is the husband of Ms. Liu's niece.

MR. ZHU JIA (竺稼)

aged 49, 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 mergers and acquisitions 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.

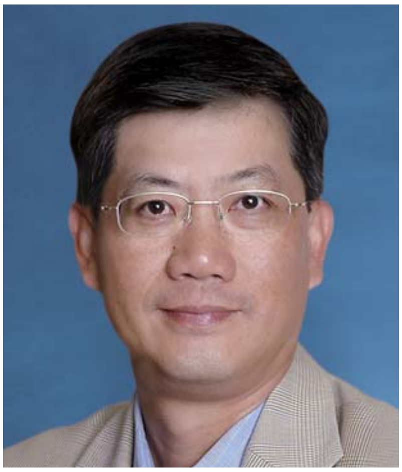
Mr. Zhu currently holds directorships in the following publicly listed companies: Gome Electrical Appliances Holding Limited (Hong Kong Stock Exchange), Sunac China Holdings Limited (Hong Kong Stock Exchange), Greatview Aseptic Packaging Company Limited (Hong Kong Stock Exchange), Clear Media Limited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

MR. HE HUI DAVID (何暉)

aged 51, was appointed as our non-executive director in August 2011. He is currently an Executive Vice President of Bain Capital Asia, LLC. He has more than 20 years of experience in engineering, sales and marketing and general business management in the United States of America and Asia. Before joining Bain Capital Asia, LLC in 2007, Mr. He had spent over 13 years with General Electric (GE) in various capacities. Mr. He received his Ph.D. degree in Physics from the University of Michigan in Ann Arbor, the United States of America. He obtained a Master Degree in Business Administration from Kellogg School of Business at the Northwestern University and was a graduate of the Peking University in the PRC.

MR. DING JUNJIE (丁俊杰)

aged 48, 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 Beijing Broadcasting Institute.


MR. QI DAQING (齊大慶)

aged 47, 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, Ltd. (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. (NYSE), 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. LIAN YUMING (連玉明)

aged 48, was appointed as our independent non-executive director in May 2011. Mr. Lian graduated from the Shanxi University (山西大學) in 1987 with a bachelor of laws degree. He currently serves as the President of the International Institute for Urban Development, Beijing (北京國際城市發展研究院), a researcher of the Research Center of National Conditions and Policies of the Party School of the Central Committee of Communist Party of China (中共中央黨校國情國策研究中心), the Chairman of the International Cities Forum Foundation (國際城市論壇基金會) and a committee member of the Expert Consultative Committee of the Beijing Municipal Government (北京市政府專家諮詢委員會). He has a number of publications including the Report on Competitiveness of Chinese Cities (中國城市綜合競爭力報告), the Report on the Living Quality of Chinese Cities (中國城市生活質量報告), the Report on the Brand Value of Chinese Cities (中國城市品牌價值報告), the Report on the Core Problems of the 11th Five-Year Plan of Chinese Cities (中國城市「十一五核心問題研究報告) and the Report on the Core Problems of the 12th Five-Year Plan of Chinese Cities (中國城市「十二五」核心問題研究報告). Mr. Lian has received various awards from government bodies and communities in recognition of his achievement and contribution to society, including the Beijing Municipal Committee of the Chinese People's Political Consultative Conference (政協北京市委員會).

SENIOR MANAGEMENT

MR. LIU XUMING (劉旭明)

aged 44, was our Senior Vice President from 2005 to 2010, and has been our Chief Operation Officer since 2011. Mr. Liu is in charge of the Group's overall operation management. He joined the Company in November 1999. Mr. Liu has over 10 years of experience in city branding management, TV media operation and management, and advertisement design and market development, and has a strong understanding of the positioning, design 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.

MR. CHAN OI NIN DEREK (陳凱年)

aged 44, 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.

MS. JIN LANXIANG (金蘭香)

aged 33, had been our Senior Vice President since April 2008, and was appointed as the Group's Chief Marketing Officer in 2011, in charge of the advertising sales of programs of CCTV to which the Group has exclusive underwriting rights. She joined the Group in 2001 and was the General Manager of our City Branding Centre in 2006 and 2007. Ms. Jin has worked in media industry for more than ten years and has extensive media sales experience and systematic media sales idea, providing a strong and solid customer base for the Group. Ms. Jin has successfully provided services to over 100 city and travel-related clients and participated in the provision of communication services for more than 200 large and medium-size enterprises. Ms. Jin majored in finance at Beijing Construction University from 1996 to1999.

MS. SHEN HONGYAN (沈鴻雁)

aged 41, joined the Group as our Chief Media Officer in August 2011. She is primarily responsible for the relations and execution management of media resources, and the management of our CCTV bidding business and integrated communication services business. Ms. Shen has rich experience in media and market research, media advertisement operation and media investment management. She served as the Managing Director of Maxus under GroupM from 2008 to 2011 and the Account Director of the Advertising Department of CCTV from 2001 to 2008, before which, Ms. Shen held an important post in research of CTR Market Research Co. Ltd. Ms. Shen obtained a bachelor's degree from Capital Normal University in 1992 and an EMBA degree from China Europe International Business School in 2008.

MR. HUANG PING (黄平)

aged 48, joined the Group as a Senior Vice President in December 2011, and is responsible for the strategic development of media contents and channel platforms. Mr. Huang has extensive media-related work experience. He worked for MTV as its Senior Vice President and General Manager for Greater China from 2009 to 2011. From 2006 to 2009, he was Vice President in STAR China Co., Ltd. Before that, Mr. Huang was Associate Director for the Satellite Channel under Shanghai Media Group and has accumulated extensive experience in programme production and distribution. Mr. Huang obtained a bachelor's degree from the Journalism Department of Fudan University in 1986 and finished his postgraduate study in International News in Fudan University in 1988.

Contemporary Creative Production

Up to the end of 2011, SinoMedia has provided creative advertisement and video content production services to more than 40 business sectors, various corporate brands and cities and regional governmental institutions, by producing dozens of advertisements, features, films for image building and microfilms, and more than 40 nationwide and worldwide awards were won. From the second half year of 2011, SinoMedia started creative production services for mobile handset-adaptable short features and has undertaken corresponding marketing promotions.

Strategic Setting in New Media

Through diversified investment strategies, SinoMedia actively involved in but not limited to the businesses of the vertical portal for travel industry, mobile television programmes and videos, electronic commerce, and also other Internet and mobile Internet application businesses, with good growth potential. In early 2011, SinoMedia invested in lotour.com, which is a portal for travel industry in China. In July 2011, SinoMedia invested in two distinguished mobile video operations, 100TV and CNLive so as to make further expansion into the industry chain of new media operations.

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 2011, 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"), except for the deviation from the CG Code as mentioned in the paragraph headed "Remuneration Committee" below.

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 2011.

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 the relationship between members of the Board are set out in Directors and Senior Management section on pages 22 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 the shareholders and the Group as a whole.

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

1. Composition of the Board

During the year ended 31 December 2011, the Board comprised the following directors:

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

Non-executive Directors:
Mr. Zhu Jia
Mr. Huang Jingsheng (resigned on 25 August 2011)
Mr. He Hui David (appointed on 25 August 2011)

Independent non-executive Directors:
Mr. Ding Junjie
Mr. Qi Daqing
Mr. Chen Tianqiao (retired on 20 May 2011)
Mr. Lian Yuming (appointed on 20 May 2011)

Save and except that Mr. Chen Xin is the spouse of Ms. Liu Jinlan and that 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.

Corporate Governance Report

The Company has received annual written 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. Five 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 AND HELD
Executive Directors:	
Chen Xin	5/5
Liu Jinlan	5/5
Li Zongzhou	5/5
Non-executive Directors:	
Zhu Jia	5/5
Huang Jingsheng (resigned on 25 August 2011)	3/5
He Hui David (appointed on 25 August 2011)	2/5
Independent non-executive Directors:	
Ding Junjie	5/5
Qi Daqing	5/5
Chen Tianqiao (retired on 20 May 2011)	1/5
Lian Yuming (appointed on 20 May 2011)	4/5

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 times and may seek independent professional advice at the Company's expenses, 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 had not yet set up a nomination committee for the year under review, the Board as a whole was 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.

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 2011. 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 RMB122 thousand for service provided for the year under review.

Information relating to remuneration of each Director for 2011 is set out in note 12 to the financial statements on page 86 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. He Hui David. 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. At the meetings, the committee:

- discussed with management the financial reporting process of the Group and reviewed the 2010 annual report and the 2011 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 their 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, Mr. Chen Tianqiao (who ceased to be a member on 20 May 2011), and Mr. Lian Yuming (who was appointed on 25 August 2011).

After the retirement of Mr. Chen Tianqiao from being an independent non-executive Director and a member of the Remuneration Committee of the Company and before the appointment of Mr. Lian Yuming as a member of the Remuneration Committee, the committee has only two members, one of whom is an independent non-executive Director. It led to a deviation from code provision B.1.1 of the CG Code, which provides that a majority of the members of remuneration committee should be independent non-executive directors, during the period from 20 May 2011 to 24 August 2011.

During the year, one meeting was held to review the reasonableness as well as competitiveness of the 2011 remuneration packages of the Group's executive Directors and senior management members.

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 compliance with the new PRC value-added tax law 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 statements 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 49 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, RMB3,100 thousand was charged by the Group's external auditors for annual audit services.

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. Shareholders 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.

Corporate Social Responsibility Report

Being the leading mainstream media corporation in China, Sinomedia regards the fulfillment of social responsibility as its inescapable duty. Over the years, Sinomedia has created wealth for the society, and strived to reciprocate the society at the same time, sparing no effort to advocate the building of social morality, disseminating respectable ideas, actively promoting public welfare, and strongly boosting the harmonious development of the society, the economy and the environment.

INDEPENDENT CREATIVITY

Sinomedia owns a creative and content production team of over 60 employees, and the team is responsible for providing comprehensive, professional and exquisite creative services in respect of advertisement and video programs for more than 40 industries, various corporate brands and city governmental institutions and regions. The team has won more than 40 awards home and abroad: In 2010, Sinomedia was awarded China 4A Innovation Gold Seal Award (Great Work Award); In 2011, Sinomedia's graphic design "NEET — China National Committee on Ageing" was awarded Silver Award of Chinese Classics Communication Awards (Corporate Image Category); the graphic design "Searching — WWF" was awarded Bronze Award of Chinese Classics Communication Awards (Corporate Image Category).

Over the years, Sinomedia has strived to forge Chinese creative culture with outstanding creative production, promoted the development of the advertising creative industry in China, and initiated city branding communication in China which made significant contribution to development of Chinese cities. In 2003, Sinomedia published the "Research Report on the Communication of City — Tourism Brands through TV Advertisements" and took the lead in setting the industrial standards for city branding. In 2006, the branding advertisement "Hospitable Shandong" created a brand new model of cluster advertising for the tourism brands in China. It drew extensive attention from the tourism industry in China. The effect of this successful model contributed significantly to the global promotion of city brands and tourism brands of China.

EMPLOYEES' WELFARE

Sinomedia advocates the "family culture" centered around "caring, responsibility and accommodation". Sinomedia also attaches importance to the enhancement of the employees' sense of belonging and achievement to create a good corporate ambience. In addition to providing the opportunity of training and development for every employee, Sinomedia also pays sincere attention to the physical and mental health of the employees and holds "Sinomedia Sports Day" every year to help employees stay healthy both physically and mentally.

Sinomedia cares about every employee and their families and arranges various theme activities centered around family culture. In April every year, Sinomedia organizes a series of "Parents Day" activities and invites the parents of outstanding employees to visit its headquarters in Beijing in person. Sinomedia pays for accommodation and transportation expenses. Various theme activities are provided so that the employees can reunion with their families thus enhancing the families' understanding of and the trust in the company. On 9 September 2011, Sinomedia held the first "Weddings in Sinomedia" activity. A massive group wedding ceremony for ten newly-wed couples of the Group during the year. This demonstrated the sincere concern of the Group on the happiness of the employees' family life.

PUBLIC SERVICE ADVERTISEMENT

A public service advertisement is an advertisement for the benefits of the public. Its functions are to bring a macro effect on the society and the public; build good morals through the communication of the concepts beneficial to the society; and promote the civilization and advancement of the society. Sinomedia owns a public service advertising broadcast network — the only public service advertising television media network in China which covers over 150 television channels, reaching 900 million audiences in China. In the Global Advertiser Conference jointly held by

the World Federation of Advertisers and China Association of Advertisers in 2011, Sinomedia was awarded the "Outstanding Social Responsibility Award" due to its outstanding contributions to the promotion of the public service advertisement and agriculture-related brands in China. In the future, Sinomedia will remain dedicated to promoting the development of the public service advertisement in China.

ECONOMIC CONTRIBUTIONS

The Group employs over 380 employees and provides them with the opportunity of promotion, training and development. In 2011, the Group promulgated and implemented certain documents, including the "Cultivation Measures on Selecting Outstanding Employees for Further Study" and the "Convenient Promotion Solutions for Professional Technicians", and organized various trainings for 57 times, such as "Construction of the Corporate Strategy-based Corporate Management System in China", "Improvement of Sale Capabilities — Sales Elite and Sales Behavior", and "Manager's Skills for Beautiful Commercial Speech and Presentation". The Group also implemented a new mechanism where outstanding employees can be sent abroad for further study and a pilot program for the cultivation of oversea talents, so as to provide professional and systematic growth channels for the employees with capabilities, potential and diligence and foster a substantial number of professionals for the society.

The Group has been operating in China for many years and has always made consistent contributions to the development of the local economy. In 2011, Sinomedia officially established a branch company in Hong Kong to actively develop oversea businesses and strive to make a greater contribution to the development of the global economy.

Expanding its Edges in Finance Sector

Being the research centre of China Advertising Association of Commerce (中國商務廣告協會) for financial brands, SinoMedia performed prominently in the aspect of brand communication services for finance and insurance industries. Currently, SinoMedia has established steady business cooperation with many finance and insurance companies in China. In 2011, SinoMedia was the service provider for advertising services procurement projects under the media agency category of The People's Insurance Company (Group) of China Limited for the year 2011–2012.

Continue to lead the City Branding Communication

In 2011, SinoMedia published "Growth Strategies for City Brands in China"《中國城市品牌成長攻略》and continued to dominate the city brand communication sector. According to authoritative statistics, SinoMedia has more than 80% of the market share among the clients of city tourism who utilize the services of CCTV platform.

Directors' Report

The directors have pleasure in submitting their annual report together with the audited financial statements for the year ended 31 December 2011.

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, the 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 2011 are set out in note 1 and note 18 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 2011 is as follows:

	Percentage of the Group's total purchases
The largest supplier	92%
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 2011 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 51 to 55.

TRANSFER TO RESERVES

Profits attributable to equity shareholders of the Company, before dividends, of RMB238,945 thousand (2010: RMB158,064 thousand) have been transferred to reserves. Other movements in reserves are set out in the Consolidated Statements of Changes in Equity on page 56.

A dividend of approximately RMB62,224 thousand (2010: RMB17,786 thousand) was paid in June 2011. The directors now recommend the payment of a final dividend of HKD10.6 cents per share (2010: HKD6.6 cents per share) and a special dividend HKD10.6 cents per share (2010: HKD6.6 cents per share) for the year ended 31 December 2011.

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment of the Group are set out in note 17 to the financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in note 24 to the financial statements.

The Company acquired its own listed securities of 10,218,000 shares in 2011. Other than this, there were no sales or redemption of the Company's listed securities by the Company or any of its subsidiaries during the year.

DIRECTORS

The directors during the year ended 31 December 2011 were:

Executive directors

Chen Xin
Liu Jinlan
Li Zongzhou

Non-executive directors

Zhu Jia
Huang Jingsheng (resigned on 25 August 2011)
He Hui David (appointed on 25 August 2011)

Independent non-executive directors

Ding Junjie
Qi Daqing
Chen Tianqiao (retired on 20 May 2011)
Lian Yuming (appointed on 20 May 2011)

In accordance with Article 105 of the Company's Articles of Association, Li Zongzhou, Zhu Jia, and Ding Junjie shall retire at the forthcoming annual general meeting ("AGM") of the shareholders of the Company. All of them and the newly appointed non-executive director, He Hui David, being eligible, will offer themselves for re-election or election respectively at the AGM.

No director proposed for re-election or 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 2011, 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 Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have taken 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	45.93%
Chen Xin	Founder of discretionary trust and beneficiary of trust	251,428,165 *(Note 3)*	–	251,428,165	45.14%
Li Zongzhou	Beneficial interest	–	2,500,000	2,500,000	0.45%
He Hui David	Beneficial interest	–	600,000	600,000	0.11%
Qi Daqing	Beneficial interest	–	260,000	260,000	0.05%
Ding Junjie	Beneficial interest	–	200,000	200,000	0.04%
Lian Yuming	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 Group 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 2011, 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 Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have taken 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 2011 was 36,780,000 shares which represented approximately 7% of the issued share capital of the Company at 31 December 2011.

Movements of the share options under the share option schemes for the year ended at 31 December 2011 are as follows:

	No. of options outstanding at the beginning of the year	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 at the end of the year	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*
He Hui David	600,000	–	–	–	600,000	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*
Lian Yuming	–	200,000	–	–	200,000	29 August 2011	HKD2.62	*Note 4*
Employees								
in aggregate	9,608,000	–	–	(48,000)	9,560,000	4 July 2007 to 7 March 2008	RMB1.56	*Note 1*
	200,000	–	–	–	200,000	17 September 2009	HKD1.49	*Note 3*
	16,640,000	–	(405,000)	(1,115,000)	15,120,000	2 July 2010	HKD1.84	*Note 4*
	1,300,000	–	–	(800,000)	500,000	22 November 2010	HKD2.82	*Note 4*
	1,060,000	–	–	(160,000)	900,000	6 December 2010	HKD2.88	*Note 4*
	–	2,340,000	–	–	2,340,000	29 August 2011	HKD2.62	*Note 4*

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 commenced on 8 January 2009 and will expire on a date ranging from 3 July 2015 to 6 March 2016 (depending on their respective dates of grant of the option), also subject to the vesting requirement mentioned above.

2. An exception to the vesting requirement mentioned in note (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 his 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.

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

As at 31 December 2011, 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 Divisions 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	53.66%
CLH Holding Limited	Corporate interest *(Note 2)*	203,941,513	36.61%
Bain Capital CTVGB Holding L.P.	Corporate interest *(Note 3)*	117,624,579	21.12%

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 2011, there was 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 Divisions 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 2011, 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

CTV Golden Bridge International Media Group 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 the 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.

Following the above mentioned second supplemental agreement and option agreement, CTV Media (Shanghai) held a 90% equity interest in Golden Bridge Senmeng as at 31 December 2011.

(ii) 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 is for a term of 3 years from 11 September 2009 to 10 September 2012 with an annual rental of RMB972,099. During the year ended 31 December 2011, rental of RMB972,099 was paid for the lease.

The independent non-executive directors have reviewed the continuing connected transaction as set out in ii above and confirmed that it has 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 31 December 2011 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 139 of the annual report.

PROVIDENT AND RETIREMENT FUND SCHEMES

The Group's employees in the PRC participate in various defined contribution schemes stipulated 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 9 to the financial statements.

AUDITORS

KPMG shall retire and, being eligible, will 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.

By order of the Board
Chen Xin
Chairman

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 51 to 138, which comprise the consolidated and company statements of financial position as at 31 December 2011, 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.

Independent Auditor's Report

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011 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 Chater Road
Central, Hong Kong

16 March 2012

Consolidated Income Statement

For the year ended 31 December 2011
(Expressed in Renminbi)

	Note	**2011** ***RMB'000***	2010 *RMB'000*
Revenue	6	**1,617,800**	1,373,173
Cost of services		**(1,116,620)**	(1,033,979)
Gross profit		**501,180**	339,194
Other income	7	**7,238**	6,098
Selling and marketing expenses		**(66,778)**	(67,493)
General and administration expenses		**(89,348)**	(68,820)
Profit from operations		**352,292**	208,979
Finance income	10	**17,068**	20,960
Finance costs	10	**(728)**	(7,406)
Net finance income		**16,340**	13,554
Share of loss of equity-accounted investees		**(7,169)**	(584)
Profit before taxation		**361,463**	221,949
Income tax	11	**(119,132)**	(55,598)
Profit for the year		**242,331**	166,351
Attributable to:			
Equity shareholders of the Company		**238,945**	158,064
Non-controlling interests		**3,386**	8,287
Profit for the year		**242,331**	166,351
Earnings per share	16		
Basic earnings per share (RMB)		**0.424**	0.279
Diluted earnings per share (RMB)		**0.419**	0.278

The notes on pages 59 to 138 are an integral part of these financial statements. Details of dividends payable to Equity shareholders of the company attributable to the profit for the year are set out in note 25(b).

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011
(Expressed in Renminbi)

	2011 *RMB'000*	2010 *RMB'000*
Profit for the year	**242,331**	166,351
Other comprehensive income for the year (after tax)	**(5,669)**	(1,270)
Exchange differences on translation of financial statements of the Company and overseas subsidiary	**(5,669)**	(1,270)
Total comprehensive income for the year	**236,662**	165,081
Attributable to:		
Equity shareholders of the company	**233,276**	156,794
Non-controlling interests	**3,386**	8,287
Total comprehensive income for the year	**236,662**	165,081

The notes on pages 59 to 138 are an integral part of these financial statements.

Consolidated Statement of Financial Position

At 31 December 2011
(Expressed in Renminbi)

	Note	2011 RMB'000	2010 RMB'000
Assets			
Property, plant and equipment	17	**56,229**	54,601
Investment property	17	**3,899**	—
Prepayment for acquisition of a property		**230,000**	—
Investments in equity-accounted investees	19	**47,722**	6,000
Other non-current financial assets	20	**30,447**	—
Deferred tax assets	21	**3,643**	8,748
Non-current assets		**371,940**	69,349
Trade and other receivables	22	**566,039**	419,108
Cash and cash equivalents	23	**913,179**	795,791
Current assets		**1,479,218**	1,214,899
Total assets		**1,851,158**	1,284,248
Capital and reserves			
Share capital	24	**171**	174
Reserves		**1,018,704**	848,966
Equity attributable to equity shareholders of the Company		**1,018,875**	849,140
Non-controlling interests		**6,359**	6,904
Total equity		**1,025,234**	856,044
Liabilities			
Other non-current financial liability	20	**14,245**	13,657
Deferred tax liability	21	**—**	4,041
Non-current liabilities		**14,245**	17,698
Trade and other payables	26	**742,860**	369,185
Current taxation	11(c)	**68,819**	29,450
Other current financial liability	20	**—**	11,871
Current liabilities		**811,679**	410,506

Consolidated Statement of Financial Position

At 31 December 2011
(Expressed in Renminbi)

	Note	2011 RMB'000	2010 RMB'000
Total liabilities		**825,924**	428,204
Total equity and liabilities		**1,851,158**	1,284,248
Net current assets		**667,539**	804,393
Total assets less current liabilities		**1,039,479**	873,742

Approved and authorised for issue by the board of directors on 16 March 2012.

Chen Xin
Chairman

He Hui David
Director

The notes on pages 59 to 138 are an integral part of these financial statements.

Statement of Financial Position

At 31 December 2011
(Expressed in Renminbi)

	Note	2011 RMB'000	2010 RMB'000
Assets			
Investments in subsidiaries	18	**223,515**	210,854
Investments in equity-accounted investees	19	**34,846**	—
Other non-current financial assets	20	**6,609**	—
Non-current assets		**264,970**	210,854
Trade and other receivables	22	**272,803**	319,199
Cash and cash equivalents	23	**20,701**	33,550
Current assets		**293,504**	352,749
Total assets		**558,474**	563,603
Capital and reserves			
Share capital	24	**171**	174
Reserves	25	**556,028**	552,442
Total equity		**556,199**	552,616
Liabilities			
Trade and other payables		**2,275**	10,987
Current liabilities		**2,275**	10,987
Total liabilities		**2,275**	10,987
Total equity and liabilities		**558,474**	563,603
Net current assets		**291,229**	341,762
Total assets less current liabilities		**556,199**	552,616

Approved and authorised for issue by the board of directors on 16 March 2012.

Chen Xin
Chairman

He Hui David
Director

The notes on pages 59 to 138 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2011
(Expressed in Renminbi)

	Attributable to equity shareholders of the Company										
	Share capital *RMB'000* *(note 24)*	Share premium *RMB'000*	Capital redemption reserve *RMB'000* *(note 25(c))*	Capital reserve *RMB'000* *(note 25(c))*	Statutory reserve *RMB'000* *(note 25(c))*	Translation reserve *RMB'000* *(note 25(c))*	Other reserves *RMB'000* *(note 25(c))*	Retained earnings *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
Balance at 1 January 2010	173	461,741	18	17,414	37,735	2,776	(11,151)	227,767	736,473	5,465	741,938
Share-based payments (note 27)	–	–	–	3,362	–	–	–	–	3,362	19	3,381
Acquisition of non-controlling interests	–	–	–	–	–	–	1,813	(35,436)	(33,623)	(6,867)	(40,490)
Dividends (note 25(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
Share-based payments (note 27)	**–**	**–**	**–**	**4,645**	**–**	**–**	**–**	**–**	**4,645**	**–**	**4,645**
Purchase of own shares	**(3)**	**–**	**3**	**–**	**–**	**–**	**–**	**(19,722)**	**(19,722)**	**–**	**(19,722)**
Acquisition of non-controlling interests (note 5)	**–**	**–**	**–**	**9,842**	**–**	**–**	**–**	**3,301**	**13,143**	**(3,301)**	**9,842**
Dividends (note 25 (b))	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(62,224)**	**(62,224)**	**(630)**	**(62,854)**
Appropriation to reserves	**–**	**–**	**–**	**–**	**5,435**	**–**	**–**	**(5,435)**	**–**	**–**	**–**
Exercise of share option	**–**	**803**	**–**	**(186)**	**–**	**–**	**–**	**–**	**617**	**–**	**617**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**(5,669)**	**–**	**238,945**	**233,276**	**3,386**	**236,662**
Balance at 31 December 2011	**171**	**469,209**	**21**	**32,331**	**60,652**	**(4,163)**	**(9,338)**	**469,992**	**1,018,875**	**6,359**	**1,025,234**

The notes on pages 59 to 138 are an integral part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2011
(Expressed in Renminbi)

	Note	2011 RMB'000	2010 RMB'000
Cash flows from operating activities			
Profit for the year		**242,331**	166,351
Adjustments for:			
Depreciation	8	**6,799**	5,012
Loss on sale of property, plant and equipment		**434**	303
Income tax expense	11(b)	**119,132**	55,598
Impairment loss on other unlisted equity investment		**18,952**	—
Finance costs	10	**579**	7,373
Finance income	10	**(17,068)**	(20,889)
Share of loss of equity-accounted investees		**7,169**	584
Equity-settled share-based payments	27	**4,645**	3,381
		382,973	217,713
Change in trade and other receivables		**(151,899)**	97,083
Change in trade and other payables		**374,608**	232,668
		605,682	547,464
Income tax paid	11(c)	**(78,699)**	(43,072)
Net cash from operating activities		**526,983**	504,392
Cash flows from investing activities			
Interest received		**10,589**	3,835
Proceeds from sales of property, plant and equipment		**377**	755
Acquisition of property, plant and equipment		**(9,148)**	(3,571)
Prepayment for acquisition of a property		**(230,000)**	—
Payment for purchase of equity-accounted investees		**(51,880)**	(6,000)
Payment for purchase of other unlisted equity investments		**(38,952)**	—
Net cash used in investing activities		**(319,014)**	(4,981)

Consolidated Cash Flow Statement

For the year ended 31 December 2011
(Expressed in Renminbi)

	Note	**2011** **RMB'000**	2010 RMB'000
Cash flows from financing activities			
Shares issued under share option scheme		**617**	4,172
Acquisition of non-controlling interests	5(a)	**(3,583)**	(11,820)
Purchase of own shares	24	**(19,722)**	—
Dividends paid		**(62,224)**	(17,786)
Net cash used in financing activities		**(84,912)**	(25,434)
Net increase in cash and cash equivalents		**123,057**	473,977
Cash and cash equivalents at the beginning of the year		**795,791**	323,084
Effect of exchange rate fluctuations on cash held		**(5,669)**	(1,270)
Cash and cash equivalents at the end of the year	23	**913,179**	795,791

The notes on pages 59 to 138 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 2011 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 all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards (IASs) and Interpretations 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 16 March 2012.

(b) Basis of measurement

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

- derivative financial instruments are measured at fair value
- non-derivative financial instruments at fair value through profit and loss 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 and its overseas subsidiary is HKD and the functional currencies of other entities in the Group are RMB. These 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 31.

(e) Changes in accounting policies

The IASB has issued a number of amendments to IFRSs and one new interpretation that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- IAS 24 (revised 2009), *Related party disclosures*
- Improvements to IFRSs (2010)
- IFRIC 19, *Extinguishing financial liabilities with equity instruments*
- Amendments to IFRIC 14, IAS 19 — *The limit on a defined benefit asset, minimum funding requirements and their interaction — Prepayments of a minimum funding requirement*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

The above amendments and new interpretation have had no material impact on the Group's financial statements as they were consistent with policies already adopted by the Group, or these changes will first be effective as and when the Group enters into a relevant transaction and there is no requirement to restate the amounts recorded in respect of previous such transactions.

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.

Non-controlling 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 shareholders 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 shareholders 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

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

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(g)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(ii) Investments in equity-accounted investees 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. Jointly controlled entities 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 equity-accounted investees 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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

(iii) 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.

(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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Foreign currencies (continued)

(ii) Foreign operations (continued)

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.

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)

(i) Non-derivative financial assets (continued)

The Group has the following non-derivative financial assets:

Financial Assets at fair value through profit or loss

A financial asset is classified as at fair value through profit or loss if it is classified as held for trading or is designated as such on initial recognition. Financial assets are designated as at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, which takes into account any dividend income, are recognized in profit or loss.

Financial assets designated as at fair value through profit or loss comprise equity securities that otherwise would have been classified as available for sale.

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 22).

Cash and cash equivalents

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

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the above categories of financial assets. Available-for-sale financial assets are recognized initially at fair value plus any directly attributable transaction costs.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (continued)

(i) Non-derivative financial assets (continued)

Available-for-sale financial assets (continued)

Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (see note 3(g)(i)) and foreign currency differences on available-for-sale debt instruments (see note3(b)(i)) are recognised in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognized, the gain or loss accumulated in equity is reclassified to profit or loss.

Available-for-sale financial assets comprise equity securities and debt securities.

Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the statement of financial position at cost less impairment losses (see note 3(g)).

(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 as at fair value through profit or loss) are recognized 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.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Non-derivative financial liabilities comprise trade and other payables.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (continued)

(iii) Share capital

Ordinary shares

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

Purchase 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

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedge the net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

Derivative financial instruments comprise options, warrants, and other financial liabilities (see note 20).

(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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Property, plant and equipment (continued)

(i) Recognition and measurement (continued)

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Investment property

(i) Recognition and measurement

Items of investment property are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the investment property.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized in profit or loss.

(ii) Depreciation

Depreciation is based on the cost of an investment property less its residual value.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of investment property.

The estimated useful live for the current year is as follows:

Buildings	30 years

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

(f) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interests 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Goodwill (continued)

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.

(g) 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 there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that loss events had an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes 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 or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

(ii) Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss recognised previously in profit or loss. Changes in cumulative impairment losses attributable to application of the effective interest method are reflected as a component of interest income. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Impairment (continued)

(ii) Available-for-sale financial assets (continued)

For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.

(iii) 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)

(h) 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)

(h) 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.

(i) Cash and Cash equivalents

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

(j) 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)

(k) 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) Media resources management

Revenue from media resources management is primarily derived from the sale of advertising time owned by the Group. 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) Integrated brand communication services

Revenue from integrated brand communication services is primarily derived from commissions received for assisting advertising clients in obtaining advertising time on media platforms, primarily television stations. 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.

(iii) Creative production of advertisement and content

Revenue from creative production of advertisement and content is primarily derived from designing and developing advertisement production. The revenue is recognised when advertisement production is delivered to the customer which is taken to be the point in time when the customer has accepted the advertisement production and the related risks and rewards of ownership.

(iv) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) 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.

(m) 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.

(n) 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.

(o) 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Income tax (continued)

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.

In determining the amount of current and deferred tax the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Company believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Company to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) 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.

(q) Related parties

(a) A person, or a close member of that person's family, is related to the group if that person:

(i) has control or joint control over the group;

(ii) has significant influence over the group; or

(iii) is a member of the key management personnel of the group or the group's parent.

(b) An entity is related to the group if any of the following conditions applies:

(i) The entity and the group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Related parties (continued)

(b) An entity is related to the group if any of the following conditions applies: (continued)

(v) The entity is a post-employment benefit plan for the benefit of employees of either the group or an entity related to the group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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.

(r) 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) 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 2011, 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 27).

(b) Derivatives

The fair value of the redemption option and conversion option recorded in other non-current financial assets are measured using equity allocation method.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate for a similar instrument at the end of the reporting period. Where other pricing models are used, inputs are based on market related data at the end of the reporting period.

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

(a) Acquisition of non-controlling interests

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

Beijing Golden Bridge Senmeng Media Advertising Company Limited ("Golden Bridge Senmeng") is a subsidiary within the Group, which CTV Golden Bridge International Media Group Company Limited, a 99.7% owned subsidiary of the Company, and Beijing Senmeng Media Advertising Company Limited ("Beijing Senmeng") hold 80% and 20% of its equity interest as at 31 December 2010, respectively.

Pursuant to the supplementary agreement signed by CTV Golden Bridge International Media Group Company Limited and Beijing Senmeng and beneficial owner of Beijing Senmeng on 17 November 2010, CTV Golden Bridge International Media Group Company Limited purchased 10% equity interest of Golden Bridge Senmeng by cash payment of RMB3,114 thousand and 3,726,073 share options of the Company in May 2011, which was based on the audited net profit of Golden Bridge Senmeng in 2010. As at 31 December 2011, CTV Golden Bridge International Media Group Company Limited held the 90% equity interest of Golden Bridge Senmeng.

The following summarises the effect of changes in the Group's (parent) ownership interest in Golden Bridge Senmeng from 80% to 90%:

	2011 *RMB'000*
Parent's ownership interest at 1 January	20,090
Effect of acquisition of non-controlling interests	3,301
Share of comprehensive income	14,795
Parent's ownership interest at 31 December	38,186

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

(b) Establishment of subsidiaries

(i) CTV Golden Bridge International Media (Hong Kong) Company Limited

On 31 May 2011, CTV Golden Bridge International Media (Hong Kong) Company Limited was established with an initial registered and paid-up capital of HKD10,000,000, which was 100% directly contributed by the Company.

(ii) CTV Golden Bridge Culture Development (Beijing) Company Limited

In order to comply with applicable PRC laws and regulations, CTV Golden Bridge International Media Group Company Limited, a subsidiary of the Company, entered into a series of contractual arrangements with CTV Golden Bridge Culture Development (Beijing) Company Limited ("Golden Bridge Culture Development") and its shareholders, which are the key employees with PRC citizens of CTV Golden Bridge International Media Group Company Limited on 27 October 2011. The main business of Golden Bridge Culture Development is video content production. CTV Golden Bridge International Media Group Company Limited does not have legal ownership in equity of Golden Bridge Culture Development. Nevertheless, those contractual arrangements allow CTV Golden Bridge International Media Group Company Limited to effectively control Golden Bridge Culture Development and to derive substantially all of the economic benefits from it. Accordingly, the Group treats Golden Bridge Culture Development as a subsidiary of the Group (see note 18).

(iii) Beijing Taihe Ruishi Advertising Company Limited

On 8 July 2011, Beijing Taihe Ruishi Advertising Company Limited was established with an initial registered and paid-up capital of RMB1,000,000, which was 100% contributed by Beijing Taihe Ruishi Culture and Media Company Limited, a subsidiary of the Company.

6. REVENUE

	2011 *RMB'000*	2010 *RMB'000*
Media resources management	**1,605,435**	1,378,316
Integrated brand communication services	**18,613**	9,875
Creative production of advertisement and content	**39,255**	18,467
Others	**638**	—
Less: Sales taxes and surcharges	**(46,141)**	(33,485)
	1,617,800	1,373,173

7. OTHER INCOME

	Note	2011 RMB'000	2010 RMB'000
Government grant	(i)	**6,675**	5,982
Others		**563**	116
		7,238	6,098

(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.

8. EXPENSES BY NATURE

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

	2011 RMB'000	2010 RMB'000
(Reversal of)/impairment losses on bad and doubtful accounts	**(816)**	13,244
Impairment losses on available-for-sale equity security	**18,952**	—
Depreciation	**6,799**	5,012
Professional fee	**3,219**	2,397
Auditors' remuneration	**3,100**	2,800
Operating lease rental charges	**6,514**	3,477

9. PERSONNEL EXPENSES

	Note	2011 RMB'000	2010 RMB'000
Salaries, wages and other benefits		**46,131**	44,845
Contribution to defined contribution plan	(i)	**9,448**	6,110
Equity-settled share-based payments	27	**4,645**	3,362
		60,224	54,317

9. PERSONNEL EXPENSES (CONTINUED)

(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.

10. FINANCE INCOME AND COSTS

	Note	2011 RMB'000	2010 RMB'000
Interest income on bank deposits		**9,610**	4,813
Changes in fair value of derivative financial assets	*20*	**7,458**	16,076
Net foreign exchange gain		**—**	71
Finance income		**17,068**	20,960
Changes in the expected consideration to be paid for the acquisition of non-controlling interests	*20*	**(579)**	(7,373)
Net foreign exchange loss		**(149)**	—
Others		**—**	(33)
Finance costs		**(728)**	(7,406)
Net finance income		**16,340**	13,554

11. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

	2011	2010
	RMB'000	*RMB'000*
Current tax expense		
Provision for PRC income tax	**118,068**	52,841
Deferred tax expense		
Temporary differences	**1,064**	2,757
Total income tax expense	**119,132**	55,598

(i) No provision has been made for Hong Kong profits tax as the Company and its overseas subsidiary 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 Group Company Limited enjoyed a reduced income tax rate of 24% in 2011 (2010: 22%).

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

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

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

	Note	**2011** *RMB'000*	2010 *RMB'000*
Profit before income tax		**361,463**	221,949
Notional tax on profit before taxation, calculated at the statutory tax rates applicable to the respective tax jurisdictions		**90,577**	48,920
Non-deductible expenses		**10,020**	6,424
Withholding tax on profits retained by PRC subsidiaries		**16,896**	1,726
Tax losses not recognised as deferred tax assets		**47**	—
Tax effect of unused tax losses not recognised	*(i)*	**2,192**	—
Non-taxable income		**(600)**	(1,472)
Income tax expense for the year		**119,132**	55,598

Note:

(i) It represents tax effect of unused tax losses recognised in previous years from a subsidiary of the Company as there is no available taxable profit in the foreseeable future (see note 21(a)).

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

	2011 *RMB'000*	2010 *RMB'000*
PRC income tax		
Balance at the beginning of the year	**29,450**	19,681
Provision for the year	**118,068**	52,841
Tax paid	**(78,699)**	(43,072)
Balance of tax provision at the end of the year	**68,819**	29,450

12. DIRECTORS' REMUNERATION

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

For the year ended 31 December 2011

	Note	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		–	1,020	960	66	–	2,046
Liu Jinlan		–	1,020	960	66	234	2,280
Li Zongzhou		–	744	372	–	234	1,350
Non-executive directors							
Zhu Jia		–	–	–	–	–	–
Huang Jingsheng	(i)	–	–	–	–	–	–
He Hui David	(i)	–	–	–	–	117	117
Independent non-executive directors							
Ding Junjie		124	–	–	–	15	139
Qi Daqing		124	–	–	–	19	143
Chen Tianqiao	(ii)	52	–	–	–	15	67
LianYuming	(ii)	73	–	–	–	24	97
		373	2,784	2,292	132	658	6,239

Notes:

(i) Mr. Huang Jingsheng, non-executive director, resigned on 25 August 2011 and replaced by Mr. He Hui David.

(ii) Mr. Chen Tianqiao, independent non-executive director, retired on 20 May 2011 and replaced by Mr. Lian Yuming.

12. DIRECTORS' REMUNERATION (CONTINUED)

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

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 13 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.

13. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments during the year ended 31 December 2011, two (2010: one) are directors whose emoluments is disclosed in note 12. The aggregate of the emoluments in respect of the other three (2010: four) are as follows:

	2011	2010
	RMB'000	*RMB'000*
Salaries, allowances and other benefits in kind	**4,160**	3,929
Contribution to defined contribution plan	**139**	192
Equity-settled share-based payment transactions	**623**	630
	4,922	4,751

The emoluments of the three (2010: four) individuals with the highest emoluments are within the following bands:

	2011	2010
Nil to RMB1,000,000	**—**	—
RMB1,000,001 to RMB1,500,000	**—**	4
RMB1,500,001 to RMB2,000,000	**3**	—

14. PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the Company for the year ended 31 December 2011 includes a loss of RMB15,125 thousand (2010: loss of RMB4,278 thousand) and dividends of RMB112,661 thousand (2010: dividends of RMB75,772 thousand) from subsidiaries attributable to the profit of previous financial years, which have been dealt with in the financial statements of the Company.

14. PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY (CONTINUED)

Reconciliation of the above amount to the Company's profit for the year:

	2011 RMB'000	2010 RMB'000
Amount of loss attributable to equity shareholders dealt with in the Company's financial statements	**(15,125)**	(4,278)
Dividends from subsidiaries attributable to the profit of previous financial years, approved during the year	**112,661**	75,772
Company's profit for the year (note 25)	**97,536**	71,494

Details of dividends paid and payable to equity shareholders of the Company are set out in note 25(b)(i).

15. OTHER COMPREHENSIVE INCOME

There are no tax effects relating to the exchange differences on translation of financial statements of the Company during the year (2010: nil).

16. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB238,945 thousand (2010: RMB158,064 thousand) and the weighted average of 563,649 thousand ordinary shares (2010: 565,716 thousand shares) in issue during the year, calculated as follows:

Profit attributable to ordinary equity shareholders	2011 RMB'000	2010 RMB'000
Profit for the year	**238,945**	158,064
Profit attributable to ordinary equity shareholders	**238,945**	158,064

16. EARNINGS PER SHARE (CONTINUED)

(a) Basic earnings per share (continued)

Weighted average number of ordinary shares	Note	2011 '000	2010 '000
Issued ordinary shares at 1 January		**566,838**	564,310
Effect of issues of ordinary shares upon exercise of share options	24	**181**	1,406
Effect of purchase of own shares	24	**(3,370)**	—
Weighted average number of ordinary shares at 31 December		**563,649**	565,716

(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 RMB238,945 thousand (2010: RMB158,064 thousand) and the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 570,921 thousand shares (2010: 569,298 thousand shares), calculated as follows:

Profit attributable to ordinary equity shareholders (diluted)	2011 RMB'000	2010 RMB'000
Profit attributable to ordinary equity shareholders (basic and diluted)	**238,945**	158,064

Weighted average number of ordinary shares (diluted)	2011 '000	2010 '000
Weighted average number of ordinary shares (basic)	**563,649**	565,716
Effect of share options on issue	**7,272**	3,582
Weighted average number of ordinary shares (diluted) at 31 December	**570,921**	569,298

17. PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY

	Buildings	Fixtures, fittings and computer equipment	Motor vehicles	Sub-total	Investment property	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Original cost						
Balance at 1 January 2010	50,162	3,457	12,912	66,531	–	66,531
Additions	–	1,005	2,604	3,609	–	3,609
Disposals	–	–	(1,452)	(1,452)	–	(1,452)
Balance at 31 December 2010	50,162	4,462	14,064	68,688	–	68,688
Balance at 1 January 2011	**50,162**	**4,462**	**14,064**	**68,688**	**–**	**68,688**
Additions	**–**	**2,221**	**6,927**	**9,148**	**3,988**	**13,136**
Disposals	**–**	**(925)**	**(2,927)**	**(3,852)**	**–**	**(3,852)**
Balance at 31 December 2011	**50,162**	**5,758**	**18,064**	**73,984**	**3,988**	**77,972**
Depreciation						
Balance at 1 January 2010	3,461	805	5,203	9,469	–	9,469
Depreciation for the year	2,218	834	1,960	5,012	–	5,012
Disposals	–	–	(394)	(394)	–	(394)
Balance at 31 December 2010	5,679	1,639	6,769	14,087	–	14,087
Balance at 1 January 2011	**5,679**	**1,639**	**6,769**	**14,087**	**–**	**14,087**
Depreciation for the year	**1,048**	**2,780**	**2,882**	**6,710**	**89**	**6,799**
Disposals	**–**	**(922)**	**(2,120)**	**(3,042)**	**–**	**(3,042)**
Balance at 31 December 2011	**6,727**	**3,497**	**7,531**	**17,755**	**89**	**17,844**
Carrying amounts						
At 31 December 2010	44,483	2,823	7,295	54,601	–	54,601
At 31 December 2011	**43,435**	**2,261**	**10,533**	**56,229**	**3,899**	**60,128**

18. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2011	2010
	RMB'000	*RMB'000*
Investment, at cost	**223,515**	210,854

As at 31 December 2011, the Company had direct and indirect interests in the following subsidiaries:

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
Sino-foreign equity joint venture enterprise established in the PRC							
CTV Golden Bridge International Media Group Company Limited 中視金橋國際傳媒集團有限公司	*(i)* *(vii)*	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
Foreign venture enterprise established in the Hongkong							
CTV Golden Bridge International Media (Hong Kong) Company Limited 中視金橋國際傳媒（香港）有限公司	*(ii)* *(vi)* *(vii)*	Hong Kong 31 May 2011	HKD10,000,000	100%	100%	–	Provision of nationwide TV advertising coverage and campaign planning, and TV advertisement production services for advertisers and advertising agents

18. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

As at 31 December 2011, 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
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	*(iii)* *(vii)*	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
Beijing Taihe Ruishi Culture and Media Company Limited 北京太合瑞視文化傳媒有限公司	*(iii)* *(vi)* *(vii)*	Beijing, the PRC 4 November 2008	RMB3,000,000	99.7%	–	100%	Investment holding
Beijing Golden Bridge Senmeng Media Advertising Company Limited 北京金橋森盟傳媒廣告有限公司	*(iii)* *(vi)* *(vii)*	Beijing, the PRC 6 November 2008	RMB28,000,000	89.7%	–	90%	Provision of nationwide advertising coverage and campaign planning, and advertisement production services for advertisers and advertising agents
Beijing Jinqiao Yunhan Advertising Company Limited 北京金橋雲漢廣告有限公司	*(iii)* *(vi)* *(vii)*	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

(Expressed in Renminbi unless otherwise indicated)

18. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

As at 31 December 2011, 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	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by a subsidiary	Principal activities
Beijing Laite Laide Management Consultancy Company Limited 北京萊特萊德管理諮詢有限公司	*(iii)* *(vi)* *(vii)*	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
CTV Golden Bridge Advertising Company Limited 中視金橋廣告有限公司	*(iii)* *(vii)*	Shanghai, the PRC 19 January 2010	RMB50,000,000	99.7%	–	100%	Provision of nationwide advertising coverage and campaign planning, and advertisement production services for advertisers and advertising agents
Beijing Bozhiruicheng Information Consultancy Company Limited 北京博智瑞誠信息諮詢有限公司	*(iii)* *(v)* *(vi)* *(vii)*	Beijing, the PRC 23 November 2010	RMB25,000,000	99.7%	–	100%	Investment holding
Beijing Taihe Ruishi Advertising Company Limited 北京太合瑞視廣告有限公司	*(iv)* *(vi)* *(vii)*	Beijing, the PRC 8 July 2011	RMB1,000,000	99.7%	–	100%	Provision of nationwide advertising coverage and campaign planning, and advertisement production services for advertisers and advertising agents

18. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

As at 31 December 2011, the Company had direct and indirect interests in the following subsidiaries: (continued)

				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
CTV Golden Bridge Culture Development (Beijing) Company Limited 中視金橋文化發展（北京）有限公司	*(iii) (v) (vi) (vii)*	Beijing, the PRC 24 November 2011	RMB10,000,000	99.7%	–	100%	Advertisement design production, agency and publishing services sales of computer software and ancillary equipment

Notes:

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

(ii) This entity is invested by the Company

(iii) These eight entities are invested by CTV Golden Bridge International Media Group Company Limited.

(iv) This entity is invested by Beijing Taihe Ruishi Culture and Media Company Limited.

(v) These two entities are controlled by CTV Golden Bridge International Media Group Company Limited through contractual arrangements. (see note 5(b))

(vi) Entities not audited by KPMG.

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

19. INVESTMENTS IN EQUITY—ACCOUNTED INVESTEES

	The Group		The Company	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Unlisted shares, at cost	**—**	—	**34,846**	—
Share of net assets	**47,722**	6,000	**—**	—
	47,722	6,000	**34,846**	—

The following list contains particulars of equity-accounted investees which principally affected the results or assets of the Group:

				Proportion of ownership interest			
Name of company	*Note*	Place of Incorporation	Registered capital	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 北京樂途匯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

19. INVESTMENTS IN EQUITY—ACCOUNTED INVESTEES (CONTINUED)

The following list contains particulars of equity-accounted investees which principally affected the results or assets of the Group: (continued)

Name of company	*Note*	Place of Incorporation	Registered capital	Proportion of ownership interest Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
FoneNet Inc. 風網股份有限公司		Cayman Islands, 7 July 2004	USD180,000	12.5%	12.5%	–	Provision of development and production of software; undertake network engineering, technical services, technical training and consulting ; sales of own products

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 financial director.

(b) Beijing Lotour Huicheng Internet Technology Company Limited ("Lotour Huicheng")

Beijing Bozhiruicheng Information Consultancy Company Limited ("Bozhiruicheng"), a subsidiary controlled by the Group through contractual arrangements, 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 Bozhiruicheng and Beijing Lotour Internet Technology Company Limited ("Beijing Lotour"), with registered capital of RMB5,000 thousand as at 31 December 2010, among which Bozhiruicheng holds 38% equity interest of Lotour Huicheng, and Beijing Lotour holds 62% equity interest.

19. INVESTMENTS IN EQUITY—ACCOUNTED INVESTEES (CONTINUED)

(c) FoneNet Inc.

The Company invested in FoneNet Inc. by USD6 million in 2011 and took 12.5% interest in FoneNet Inc. at 31 December 2011. Although the Group owns less than 20% of the voting power of FoneNet Inc., it has significant influence over the financial and operating policies through appointing one of the seven directors on the board.

Summary financial information for the equity-accounted investees:

	Assets *RMB'000*	Liabilities *RMB'000*	Equity *RMB'000*	Revenue *RMB'000*	Expenses *RMB'000*	Gain/(Loss) *RMB'000*
2011						
Group's effective interest	**162,147**	**(41,079)**	**(121,068)**	**109,867**	**(103,185)**	**6,682**
2010						
Group's effective interest	10,285	(7,669)	(2,616)	–	(6,506)	(6,506)

20. OTHER FINANCIAL ASSETS AND OTHER FINANCIAL LIABILITY

(a) Other non-current financial assets

		The Group		The Company	
		2011	2010	**2011**	2010
	Note	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Available-for-sale equity securities					
Ftuan.com	*(i)*	**–**	–	**–**	–
CNLive	*(ii)*	**20,000**	–	**–**	–
Derivative financial assets					
Options					
FoneNet Inc.					
— Conversion option	*(iii)*	**381**	–	**381**	–
— Redemption option	*(iv)*	**2,803**	–	**2,803**	–
Lotour Huicheng					
— Option to purchase equity interests	*(v)*	**3,838**	–	**–**	–
		7,022	–	**3,184**	–
Warrants	*(vi)*	**3,425**	–	**3,425**	–
		30,447	–	**6,609**	–

20. OTHER FINANCIAL ASSETS AND OTHER FINANCIAL LIABILITY (CONTINUED)

(a) Other non-current financial assets (continued)

Notes:

(i) The Company invested USD3 million on Ftuan.com, an internet contents provider, and took 5% of equity interest. The company provided 100% impairment to the investment on Ftuan.com by the end of year due to the loss on Ftuan.com financial performance of 2011 and a negative financial forecast for future years.

	The Group		The Company	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Original cost	**18,952**	—	**18,952**	—
Impairment to the investment on Ftuan.com	**(18,952)**	—	**(18,952)**	—
Carrying value at 31 December 2011	**—**	—	**—**	—

(ii) It represents 5% equity investment in CNLive, a mobile TV platforms and service provider.

(iii) The conversion option represents the right to convert preferred shares to common shares of FoneNet Inc. based on a conversion price determined by the financial performance of FoneNet Inc. according to the agreement signed by the Company and FoneNet Inc. in 2011.

(iv) The redemption option represents the right to require FoneNet Inc. to redeem its preferred shares under certain conditions according to the agreement signed by the Company and FoneNet Inc. in 2011.

(v) It represents the rights to obtain 10% of interest of Lotour Huicheng based on the financial performance of Lotour Huicheng according to the term in purchase agreement signed by the Company and Beijing Lotour.

(vi) The warrant represents the right of the Company to purchase approximately 1.25% additional interests of FoneNet Inc. at a certain price according to the agreement signed by the Company and FoneNet Inc. in 2011.

20. OTHER FINANCIAL ASSETS AND OTHER FINANCIAL LIABILITY (CONTINUED)

(a) Other non-current financial assets (continued)

The movements of options and warrants during the year are set out below:

	The Group		The Company	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
At 31 December 2010	**–**	–	**–**	–
Acquisition of other financial assets in current year	**2,989**	–	**2,989**	–
Changes in fair value	**7,458**	–	**3,620**	–
At 31 December 2011	**10,447**	–	**6,609**	–

(b) Other financial liability

Other financial liability as at 31 December 2011 accounted for the present value of the expected consideration to be paid for the acquisition of remaining 10% equity interests in Golden Bridge Senmeng based on the financial performance of Golden Bridge Senmeng according to the agreement signed by CTV Golden Bridge International Media Group Company Limited and Beijing Senmeng and beneficial owner of Beijing Senmeng in 2010 (see note 5(a)).

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

20. OTHER FINANCIAL ASSETS AND OTHER FINANCIAL LIABILITY (CONTINUED)

(b) Other financial liability (continued)

The movements of other financial liability during the year are set out below:

	Note	The Group *RMB'000*
At 31 December 2010		25,528
Exercised of the agreement	*(i)*	(11,862)
Net changes in fair value of financial liability		579
At 31 December 2011		**14,245**

Note:

(i) The Group purchased 10% equity interest of Golden Bridge Senmeng by cash payment and a certain number of share options of the Company in May 2011 (note 5(a)).

21. 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	Tax on undistributed profits of PRC subsidiaries	Tax loss carry-forwards		Totals
	RMB'000	*RMB'000*	*RMB'000*	*Note*	*RMB'000*
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)
At 1 January 2011	**(6,556)**	**4,041**	**(2,192)**		**(4,707)**
Charged/(credited) to profit or loss	**3,127**	**(4,041)**	**1,978**	**(i)**	**1,064**
At 31 December 2011	**(3,429)**	**–**	**(214)**		**(3,643)**

Note:

(i) Included in this balance, RMB2,192 thousand represents unused tax loss recognised in previous years from a subsidiary of the Company as there is no available taxable profit in the foreseeable future.

21. DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

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

	2011 *RMB'000*	2010 *RMB'000*
Net deferred tax asset recognised on the statement of consolidated financial position	**(3,643)**	(8,748)
Net deferred tax liability recognised on the statement of consolidated financial position	**–**	4,041
	(3,643)	(4,707)

(b) Unrecognised deferred tax liability

At 31 December 2011, temporary differences relating to the undistributed retained earnings of PRC subsidiaries amounted to RMB481,491 thousand (2010: RMB323,314 thousand). Deferred tax liability of RMB48,149 thousand (2010: RMB16,166 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.

22. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Trade and bills receivables	**151,953**	134,654	**–**	–
Less: Impairment losses on bad and doubtful accounts	**(58,216)**	(60,115)	**–**	–
	93,737	74,539	**–**	–
Amounts due from subsidiaries	**–**	–	**272,387**	318,163
Loans and receivables	**93,737**	74,539	**272,387**	318,163
Prepayments and deposits to media suppliers	**465,381**	334,546	**–**	–
Advances to employees	**2,398**	3,804	**291**	905
Other debtors	**4,687**	5,240	**125**	131
Less: doubtful accounts of other receivables	**(164)**	–	**–**	–
Interest receivables	**–**	979	**–**	–
	566,039	419,108	**272,803**	319,199

22. TRADE AND OTHER RECEIVABLES (CONTINUED)

(a) Ageing analysis

Included in trade and other receivables are trade and bills receivables with the following ageing analysis as of the reporting date:

	2011		2010	
	Gross	Impairment	Gross	Impairment
	RMB'000	RMB'000	RMB'000	RMB'000
Current	69,816	–	71,923	—
Less than 6 months past due	23,137	–	6,682	4,066
More than 6 months but less than 12 months past due	2,132	1,348	1,365	1,365
More than one year past due	56,868	56,868	54,684	54,684
Total amounts past due	82,137	58,216	62,731	60,115
	151,953	58,216	134,654	60,115

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.

22. TRADE AND OTHER RECEIVABLES (CONTINUED)

(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:

	2011 ***RMB'000***	2010 *RMB'000*
Balance at 1 January	**60,115**	46,871
Reversal of impairment loss	**(2,455)**	—
Uncollectible amounts written off	**(919)**	—
Impairment loss recognised	**1,475**	13,244
Balance at 31 December	**58,216**	60,115

At 31 December 2011, the Group's trade and bills receivables of RMB58,216 thousand (2010: RMB60,115 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 RMB58,216 thousand (2010: RMB60,115 thousand) were recognised. The Group does not hold any collateral over these balances.

22. 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:

	2011	2010
	RMB'000	*RMB'000*
Current	**69,816**	71,923
Less than 6 months past due	**23,137**	2,616
More than 6 months but less than 12 months past due	**784**	—
Total amount past due	**23,921**	2,616
	93,737	74,539

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.

23. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Cash at bank and on hand	**913,179**	795,791	**20,701**	33,550

Cash at bank and cash on hand are denominated in

	The Group		The Company	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
RMB	**884,321**	762,241	**—**	—
USD	**13,026**	32,444	**12,217**	32,444
AUD	**8**	9	**8**	9
HKD	**15,824**	1,097	**8,476**	1,097
	913,179	795,791	**20,701**	33,550

(Expressed in Renminbi unless otherwise indicated)

24. SHARE CAPITAL

(a) Authorised and issued share capital

	2011		2010	
	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	**566,838,400**	**177,137**	564,310,400	176,347
Shares issued under share option scheme	**405,000**	**126**	2,528,000	790
Purchase of own shares	**(10,218,000)**	**(3,193)**	—	—
At 31 December	**557,025,400**	**174,070**	566,838,400	177,137
RMB equivalent		**171,376**		173,872

24. SHARE CAPITAL (CONTINUED)

(b) Purchase of own shares

During the year, the company repurchased its own ordinary shares on The Stock Exchange of Hong Kong Limited as follows:

Month/year	Number of shares repurchased	Highest price paid per share HKD	Lowest price paid per share HKD	Aggregate price paid HKD'000	Equivalent to RMB'000
June 2011	851,000	2.70	2.39	2,151	1,761
July 2011	402,000	2.70	2.68	1,085	888
August 2011	1,711,000	2.62	2.35	4,273	3,498
September 2011	6,754,000	2.58	2.00	15,609	12,779
October 2011	500,000	1.97	1.92	972	796
				24,090	19,722

The repurchased shares were cancelled and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. Pursuant to section 49H of the Hong Kong Companies Ordinance, an amount equivalent to the par value of the shares cancelled of HKD3,193 (equivalent to approximately RMB2,601) was transferred from retained profits to the capital redemption reserve.

(c) 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 2011, there were 14,360,000 unexercised pre-IPO share options (2010: 14,408,000) at an exercise price of RMB1.56.

(Expressed in Renminbi unless otherwise indicated)

24. SHARE CAPITAL (CONTINUED)

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

(ii) Post-IPO Scheme

The Company has adopted share option schemes on 27 May 2008 (the "Post-IPO Scheme")

Exercise period	Exercise price	2011 Number	2010 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**	4,835,000
2 July 2012 to 1 July 2018	HKD1.84	**4,835,000**	4,835,000
2 July 2013 to 1 July 2018	HKD1.84	**4,835,000**	4,835,000
2 July 2014 to 1 July 2018	HKD1.84	**4,835,000**	4,835,000
22 November 2011 to 21 November 2018	HKD2.82	**325,000**	325,000
22 November 2012 to 21 November 2018	HKD2.82	**325,000**	325,000
22 November 2013 to 21 November 2018	HKD2.82	**325,000**	325,000
22 November 2014 to 21 November 2018	HKD2.82	**325,000**	325,000
6 December 2011 to 5 December 2018	HKD2.88	**265,000**	265,000
6 December 2012 to 5 December 2018	HKD2.88	**265,000**	265,000
6 December 2013 to 5 December 2018	HKD2.88	**265,000**	265,000
6 December 2014 to 5 December 2018	HKD2.88	**265,000**	265,000
29 August 2012 to 28 August 2019	HKD2.62	**635,000**	–
29 August 2013 to 28 August 2019	HKD2.62	**635,000**	–
29 August 2014 to 28 August 2019	HKD2.62	**635,000**	–
29 August 2015 to 28 August 2019	HKD2.62	**635,000**	–
		24,900,000	22,360,000

24. SHARE CAPITAL (CONTINUED)

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

(ii) Post-IPO Scheme (continued)

Each option entitles the holder to subscribe for one ordinary share in the Company. Further details of these options are set out in note 27 to the financial statements.

At 31 December 2011, there were 22,420,000 unexercised post-IPO share options (2010: 22,360,000).

(iii) Purchase of non-controlling interests

On 4 July 2011, the Company has granted options to subscribe for total 4,286,970 shares to Mr. Yang Linshan, the beneficial owner of Beijing Senmeng, as part of the consideration to purchase non-controlling interests of Golden Bridge Senmeng owned by Beijing Senmeng (see note 5(a) and 27(c)). Each option entitles the holder to purchase one ordinary share of the Company.

At 31 December 2011, there were 4,286,970 unexercised share options for purchasing of non-controlling interests of Golden Bridge Senmeng.

25. 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 25(c))	Capital reserve RMB'000 (note 25(c))	Translation reserve RMB'000 (note 25(c))	Retained earnings RMB'000	Total RMB'000
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 27)*	–	–	3,362	–	–	3,362
Exercise of share option	6,665	–	(2,746)	–	–	3,919
Dividends	–	–	–	–	(17,786)	(17,786)
Total comprehensive income for the year	–	–	–	(16,473)	71,494	55,021
Balance at 31 December 2010	468,406	18	18,030	(20,967)	86,955	552,442
Balance at 1 January 2011	**468,406**	**18**	**18,030**	**(20,967)**	**86,955**	**552,442**
Changes in equity for 2011:						
Share-based payments *(note 27)*	**–**	**–**	**14,487**	**–**	**–**	**14,487**
Exercise of share option	**803**	**–**	**(186)**	**–**	**–**	**617**
Purchase of own shares	**–**	**3**	**–**	**–**	**(19,722)**	**(19,719)**
Dividends	**–**	**–**	**–**	**–**	**(62,224)**	**(62,224)**
Total comprehensive income for the year	**–**	**–**	**–**	**(27,111)**	**97,536**	**70,425**
Balance at 31 December 2011	**469,209**	**21**	**32,331**	**(48,078)**	**102,545**	**556,028**

25. RESERVES AND DIVIDENDS (CONTINUED)

(b) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the year

	2011	2010
	RMB'000	*RMB'000*
Final dividend proposed after the end of reporting period date of approximately RMB8.6 cents per ordinary share (2010: approximately RMB5.6 cents per ordinary share)	**48,002**	31,472
Special dividend proposed after the end of reporting period date of approximately RMB8.6 cents per ordinary share (2010: approximately RMB5.6 cents per ordinary share)	**48,002**	31,472
	96,004	62,944

The final dividend and the 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 equity shareholders of the Group attributable to the previous financial year approved during the year

	2011	2010
	RMB'000	*RMB'000*
Dividends to equity shareholders of the Company	**62,224**	17,786
Dividends to non-controlling interests of a subsidiary	**630**	—
	62,854	17,786

Pursuant to the board resolutions dated 20 May 2011, the Company declared dividends at an aggregate amount of HKD74,823 thousand (equivalent to approximately RMB62,224 thousand at an exchange rate of 0.83162) to the equity shareholders from the distributable reserve. Such dividends were fully paid in June 2011.

25. 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 reserve 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(h)(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 note3(b).

(v) Other reserves

Other reserves comprise 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 20); 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.

25. RESERVES AND DIVIDENDS (CONTINUED)

(c) Nature and purpose of reserves (continued)

(vi) Distributability of reserves

At 31 December 2011 the aggregate amount of reserves available for distribution to equity shareholders of the Company was RMB102,545 thousand (2010: RMB86,955 thousand).

26. TRADE AND OTHER PAYABLES

	Note	**2011** **RMB'000**	2010 *RMB'000*
Trade and bills payables	(i)	**432,475**	130,949
Payroll and welfare expenses payables		**14,681**	11,266
Other tax payables	(ii)	**11,726**	18,801
Other payables and accrued charges		**8,301**	6,548
Dividends payable due to non-controlling interest of a subsidiary		**646**	16
Financial liabilities measured at amortised cost		**467,829**	167,580
Advances from customers	(iii)	**275,031**	201,605
		742,860	369,185

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

	2011 **RMB'000**	2010 *RMB'000*
Due within three months	**94,925**	130,949
Due after three months but within six months	**105,235**	—
Due after six months but within one year	**232,315**	—
	432,475	130,949

(Expressed in Renminbi unless otherwise indicated)

26. TRADE AND OTHER PAYABLES (CONTINUED)

(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 30.

27. 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.

(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	2,904,000	Four years' service	8 years

27. SHARE-BASED PAYMENTS (CONTINUED)

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

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

	2011 Weighted average exercise price	**2011** Number of options	2010 Weighted average exercise price	2010 Number of options
Outstanding at the beginning of the year	**RMB1.56**	**14,408,000**	RMB1.56	17,920,000
Exercised during the year	**RMB1.56**	**–**	RMB1.56	2,528,000
Forfeited during the year	**RMB1.56**	**48,000**	RMB1.56	984,000
Outstanding at the end of the year		**14,360,000**		14,408,000
Exercisable at the end of the year		**14,304,000**		11,456,000

The options outstanding as at 31 December 2011 had an exercise price of RMB1.56 per share and a weighted average remaining contractual life of 3.5 years.

(Expressed in Renminbi unless otherwise indicated)

27. 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	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 2011, equity-settled share-based payments expenses of RMB430 thousand (2010: RMB602 thousand) in respect of the Pre-IPO Share Option Scheme were recognised in the consolidated income statements.

27. 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 2011, the Company granted five 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

(Expressed in Renminbi unless otherwise indicated)

27. 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	4,835,000	One year's service	8 years
2 July 2010	4,835,000	Two years' service	8 years
2 July 2010	4,835,000	Three years' service	8 years
2 July 2010	4,835,000	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.

27. 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	125,000	One year's service	8 years
22 November 2010	125,000	Two years' service	8 years
22 November 2010	125,000	Three years' service	8 years
22 November 2010	125,000	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	225,000	One year's service	8 years
6 December 2010	225,000	Two years' service	8 years
6 December 2010	225,000	Three years' service	8 years
6 December 2010	225,000	Four years' service	8 years

(Expressed in Renminbi unless otherwise indicated)

27. 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)

(5) Post-IPO 5th tranche

On 29 August 2011, 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
29 August 2011	635,000	One year's service	8 years
29 August 2011	635,000	Two years' service	8 years
29 August 2011	635,000	Three years' service	8 years
29 August 2011	635,000	Four years' service	8 years

27. 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		Post-IPO Option 2nd tranche		Post-IPO Option 3rd tranche		Post-IPO Option 4th tranche		Post-IPO Option 5th tranche		Total
	Average exercise price	No. of options	Average exercise price	No. of options	Average exercise price	No. of options	Average exercise price	No. of options	Average exercise price	No. of options	No. of options
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
At 1 January 2011	**HKD1.49**	**660,000**	**HKD1.84**	**19,340,000**	**HKD2.82**	**1,300,000**	**HKD2.88**	**1,060,000**		**–**	**22,360,000**
Granted		**–**		**–**		**–**		**–**	**HKD2.62**	**2,540,000**	**2,540,000**
Exercised		**–**	**HKD1.84**	**405,000**		**–**		**–**		**–**	**405,000**
Lapsed		**–**	**HKD1.84**	**1,115,000**	**HKD2.82**	**800,000**	**HKD2.88**	**160,000**		**–**	**2,075,000**
At 31 December 2011	**HKD1.49**	**660,000**	**HKD1.84**	**17,820,000**	**HKD2.82**	**500,000**	**HKD2.88**	**900,000**	**HKD2.62**	**2,540,000**	**22,420,000**
Currently exercisable as at 31 December 2011	**HKD1.49**	**495,000**	**HKD1.84**	**4,395,000**	**HKD2.82**	**125,000**	**HKD2.88**	**225,000**		**–**	**5,240,000**

The options of Post-IPO 1st tranche outstanding as at 31 December 2011 had an exercise price of HKD1.49 per share and a weighted average remaining contractual life of 5.75 years.

The options of Post-IPO 2nd tranche outstanding as at 31 December 2011 had an exercise price of HKD1.84 per share and a weighted average remaining contractual life of 6.5 years.

The options of Post-IPO 3rd tranche outstanding as at 31 December 2011 had an exercise price of HKD2.82 per share and a weighted average remaining contractual life of 6.9 years.

The options of Post-IPO 4th tranche outstanding as at 31 December 2011 had an exercise price of HKD2.88 per share and a weighted average remaining contractual life of 6.95 years.

The options of Post-IPO 5th tranche outstanding as at 31 December 2011 had an exercise price of HKD2.62 per share and a weighted average remaining contractual life of 7.33 years.

(Expressed in Renminbi unless otherwise indicated)

27. 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%
Post-IPO 5th tranche	29 August 2011	HKD2.60	HKD2.62	41.47%	8 years	2.94%	1.74%

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 2011, equity-settled share-based payments expenses of RMB4,215 thousand (2010: 2,760 thousand) in respect of the Post-IPO Share Option Scheme were recognised in the consolidated income statements.

27. SHARE-BASED PAYMENTS (CONTINUED)

(c) Purchase of non-controlling interests

On 4 July 2011, the Company has granted options to subscribe for total 4,286,970 shares to Mr. Yang Linshan, the beneficial owner of Beijing Senmeng, as part of the consideration to purchase non-controlling interests of Golden Bridge Senmeng owned by Beijing Senmeng (see note 5(a)). Each option entitles the holder to purchase one ordinary share of the Company.

The term and condition of the grant that exist during the year is as follows:

Grant date	Number of options	Vesting conditions	Contractual life of options
4 July 2011	4,286,970	On the date of grant	5 years

28. COMMITMENTS AND CONTINGENT LIABILITIES

(a) Capital commitment

Capital commitment outstanding at 31 December 2011 not provided for in the financial statements is as follows:

	2011 **RMB'000**	2010 RMB'000
Contracted for	**28,000**	—

(b) Operating commitments

As at 31 December 2011, non-cancellable rentals payable by the Group are as follows:

	2011 **RMB'000**	2010 RMB'000
Within one year	**5,745**	1,757
After one year but within five years	**4,362**	1,088
Total	**10,107**	2,845

28. COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

(b) Operating commitments (continued)

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

	2011 *RMB'000*	2010 *RMB'000*
Within one year	**106,180**	117,766
After one year but within five years	**700**	18,594
Total	**106,880**	136,360

(c) Contingent liabilities

As at 31 December 2011, the Group and the Company did not have any significant contingent liabilities.

29. MATERIAL 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	2011 *RMB'000*	2010 *RMB'000*
Rental of office	(i)	**972**	972

Note:

(i) Golden Bridge Senmeng 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 2011 and 2010.

29. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions with other related parties

	Note	2011 RMB'000	2010 RMB'000
Rental of office	(i)	**650**	578
Purchase of media inspection reports	(ii)	**750**	700

Notes:

(i) CTV Golden Bridge International Media Group 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 2011 to 31 December 2011 at a price of RMB650 thousand 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 Group Company Limited purchased the media inspection reports from Beijing Zhongguang Chuanhua Film Culture Consultancy Company Limited, an entity under the control by Mr. Chen Xin and Ms. Liu Jinlan, executive directors of the Company, at a price of RMB750 thousand in 2011 (2010: RMB700 thousand).

(c) Outstanding balance with related parties

	2011 RMB'000	2010 RMB'000
Rental of office	**1,974**	1,646

The balance represents non-cancellable rentals payable by the Group to Ms. Liu Jinlan and Shanghai CTV Golden Bridge International Culture and Communication Company Limited for the rentals of 2012 and 2013.

29. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Key management personnel remuneration

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

	2011	2010
	RMB'000	*RMB'000*
Short-term employee benefits	**5,581**	3,036
Equity-settled share-based payment transactions	**658**	496
	6,239	3,532

Total remuneration is included in "Personnel expenses" (see note 9).

30. 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 and the financial risk management policies and practices used by the group to manage these risks are described below.

(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.

30. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Credit risk (continued)

(i) Trade and other receivables (continued)

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are normally due within 90 days from the date of billing. 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. At 31 December 2011, 2.63% (2010: 3.43%) and 8.13% (2010: 11.07%) of the total current trade and other receivables was due from the group's largest customer and the five largest customers in term of outstanding balance respectively.

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 22 and 30.

(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.

30. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

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

	2011 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*	**467,829**	**—**	**—**	**—**	**467,829**	**467,829**
Other financial liability	**—**	**—**	**15,513**	**—**	**15,513**	**14,245**

	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*	167,580	—	—	—	167,580	167,580
Other financial liability	12,064	—	15,652	—	27,716	25,528

* Excludes advances from customers

30. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Liquidity risk (continued)

The Company

	2011 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	**2,275**	**–**	**–**	**–**	**2,275**	**2,275**

	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	10,987	–	–	–	10,987	10,987

30. FINANCIAL INSTRUMENTS (CONTINUED)

(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 1% of the total cash and cash equivalents of the Group. Major business operations of the Group are carried out in Renminbi.

(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**	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade and other receivables	**983**	1,036	**416**	1,036
Cash and cash equivalents	**13,034**	32,453	**12,225**	32,453
— in USD	**13,026**	32,444	**12,217**	32,444
— in AUD	**8**	9	**8**	9
Trade and other payables	**(949)**	(1,285)	**(1,295)**	(1,285)
Gross exposure	**13,034**	32,453	**12,225**	32,453

The following significant exchange rates applied during the year:

	Average rate		**Reporting date spot rate**	
RMB	**2011**	2010	**2011**	2010
USD	**6.4618**	6.7255	**6.3009**	6.6227
AUD	**6.5616**	6.4217	**6.4093**	6.7139

30. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Foreign currency risk (continued)

(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.

The Group and the Company

	2011		2010	
	Increase/ (decrease) in foreign exchange rates	**Effect on profit after tax and retained profits** ***RMB'000***	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits RMB'000
USD	**10%**	**1,303**	10%	3,244
	(10%)	**(1,303)**	(10%)	(3,244)
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 2010.

30. 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

2011

	The group			
	Level 1 *RMB'000*	**Level 2** *RMB'000*	**Level 3** *RMB'000*	**Total** *RMB'000*
Assets				
Other non-current financial assets				
— Available-for-sale equity securities	–	–	**20,000**	**20,000**
— Redemption option	–	–	**2,803**	**2,803**
— Conversion option	–	–	**381**	**381**
— Other option	–	–	**3,838**	**3,838**
— Warrants	–	–	**3,425**	**3,425**

30. FINANCIAL INSTRUMENTS (CONTINUED)

(d) Fair values (continued)

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

2010

	The group			
	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Assets				
Other non-current financial assets				
— Available-for-sale equity securities	–	–	–	–
— Redemption option	–	–	–	–
— Conversion option	–	–	–	–
— Other option	–	–	–	–
— Warrants	–	–	–	–

2011

	The group			
	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Liability				
Other non-current financial liability	–	–	**14,245**	**14,245**

2010

	The group			
	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Liability				
Other non-current financial liability	–	–	**25,528**	**25,528**

30. FINANCIAL INSTRUMENTS (CONTINUED)

(d) Fair values (continued)

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

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 20.

(ii) Fair value 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 2011 and 2010.

31. 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(g), 3(h), 3(o) and 4.

(b) Sources of estimation uncertainty

Notes 20, 27 and 30 contain information about the assumptions and their risk factors relating to fair value of other financial asset, share options and financial instruments.

32. ULTIMATE HOLDING COMPANY

At 31 December 2011, the directors of the Company consider the parent and the ultimate holding company to be Golden Bridge International Culture Limited and Golden Bridge International Advertising Holdings Limited respectively, both of which are incorporated in Cayman Islands. These two entities do not produce financial statements available for public use.

33. SUBSEQUENT EVENTS

There were no significant events took place subsequent to 31 December 2011.

Five Year Summary

(Expressed in Renminbi'000)

	2011 *RMB'000*	2010 *RMB'000*	2009 *RMB'000*	2008 *RMB'000*	2007 *RMB'000*
Results					
Revenue	**1,617,800**	1,373,173	766,804	558,356	364,702
Profit from operations	**352,292**	208,979	120,907	159,712	79,630
Net finance income (expense)	**16,340**	13,554	5,646	(7,159)	(23,608)
Share of loss equity accounted investees	**(7,169)**	(584)	(259)	(107)	—
Profit before taxation	**361,463**	221,949	126,294	152,446	56,022
Income tax	**(119,132)**	(55,598)	(37,407)	(31,343)	(13,247)
Profit for the year	**242,331**	166,351	88,887	121,103	42,775
Attributable to:					
Equity shareholders of the Company	**238,945**	158,064	97,245	120,800	42,316
Non-controlling interests	**3,386**	8,287	(8,358)	303	459
Profit for the year	**242,331**	166,351	88,887	121,103	42,775
Assets and liabilities					
Property, plant and equipment	**56,229**	54,601	57,062	54,182	48,266
Investment property	**3,899**	—	—	—	—
Prepayment for acquisition of a property	**230,000**	—	—	—	—
Investment in equity-accounted investees	**47,722**	6,000	584	843	—
Other non-current financial assets	**30,447**	—	11,031	—	—
Deferred tax assets	**3,643**	8,748	9,779	6,350	3,268
Net current assets	**667,539**	804,393	683,952	617,976	338,087
Total assets less current liabilities	**1,039,479**	873,742	762,408	679,351	389,621
Deferred tax liability	**—**	(4,041)	(2,315)	(1,286)	—
Other non-current liabilities	**(14,245)**	(13,657)	(18,155)	—	—
NET ASSETS	**1,025,234**	856,044	741,938	678,065	389,621

Five Year Summary

(Expressed in Renminbi'000)

	2011	2010	2009	2008	2007
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Capital and reserves					
Share capital	**171**	174	173	173	137
Reserves	**1,018,704**	848,966	736,300	670,473	388,556
Total equity attributable to equity shareholders of the Company	**1,018,875**	849,140	736,473	670,646	388,693
Non-controlling interests	**6,359**	6,904	5,465	7,419	928
TOTAL EQUITY	**1,025,234**	856,044	741,938	678,065	389,621
Earnings per share					
Basic earnings per share (RMB)	**0.424**	0.279	0.172	0.243	0.098
Diluted earnings per share (RMB)	**0.419**	0.278	0.172	0.243	0.096

NOTE TO THE FIVE YEAR SUMMARY

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

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）