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中國三三傳媒集團有限公司
CHINA 33 MEDIA GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 08087)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2011 AND CHANGE OF USE OF PROCEEDS FROM THE COMPANY'S PLACING

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The board (the "Board") of directors (the "Directors") of China 33 Media Group Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2011, together with comparative figures for the corresponding period in 2010, as follows:

CONSOLIDATED INCOME STATEMENT
Year ended 31 December 2011

	Notes	**2011** **RMB'000**	2010 RMB'000
REVENUE	*5*	**216,841**	208,910
Cost of sales		**(83,600)**	(59,354)
Gross profit		**133,241**	149,556
Other income and gains, net	*5*	**4,220**	1,087
Selling and distribution expenses		**(49,006)**	(34,371)
Administrative expenses		**(39,117)**	(24,217)
Other operating income/(expenses), net		**(22,739)**	3,349
Share of profits and losses of:			
A jointly-contolled entity		**(414)**	(44)
An associate		**223**	47
PROFIT BEFORE TAX	*6*	**26,408**	95,407
Income tax expense	*7*	**(11,974)**	(24,537)
PROFIT FOR THE YEAR		**14,434**	70,870
Attributable to:			
Owners of the Company	*8*	**14,923**	70,669
Non-controlling interests		**(489)**	201
		14,434	70,870
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Basic (cents)	*10*	**RMB2.58**	RMB15.70
Diluted (cents)	*10*	**RMB2.58**	RMB15.70

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2011

	2011	2010
	RMB'000	*RMB'000*
PROFIT FOR THE YEAR	**14,434**	70,870
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR:		
Exchange differences on translation of foreign operations	**(5,557)**	655
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**8,877**	71,525
Attributable to:		
Owners of the Company	**9,366**	71,324
Non-controlling interests	**(489)**	201
	8,877	71,525

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**5,820**	6,567
Intangible assets		**13,968**	16,899
Other non-current assets		**17,551**	9,348
Investment in a jointly-controlled entity		**1,012**	1,426
Investment in an associate		**2,115**	1,892
Available-for-sale investment		**1,277**	—
Deferred tax assets		**—**	123
Deposits	*12*	**10,579**	5,526
Total non-current assets		**52,322**	41,781
CURRENT ASSETS			
Trade receivables	*11*	**44,318**	58,078
Prepayments, deposits and other receivables	*12*	**60,553**	23,518
Amounts due from directors		**30,611**	1,765
Cash and cash equivalents		**210,850**	103,102
Total current assets		**346,332**	186,463
CURRENT LIABILITIES			
Trade payables	*13*	**15,948**	7,874
Other payables and accruals	*14*	**27,138**	28,698
Amounts due to directors		**454**	3,239
Amount due to a shareholder/the ultimate holding company		**1,784**	52,501
Amount due to a related company		**1,900**	—
Tax payable		**4,087**	18,642
Total current liabilities		**51,311**	110,954
NET CURRENT ASSETS		**295,021**	75,509
TOTAL ASSETS LESS CURRENT LIABILITIES		**347,343**	117,290
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**3,468**	4,201
Net assets		**343,875**	113,089
EQUITY			
Equity attributable to owners of the Company			
Issued capital	*15*	**3,969**	2,967
Reserves		**332,923**	107,150
		336,892	110,117
Non-controlling interests		**6,983**	2,972
Total equity		**343,875**	113,089

NOTES

Year ended 31 December 2011

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 5 May 2010 under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The registered office address of the Company is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands and the principal place of business of the Company is Room 4215, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong.

Pursuant to a reorganisation (the "Reorganisation") to rationalise the structure of the Company and its subsidiaries in preparation for the listing of the Company's shares on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the companies now comprising the Group on 17 December 2010. Further details of the Reorganisation are set out in the Company's listing prospectus dated 22 February 2011 (the "Prospectus"). The shares of the Company were listed on the GEM of the Stock Exchange on 28 February 2011.

The principal activity of the Company is investment holding. During the year, the Group was principally engaged in the operation and provision of advertising services of printed media and audio programmes for railway networks, and outdoor advertising spaces on air traffic control towers at airports, trains and railway stations in Mainland China.

2. BASIS OF PRESENTATION AND PREPARATION

(a) The consolidated financial statements for the year ended 31 December 2011 include the financial statements of the Company and its subsidiaries for the year ended 31 December 2011. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

The consolidated financial statements for the year ended 31 December 2010 have been prepared in accordance with the merger method of accounting on the basis as if the Company has always been the holding company of its subsidiaries because the Company and the companies then comprising the Group were under common control before and after the Reorganisation. Accordingly, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year ended 31 December 2010 include the results and cash flows of all companies then comprising the Group, as if the then group structure had been in existence throughout the year ended 31 December 2010, or since their respective dates of incorporation, where this is a shorter period.

A change in the ownership interest in a subsidiary, without a loss of control, is accounted for as an entity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

(b) These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise standards and interpretations approved by the International Accounting Standards Board (the "IASB"), and International Accounting Standards ("IASs") and Standing Interpretations Committee Interpretations approved by the International Accounting Standards Committee, and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

3.1 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following new and revised IFRSs for the first time for the current year's financial statements.

IFRS 1 Amendment	Amendment to IFRS 1 *First-time Adoption of International Financial Reporting Standards — Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters*
IAS 24 (Revised)	*Related Party Disclosures*
IAS 32 Amendment	Amendment to IAS 32 *Financial Instruments: Presentation — Classification of Rights Issues*
IFRIC 14 Amendments	Amendments to IFRIC 14 *Prepayments of a Minimum Funding Requirement*
IFRIC 19	*Extinguishing Financial Liabilities with Equity Instruments*
Improvements to IFRSs 2010	Amendments to a number of IFRSs issued in May 2010

The adoption of these new and revised IFRSs has had no significant financial effect on these financial statements.

3.2 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements:

IFRS 1 Amendments	Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards — Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*[1]
IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Disclosures — Transfers of Financial Assets*[1]
IAS 12 Amendments	Amendments to IAS 12 *Income taxes — Deferred tax: Recovery of Underlying Assets*[2]
IAS 1 Amendments	Amendments to IAS 1 *Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income*[3]
IFRS 1	*Government Loans*[4]
IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Dislcosures — Offsetting Financial Assets and Financial Liabilities*[4]
IFRS 9	*Financial Instruments*[4]
IFRIC 20	*Stripping Costs in the Production Phase of a Surface Mine*[4]
IFRS 10	*Consolidated Financial Statements*[4]
IFRS 11	*Joint Arrangements*[4]
IFRS 12	*Disclosure of Interests in Other Entities*[4]
IFRS 13	*Fair Value Measurement*[4]
IAS 19 Amendments	*Employee Benefits*[4]
IAS 27 (Revised)	*Separate Financial Statements*[4]
IAS 28 (Revised)	*Investments in Associates and Joint Ventures*[4]
IAS 32 Amendments	Amendments to IAS 32 *Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities*[5]

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

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. So far, the Group considers that these new and revised IFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their advertising channels and has three reportable operating segments in Mainland China as follows:

(a) printed media advertising: sale of advertising spaces in magazines and newspapers;

(b) outdoor advertising: sale of outdoor advertising spaces at various airports' air traffic control towers (the "Towers"), trains and railway stations; and

(c) audio advertising: sale of advertising air time through audio broadcasting during train transmission.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax.

The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest income, net, other unallocated income and gains as well as corporate and other unallocated expenses are excluded from such measurement. Corporate and other unallocated expenses included selling and distribution expenses, administrative expenses and other operating expenses except for impairment of trade receivables.

Segment assets include trade receivables, non-current deposits, other non-current assets and intangible assets as these assets are not managed on a group basis.

Segment liabilities include trade payables and receipts in advance from customers included in other payables and accruals as these liabilities are not managed on a group basis.

	Printed media advertising *RMB'000*	Outdoor advertising *RMB'000*	Audio advertising *RMB'000*	Total *RMB'000*
Year ended 31 December 2011				
Segment revenue:				
Sales to external customers	**180,148**	**23,698**	**12,995**	**216,841**
Segment results	**107,026**	**289**	**3,238**	**110,553**
Reconciliation:				
Interest income, net				**1,687**
Other unallocated income and gains, net				**2,533**
Share of profits and losses of:				
A jointly-controlled entity				**(414)**
An associate				**223**
Corporate and other unallocated expenses				**(88,174)**
Profit before tax				**26,408**
Income tax expense				**(11,974)**
Profit for the year				**14,434**
Segment assets	**44,747**	**63,949**	**3,790**	**112,486**
Reconciliation:				
Investment in a jointly-controlled entity				**1,012**
Investment in an associate				**2,115**
Available-for-sale investment				**1,277**
Corporate and other unallocated assets				**281,764**
Total assets				**398,654**
Segment liabilities	**(18,112)**	**(5,919)**	**(2,455)**	**(26,486)**
Reconciliation:				
Corporate and other unallocated liabilities				**(28,293)**
Total liabilities				**(54,779)**
Other segment information:				
Depreciation (unallocated)				**1,331**
Amortisation of intangible assets	**1,892**	**110**	**929**	**2,931**
Amortisation of other non-current assets	**—**	**1,278**	**—**	**1,278**
Impairment of trade receivables	**14,739**	**—**	**7,949**	**22,688**
Capital expenditure (allocated)*	**—**	**9,481**	**—**	**9,481**
Capital expenditure (unallocated)**				**3,919**

* Capital expenditure (allocated) consists of additions to other non-current assets during the year.

** Capital expenditure (unallocated) consists of additions to property, plant and equipment and acquisition of an available-for-sale investment during the year.

	Printed media advertising *RMB'000*	Outdoor advertising *RMB'000*	Audio advertising *RMB'000*	Total *RMB'000*
Year ended 31 December 2010				
Segment revenue:				
Sales to external customers	164,169	9,367	35,374	208,910
Segment results	118,122	1,790	33,269	153,181
Reconciliation:				
Interest income				1,030
Other unallocated income and gains, net				57
Share of profits and losses of:				
A jointly-controlled entity				(44)
An associate				47
Corporate and other unallocated expenses				(58,864)
Profit before tax				95,407
Income tax expense				(24,537)
Profit for the year				70,870
Segment assets	49,227	18,617	22,329	90,173
Reconciliation:				
Investment in a jointly-controlled entity				1,426
Investment in an associate				1,892
Corporate and other unallocated assets				134,753
Total assets				228,244
Segment liabilities	(13,856)	(981)	(894)	(15,731)
Reconciliation:				
Corporate and other unallocated liabilities				(99,424)
Total liabilities				(115,155)
Other segment information:				
Depreciation (unallocated)				1,478
Amortisation of intangible assets	8,900	110	929	9,939
Amortisation of other non-current asset	—	1,076	—	1,076
Write-back of impairment of trade receivables	(3,625)	—	—	(3,625)
Capital expenditure (unallocated)**				3,023

** Capital expenditure (unallocated) consists of additions to property, plant and equipment and the capital contribution to a jointly-controlled entity during the year.

Geographical information

As the Group only operates in Mainland China and all of its customers are located in Mainland China, no geographical segment information is presented.

Information about major customers

For the years ended 31 December 2011 and 2010, none of the Group's customers had individually accounted for over 10% of the Group's total revenue.

5. REVENUE, OTHER INCOME AND GAINS, NET

Revenue, which is also the Group's turnover, represents the advertising income, net of business tax. An analysis of revenue and other income and gains, net, is as follows:

	2011	2010
	RMB'000	*RMB'000*
Revenue		
Printed media advertising income	**188,079**	172,504
Outdoor advertising income	**24,666**	9,518
Audio advertising income	**13,461**	36,827
	226,206	218,849
Less: Business tax	**(9,365)**	(9,939)
Total	**216,841**	208,910
Other income and gains, net		
Interest income, net *(note 12)*	**1,687**	1,030
Government grants*	**2,325**	—
Others	**208**	57
Total	**4,220**	1,087

* There are no unfulfilled conditions or contingencies relating to the government grants.

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2011 *RMB'000*	2010 *RMB'000*
Depreciation	**1,331**	1,478
Amortisation of intangible assets	**2,931**	9,939
Amortisation of other non-current assets	**1,278**	1,076
Impairment/(write-back of impairment) of trade receivables*	**22,688**	(3,625)
Minimum lease payments under operating leases on land and buildings	**5,089**	3,785
Employee benefit expense (including directors' remuneration):		
Wages and salaries	**46,844**	36,922
Equity-settled share option expenses	**86**	115
Pension scheme contributions**	**4,929**	3,439
	51,859	40,476
Auditors' remuneration	**1,582**	1,500
Exchange loss, net	**3,919**	190
Loss on disposal of items of property, plant and equipment	**2**	—

* The impairment/(write-back of impairment) of trade receivables balance is included in "other operating income/(expenses), net" on the face of the consolidated income statement.

** As at the end of the reporting period, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years.

7. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2010: Nil). Taxes on profits assessable in Mainland China have been calculated at the prevailing tax rates, based on existing legislation, interpretations and practices in respect thereof.

Pursuant to the PRC Corporate Income Tax Law, the PRC corporate income tax rate of all the PRC subsidiaries is 25%.

	2011 *RMB'000*	2010 *RMB'000*
Group:		
Current — Mainland China		
Charge for the year	**12,363**	27,021
Underprovision in prior periods	**221**	—
Deferred	**(610)**	(2,484)
Total tax charge for the year	**11,974**	24,537

8. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated profit attributable to owners of the Company for the year ended 31 December 2011 includes a loss of RMB20,156,000 (2010: RMB1,521,000) which has been dealt with in the financial statements of the Company.

9. DIVIDENDS

The directors resolved not to declare any dividend for the year ended 31 December 2011 (2010: Nil).

10. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic earnings per share is based on the profit for the year attributable to owners of the Company of RMB14,923,000 (2010: RMB70,669,000) and the weighted average number of ordinary shares of 579,275,000 (2010: 450,000,000 deemed to have been issued throughout the year ended 31 December 2010) in issue during the year.

No adjustment has been made to the basic earnings per share presented for the years ended 31 December 2011 and 2010 as the Group had no potentially dilutive ordinary shares in issue during those years.

11. TRADE RECEIVABLES

Group

	2011	2010
	RMB'000	*RMB'000*
Trade receivables	**67,951**	59,023
Less: impairment	**(23,633)**	(945)
	44,318	58,078

The Group's trading terms with its customers are mainly on credit. The credit period is generally 30 days to 180 days. The Group seeks to apply strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. Although the Group's trade receivables relate to a number of diversified customers, there is a certain concentration of credit risk. The trade receivables from the five largest debtors at 31 December 2011 represented 33% (2010: 31%) of the total trade receivables, while 10% (2010: 8%) of the total trade receivables were due from the largest debtor. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

As at the end of the reporting period, an aged analysis of the trade receivables, based on the advertisement publication date, is as follows:

Group

	2011	2010
	RMB'000	*RMB'000*
Within 3 months	**19,563**	35,968
3 to 6 months	**5,590**	10,724
6 months to 1 year	**18,824**	11,383
Over 1 year	**23,974**	948
	67,951	59,023

The movements in provision for impairment of trade receivables are as follows:

Group

	2011	2010
	RMB'000	*RMB'000*
At beginning of the reporting period	**945**	4,570
Impairment losses recognised/(written back) *(note 6)*	**22,688**	(3,625)
At end of the reporting period	**23,633**	945

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables with a carrying amount before provision of RMB37,003,000 (2010: RMB945,000) as at 31 December 2011.

The individually impaired trade receivables relate to customers that were in financial difficulties or were in default in both interest and/or principal payments and only a portion of the receivables is expected to be recovered.

The aged analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

Group

	2011	2010
	RMB'000	*RMB'000*
Neither past due nor impaired	**19,599**	22,996
Past due but not impaired:		
Less than 3 months	**5,559**	13,037
More than 3 months	**5,790**	22,045
	30,948	58,078

Receivables that were neither past due nor impaired mainly represent sales made to recognised and creditworthy customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good repayment record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment 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.

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Group

	Notes	**2011** **RMB'000**	2010 RMB'000
Current:			
Other receivables		**2,202**	1,465
Amount due from a shareholder/the ultimate holding company	*(i)*	**—**	1,748
Prepayments	*(i)*	**24,743**	11,763
Rental, utility and other deposits		**17,424**	691
Staff advances		**16,184**	7,851
		60,553	23,518
Non-current:			
Deposits	*(ii)*	**10,579**	5,526
		71,132	29,044

Notes:

(i) As at 31 December 2010, the amount due from a shareholder, Lizhong Limited ("Lizhong"), a company incorporated in the Cayman Islands, of RMB1,748,000 and prepayments of RMB11,700,000 represented the expenditures incurred for the purpose of the Company's initial public offering. Pursuant to the deed of undertaking dated 17 December 2010 received from Lizhong, Lizhong agreed to bear the listing expenses except for the portion attributable to the listing of new shares of the Company under the placing as detailed in the Prospectus. After the listing of the Company's shares on the GEM of the Stock Exchange on 28 February 2011, the above balances were partly set off against the Company's share premium account and partly settled through the amount due to Lizhong for the portion it had undertaken to bear.

As at 31 December 2011, included in prepayments is a membership fee prepaid by the Group to a non-controlling shareholder of a subsidiary of RMB875,000 (2010: Nil).

(ii) As at 31 December 2010, balance represented the deposit paid for the exclusive right to sell the advertising spaces on the Towers in Mainland China for a period of 9 years from 20 June 2008 to 19 June 2017. The deposit paid by the Group during the year ended 31 December 2008 amounted to RMB8,000,000 and is fully repayable to the Group upon the expiry of the term of the above exclusive right. The deposit is carried at amortised cost at the Group's statement of financial position using an effective interest rate of 5.85%, resulting in an interest income of RMB324,000 (2010: RMB305,000) in the current year included in "Interest income, net" under "Other income and gain, net" on the face of the consolidated income statement.

During the year ended 31 December 2011, deposits of RMB5,000,000 and RMB500,000 were paid for the rights to sell certain designated outdoor advertising spaces in railway stations in Mainland China with the expiry dates of the advertising rights on 31 December 2014 and 31 December 2015, respectively. The deposits paid by the Group are fully repayable to the Group upon the above expiry dates. These deposits are carried at amortised cost at the Group's statement of financial position using an effective interest rate of 5.00%, resulting in an interest expense of RMB771,000 in the current year included in "Interest income, net" under "Other income and gains, net" on the face of the consolidated income statement.

13. TRADE PAYABLES

An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

Group

	2011	2010
	RMB'000	*RMB'000*
Within 3 months	**13,319**	7,827
3 to 6 months	**1,554**	—
Over 6 months	**1,075**	47
	15,948	7,874

As at 31 December 2011, included in the trade payables are trade payables of RMB4,791,000 (2010: RMB1,531,000) due to a holding company of the non-controlling shareholder of a subsidiary and nil (2010: RMB840,000) due to a non-controlling shareholder of a subsidiary which were repayable within 30 days.

Trade payables are non-interest-bearing and are normally settled on 30-day terms.

14. OTHER PAYABLES AND ACCRUALS

Group

	2011	2010
	RMB'000	*RMB'000*
Receipts in advance from customers	**10,538**	7,857
Deposits received	**—**	322
Accrued salaries and staff welfare	**13,725**	15,831
Other accruals	**1,542**	2,605
Other tax payable	**1,333**	2,083
	27,138	28,698

Other payables are non-interest-bearing and have an average term of one month.

15. SHARE CAPITAL

Shares

	2011	2010
	RMB'000	*RMB'000*
Authorised:		
40,000,000,000 (2010: 40,000,000,000) ordinary shares of US$0.001 each	**263,672**	263,672
Issued and fully paid:		
601,900,000 (2010: 450,000,000) ordinary shares of US$0.001 each	**3,969**	2,967

The following changes in the Company's authorised and issued share capital took place during the period from 5 May 2010 (date of incorporation) to 31 December 2011:

	Notes	Number of ordinary shares	Nominal value of ordinary shares RMB'000
Authorised:			
Upon incorporation (50,000,000 shares of US$0.001 each)	*(a)*	50,000,000	330
Increase in authorised share capital on 17 December 2010	*(b)*	39,950,000,000	263,342
		40,000,000,000	263,672
Issued:			
Upon incorporation (1 share of US$0.001 allotted and issued at nil paid)	*(c)*	1	—
On acquisition of Hongkong Ao Shen Investment Co., Ltd. ("Hong Kong Ao Shen") on 17 December 2010			
— allotment and issuance of 48,999,999 shares credited as fully paid	*(d)*	48,999,999	323
— 1 nil paid share credited as fully paid	*(d)*	—	—
Capitalisation of an amount due to Lizhong of RMB12,436,000	*(e)*	1,000,000	7
Capitalisation issue credited as fully paid on the share premium account of the Company	*(f)*	400,000,000	2,637
Issued capital as at 31 December 2010 and 1 January 2011		450,000,000	2,967
Issuance of new shares on 25 February 2011	*(g)*	150,000,000	989
Issuance of new shares on 30 March 2011	*(h)*	3,090,000	20
Repurchase and cancellation of ordinary shares	*(i)*	(1,190,000)	(7)
At 31 December 2011		601,900,000	3,969

Notes:

(a) On 5 May 2010, the authorised share capital was US$50,000 divided into 50,000,000 shares having a par value of US$0.001 each.

(b) Pursuant to a resolution passed on 17 December 2010, the authorised share capital of the Company was increased from US$50,000 to US$40,000,000 by the creation of 39,950,000,000 additional new shares of US$0.001 each.

(c) On 5 May 2010, one share was allotted and issued, at nil paid, to Codan Trust Company (Cayman) Limited, which was transferred to Lizhong on the same date.

(d) On 17 December 2010, the Company acquired from Lizhong an aggregate of 100 shares of HK$1 each in the share capital of Hong Kong Ao Shen, being its entire issued share capital, in consideration of and in exchange for which the Company (i) allotted and issued, credited as fully paid, an aggregate of 48,999,999 shares to Lizhong and (ii) credited as fully paid at par the one nil paid share then held by Lizhong (note (c)).

(e) On 17 December 2010, the Company issued and allotted 1,000,000 shares to Lizhong, credited as fully paid, in full satisfaction of the amount of part of the shareholder's loan for the principal amount of approximately RMB12,436,000 owed by Hong Kong Ao Shen to Lizhong.

(f) Pursuant to a resolution passed on 17 December 2010, 400,000,000 shares were allotted and issued at a par value of US$0.001 each in proportion to the holders of shares whose names appear on the register of members of the Company at the close of business on 17 December 2010.

(g) In connection with the Company's initial public offering, 150,000,000 shares of US$0.001 each were issued at a price of HK$1.8 per share for a total cash consideration, before expenses, of approximately HK$270,000,000 (equivalent to RMB226,800,000) on 25 February 2011. Dealings in these shares on the Stock Exchange commenced on 28 February 2011.

(h) In connection with the Company's initial public offering, an over-allotment option was exercised by Oriental Patron Securities Limited ("Oriental Patron") and accordingly, 3,090,000 shares of US$0.001 each were issued to Oriental Patron at a price of HK$1.8 per share for a total cash consideration, before expenses, of approximately HK$5,562,000 (equivalent to RMB4,672,000) on 30 March 2011. Oriental Patron may exercise the over-allotment options, which were exercisable from the listing date (i.e. 28 February 2011) up to 30 March 2011.

(i) During the year, the Company repurchased 1,622,000 shares of US$0.001 at prices ranging from HK$0.56 to HK$0.64 per share at an aggregate consideration of RMB783,000. 1,190,000 repurchased ordinary shares were cancelled during the year. The premium of approximately RMB560,000 paid on the repurchase of such shares were debited to the share premium account and an amount of RMB7,000 was transferred from accumulated losses of the Company to the capital redemption reserve. In respect of the 432,000 ordinary shares not yet cancelled as at 31 December 2011, treasury shares of RMB216,000 are recorded at the amount of consideration paid and deducted from equity attributable to the owners of the Company until they are subsequently cancelled.

Details of the repurchases are disclosed under the heading of "Purchase, Sale or Redemption of the Company's Listed Securities" in this annual results announcement.

16. OPERATING LEASE COMMITMENTS

The Group leases its office premises under operating lease arrangements. Leases for these properties are negotiated for terms of one to three years (2010: one to five years).

At the end of the reporting period, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2011	2010
	RMB'000	*RMB'000*
Within 1 year	**3,512**	2,901
After 1 year but within 5 years	**1,215**	3,133
	4,727	6,034

At the end of the reporting period, the Company did not have any significant operating lease commitments (2010: Nil).

17. COMMITMENTS

In addition to the operating lease commitments detailed in note 16 above, the Group had the following commitments at the end of the reporting period:

	2011	2010
	RMB'000	*RMB'000*
Contracted, but not provided for:		
Agency fees for outdoor advertising	**158,045**	—
Other non-current assets for outdoor advertising	**7,389**	—
	165,434	—

At the end of the reporting period, the Company did not have any significant commitments (2010: Nil).

18. CONTINGENT LIABILITIES

At the end of the reporting period, the Group and the Company did not have any significant contingent liabilities (2010: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

Even though the PRC government has slowed down the development of high-speed railway networking after the train accident happened on 23 July 2011, China's advertising industry is still one of the fastest growing advertising markets in the world. According to the report of ZenithOptimedia, net advertising expenditure in China grew by approximately 14.8% between 1998 and 2009, making it one of the fastest growing advertising markets in the world. The substantial growth of China's advertising market was due to the rapid and sustained economic growth, the continuous growth in consumer spending and the relatively low level of advertising spending per capita in the past. Despite the contraction in global advertising market as a result of the global financial crisis in late 2008, China's advertising market is expected to outperform most of the developed countries in the world and maintains a steady growth in the coming years.

Railway is one of the most important public transportation systems in China. High and relatively stable passenger traffic combined with the unique characteristic of enabling advertising customers to reach target audience all over the country makes railways media one of the most effective advertising means.

Railways advertising market in China is composed of the following four major categories:

1. advertisements on free publications circulated on both regular trains and China Railway High-speed ("CRH") trains. In respect of the free publications market on CRH trains, there are five publications approved by the Ministry of Railways for distribution on the high-speed railway network in China, which include the three publications operated and distributed by the Group, namely, "旅伴" (Fellow Traveller), "報林" (Resource) and "旅客報" (Passengers) (including a special edition named "旅客報1318" (Passengers 1318) which is available on route of the CRH trains Beijing-Shanghai), and another two publications operated by independent third parties, namely "青年時訊" (Youth Express) and "和諧之旅" (CRH Magazine). Other than the free publications circulated on both regular trains and CRH trains, there are no other freely distributed publications generally available at all train stations or terminals in China;

2. outdoor advertisements in railways stations, including billboards, light boxes, TVs advertisements in waiting rooms and platforms, etc.

3. advertisements in train compartments, including posters, TVs and tablecloth advertisements; and

4. broadcasting advertisements on regular trains. Other than the audio programmes provided by the Group, namely, "和諧鐵路之聲" (The Voice of Harmonious Railways) which are broadcasted nation-wide on regular trains and the audio programmes provided by certain local railway bureaus on their responsible regional railways, there are no other industry players who provide audio programmes broadcasted on regular trains in China.

Railways advertising in China is a relatively new advertising platform that has experienced rapid growth in recent years. As supported by the continuous growth in the passenger traffic and the number of routes of CRH trains, the Directors believe that the high-speed railway network in China will be increasingly popular for the business and leisure travellers in China. This development ensures that the coverage of our media will continue to grow both in target audience numbers and geographically. Considered having a high proportion of affluent railway passengers, the development of the high-speed railway network in China will be instrumental to the Group's sustainable growth in the future.

BUSINESS REVIEW

The Group's total revenue for the year ended 31 December 2011 was RMB216,841,000, representing an increase of approximately 3.8% as compared to RMB208,910,000 for the year ended 31 December 2010. Overall gross profit decreased by RMB16,315,000 or approximately 10.9% to RMB133,241,000 for the year ended 31 December 2011 from RMB149,556,000 in last year. The gross profit margin for the current year decreased to approximately 61.4% from approximately 71.6% in last year. The total comprehensive income for the period attributable to the owners of the Company amounted to RMB9,366,000, representing a decrease of approximately 86.9% as compared to RMB71,324,000 in last year.

REVENUE BY SEGMENT

Analysis of revenue by segment is as follows:

	2011 *RMB'000*	2010 *RMB'000*	**Change (%)**	**2011** **% of total revenue**	2010
Printed media advertising	**180,148**	164,169	9.7	**83.1**	78.6
Audio programmes advertising	**12,995**	35,374	(63.3)	**6.0**	16.9
Outdoor media advertising	**23,698**	9,367	153.0	**10.9**	4.5
	216,841	208,910	3.8	**100.0**	100.0

Printed Media Advertising

Revenue from printed media advertising was the principal source of revenue for the year and it contributed approximately 83.1% of the Group's total revenue. It is expected to continue to be our principal source of revenue in the future. Revenue from printed media advertising principally represented the amount generated from the sales of the advertising space on the periodicals and newspaper operated by the Group and was recognised upon the publication of the periodicals and newspaper in which the respective advertisement was placed. "旅伴" (Fellow Traveller) and "報林" (Resource) are monthly nation-wide periodicals distributed on all CRH trains and selected regular trains in China. "旅客報" (Passengers) and "旅客報1318" (Passengers 1318) (which is a special edition of "旅客報" (Passengers) available on the route of CRH trains Beijing-Shanghai only) are route-specific newspapers distributed on CRH trains which currently comprises 12 different route-specific supplements providing the local contents.

Revenue from printed media advertising increased by approximately 9.7%, from RMB164,169,000 in last year to RMB180,148,000 in current year. The growth is mainly attributable to the increase in average price per advertisement page.

Audio Programmes Advertising

Revenue from audio programmes advertising represented the amount generated from the sales of advertising timeslots which was part of the audio programmes produced by the Group for broadcasting during train transmission. It is mainly driven by duration of the audio advertisements, the price per standard timeslot (i.e. 15 or 30 seconds) and the frequency of broadcast. Revenue from audio programmes advertising decreased by RMB22,379,000 or approximately 63.3% to RMB12,995,000 in the current year. The decrease mainly resulted from the impact of the train accident happened on 23 July 2011 that caused a decrease in demand for our audio advertising services and a major customer has no longer renewed the advertising contract during the current year.

Outdoor Media Advertising

Revenue from outdoor media advertising represented the amount generated from the sales of advertising spaces on the air traffic control towers and billboards and LED installed at certain selected train stations. It increased from RMB9,367,000 in last year to RMB23,698,000 in current year. The increase was due to the fact that the Group successfully secured a large outdoor advertising contract with an existing customer for 16 air control towers in December 2010 which began to generate revenue in 2011 with higher contract price. Moreover, billboards and LED in certain selected train stations started generating revenue in the second half year of 2011 which amounted to RMB7,839,000.

SEGMENT RESULTS AND PROFIT MARGIN OF SEGMENT

Analysis of segment results is as follows:

	Revenue		Cost		Segment results		Change	
	2011	2010	**2011**	2010	**2011**	2010		
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*%*
Printed media advertising	**180,148**	164,169	**73,122**	46,047	**107,026**	118,122	**(11,096)**	(9.4)
Audio programmes advertising	**12,995**	35,374	**9,757**	2,105	**3,238**	33,269	**(30,031)**	(90.3)
Outdoor media advertising	**23,698**	9,367	**23,409**	7,577	**289**	1,790	**(1,501)**	(83.9)
	216,841	208,910	**106,288**	55,729	**110,553**	153,181	**(42,628)**	(27.8)

During the year, the segment results of printed media advertising recorded a segment profit of RMB107,026,000, representing a decrease of approximately 9.4% as compared with a segment profit of RMB118,122,000 for last year. Audio programmes advertising recorded a segment profit of RMB3,238,000 during the year, representing a decrease of approximately 90.3% over that of the corresponding period in last year, which was RMB33,269,000. Segment results of outdoor media advertising recorded a segment profit of RMB289,000 from RMB1,790,000, representing a decrease of approximately 83.9% as compared with the same period in last year which was mainly resulted from inclusion of agency fee and production costs for billboards and LED advertising amounted to RMB4,213,000 and agency fee for the new business, which are headrest cover sheets, folding tables and poster frames amounted to RMB8,519,000. In overall, there was a decrease in segment results of RMB42,628,000, representing a decrease of approximately 27.8% to RMB110,553,000 from RMB153,181,000 as compared to the corresponding period in last year.

Analysis of profit margin of segment is as follows:

	Profit margin of segment	
	2011	2010
	%	%
Printed media advertising	**59.4**	72.0
Audio programmes advertising	**24.9**	94.0
Outdoor media advertising	**1.2**	19.1
Profit margin of all segments	**51.0**	73.3

Profit margin of printed media advertising decreased from approximately 72.0% for last year to approximately 59.4% for the current year mainly due to the impairment on trade receivables for overdue balances. Moreover, high cost incurred for a newly published monthly supplement called Passengers 1318 (which is a special edition of "旅客報" (Passenger) and for distribution on the Beijing-Shanghai high-speed railway only) and increment of staff cost have caused the gross profit margin to drop in current year.

Profit margin of audio programmes advertising decreased from approximately 94.0% in last year to approximately 24.9% in current year was mainly resulted from the impairment on trade receivables for overdue balances.

Profit margin of outdoor media advertising decreased from approximately 19.1% for last year to approximately 1.2% for the current year, mainly due to the inclusion of agency fee for headrest cover sheets, folding tables and poster frames amounted to RMB8,519,000. No revenue was contributed by this new business during the current year.

The profit margin of segment as a whole decreased from approximately 73.3% for last year to approximately 51.0% for the current year. This was mainly driven by impairment on trade receivables, increment of staff costs, higher printing cost incurred and agency fee for a new business that has not yet contributed revenue to the Group during the current year.

Other Income and Gains, Net

Other income and gains, net increased from RMB1,087,000 in last year to RMB4,220,000 in current year, mainly due to the increase in interest income on bank deposits and government grant received in current year.

Cost of Sales

Cost of sales increased from RMB59,354,000 in last year to RMB83,600,000 in current year, representing an increase of approximately 40.8%. The increase in cost of sales was mainly attributable to the employment of more staff, increment of staff cost, higher printing costs for the printed media business, as well as agency fees payable to the Group's publishing partners and agency fee paid for a new business, which is headrests cover sheets, folding tables and poster frames advertisements.

Selling and Distribution Expenses

Selling and distribution expenses mainly include salary, commission payable to sales staff, travelling and related expenses, office expenses and others. It accounted for approximately 16.5% and 22.6% of the Group's total revenue for the years ended 31 December 2010 and 2011, respectively and the increase in percentage was mainly due to more expenses incurred for the expansion of existing business and increment of average salary of sales staff. The amount increased by approximately 42.6% from RMB34,371,000 in last year to RMB49,006,000 in current year, primarily as a result of increase in average salary and commission payables to sales staff, business meeting and expenses related to the establishing of representative offices for the expansion of existing business alongside the development of the high-speed railway network in China.

Administrative Expenses

Administrative expenses increased by approximately 61.5% from RMB24,217,000 in last year to RMB39,117,000 in current year, primarily due to the increase in rental, entertainment and business meeting expenses and directors' remuneration incurred after listing on the GEM Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), increment of average salary and number of staff and exchange loss incurred.

Other Operating Income/(Expenses), Net

It mainly represented impairment on trade receivables made in current year.

Income Tax Expense

The income tax expense of the Group for the year was RMB11,974,000 (2010: RMB24,537,000) at the effective tax rate of 45.3% (2010: 25.7%).

Liquidity and Financial Resources

As at 31 December 2011, the Group's cash and cash equivalents, including bank deposits and cash in hand, and short-term bank deposits with original maturities not exceeding three months, amounted to RMB200,500,000, representing a net increase of RMB97,398,000 as compared to the position as at 31 December 2010.

As at 31 December 2011, the current ratio was approximately 6.75 (2010: 1.68) and the gearing ratio of the Group was approximately (0.94) (2010: (0.11)) which was calculated based on the Group's net debt divided by the equity attributable to owners of the Company plus net debt. The Group satisfied their working capital needs principally from internally generated cash flow from operating activities.

Pledge of Assets

As at 31 December 2011, the Group has no assets pledged for bank borrowings or for other purpose (2010: Nil).

Contingent Liabilities

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

Commitments

As at 31 December 2011, save as disclosed in note 17 to this annual results announcement, the Group did not have any significant commitments.

Total Comprehensive Income Attributable to Owners of the Company and Net Profit Margin

Total comprehensive income attributable to the owners of the Company for the year ended 31 December 2011 amounted to RMB9,366,000 (2010: RMB71,324,000), representing a decrease of approximately 86.9% of that in the same period of last year. Net profit margin of the Group dropped by approximately 79.6% to 6.7% (2010: 33.9%).

Capital Structure

During the year under review, the Group had net assets of RMB343,875,000 (2010: RMB113,089,000), comprising non-current assets of RMB52,322,000 (2010: RMB41,781,000), and current assets of RMB346,332,000 (2010: RMB186,463,000). The Group recorded a net current asset position of RMB295,021,000 (2010: RMB75,509,000), which primarily consists of cash and bank equivalents amounted to RMB210,850,000 (2010: RMB103,102,000), prepayments, deposits and other receivables amounted to RMB60,553,000 (2010: RMB23,518,000) and trade receivables amounted to RMB44,318,000 (2010: RMB58,078,000). Major current liabilities are trade payables and other payables and accruals amounted to RMB15,948,000 (2010: RMB7,874,000) and RMB27,138,000 (2010: RMB28,698,000), respectively. The Group has no bank borrowings.

Foreign Exchange Risk

The Group mainly operates in the PRC with most of the transactions settled in Renminbi. Part of the Group's cash and bank deposits are denominated in Hong Kong Dollars and United States Dollars. The Directors consider that the Group's risk in foreign exchange is insignificant. During the year under review, the Group did not hedge any exposure in foreign currency risk.

Human Resources

As at 31 December 2011, the Group employed a total of 786 employees (2010: 603 employees) situated in the PRC. The Group's emolument policy is formulated based on industry practices and performance of individual employees. During the year under review, the total staff costs (including Directors' emoluments) amounted to approximately RMB51,859,000 (2010: RMB40,476,000).

Material Acquisition and Disposal

Save as disclosed in the announcement of the Company dated 2 September 2011 regarding the Group's disposal of five subsidiaries, no material acquisition or disposal of subsidiaries and associated companies was entered into by the Group during the year under review.

Future Prospects

In view of the rapid development of the high-speed railway network in China, the Group is optimistic on the long term prospect of its existing businesses. The management of the Group is now optimising the Group's resources in order to capture more business opportunities by focusing on the advertising business at train stations and on the trains, and expanding the Group's existing businesses by extending sales network.

The Group has entered into contracts with certain state-owned railways media operators pursuant to which the Group is granted an exclusive advertising right to install and operate the advertising panels at more than twenty selected train stations operated by five railway bureaus. The Group has installed billboards, LED and facilities in several stations and has signed several contracts with customers for placing of advertisements on these billboards.

Furthermore, the Group is now expanding the existing businesses by extending sales network through the establishment of sales offices at different PRC cities and strengthening the Group's sales and advertising teams at different locations. The Group will also increase the number of route-specific supplements of our printed media in order to strengthen the customer base and accelerate our business growth.

To further broaden our coverage of advertising on train, the Group has signed seven agreements in November 2011 with the advertising companies authorised by the relevant railway bureaus in the PRC to acquire the rights of advertising on the headrest cover sheets, folding tables and poster frames on the CRH trains of six routes, with advertising agency fees, maintenance fees and media services fees for a total of approximately RMB75.5 million. Leveraging on the extended sales network on CRH trains through the above agreements, we expect to expand the Group's advertising platforms and customer base, to further strengthen our business.

To expand our outdoor advertising, the Group is securing more advertising spaces on the air traffic control towers at the civil airports that are not currently operated by the Group. In addition to the three existing distinguished publications, namely "Fellow Traveller", "Resource" and "Passengers", a new monthly supplement called "Passengers 1318" (which is a special edition of "Passengers" and for distribution on the Beijing-Shanghai high-speed railway only) has commenced service as of 30 June 2011. "Passengers 1318" is positioned as a prestigious lifestyle magazine targeting high-end business travelers on the Beijing-Shanghai high-speed railway. The Group now prints about 100,000 copies of its periodicals per month for the passengers of the Beijing-Shanghai route. The management believes that this latest development will help the Group further strengthen its printed media business and attract more high-end advertising customers.

Change of Use of Proceeds from the Company's Placing

As stated in the section headed "Future plans and proposed use of net proceeds from the placing" of the Prospectus, it was the Board's then intention to use approximately 12.7% and 11.0% of the net proceeds from its placing (the "Placing") in 2011 for the operation of new on-board media on trains in China (the "Operation of New On-board Media") and a website for the provision of information and services relating to China railway system and the related advertising business (the "Internet Advertising Business") respectively. The net proceeds of the Placing received by the Company were approximately HK$261.9 million (excluding the sale commission), of which approximately HK$33.2 million shall be used for Operation of New On-board Media and of which approximately HK$28.8 million shall be used for the Internet Advertising Business.

As a result of the change of policy of Ministry of Railway that (1) the contract for the operation of LED panels and related audio/video system are subject to open tenders, the expected successful bidding price and/or investment costs become much higher than expected; and (2) the PRC government will operate its own website in relation to the provision of information and services relating to China railway system, the Group can no longer launch and operate such website for its Internet Advertising Business. As such, after thorough consideration, the Directors have resolved to reallocate the proceeds originally planned for the Operation of New On-board Media and the Internet Advertising Business to the new business of advertising on the headrest cover sheets, folding tables and poster frames on several routes of CRH trains (the "New Business"). Please refer to the announcement of the Company dated 7 December 2011 for details of the New Business. The New Business will utilise approximately RMB75.5 million. As at the date of this results announcement, approximately RMB25.2 million has been used by the Group on the New Business which was funded by the internal resources of the Group. The remaining amount of approximately RMB52.3 million will be funded by the amount of net proceeds originally allocated to the Operation of New On-board Media and the Internet Advertising Business, as well as by the Company's internal resources.

Corporate Governance Practices

Recognising the importance of a listed company's responsibilities to enhance its transparency and accountability, the Company is committed to maintain a high standard of corporate governance in the interests of its shareholders. The Company devotes to best practice on corporate governance and to comply to the extent practicable, with the code provisions as set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 15 to the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules").

The Directors consider that since the listing of the shares of the Company on the GEM of the Stock Exchange on 28 February 2011 (the "Listing Date"), the Company has complied with the Code from the Listing Date up to the end of the reporting period. The Company will continue to review its corporate governance practices in order to enhance its corporate governance standard, to comply with the increasingly tightened regulatory requirements and to meet the rising expectations of shareholders and investors.

Model Code for Directors' Securities Transactions

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry with the Directors, all the Directors confirmed that they have complied with the code of conduct and required standard of dealings concerning securities transactions by the directors from the Listing Date and up to the end of the reporting period.

Purchase, Sale or Redemption of the Company's Listed Securities

During the year ended 31 December 2011, the Company repurchased 1,622,000 issued ordinary shares on the Stock Exchange with a view to benefiting shareholders as a whole by enhancing the net assets and earnings per share of the Company. 1,190,000 shares were cancelled in December 2011 and the remaining 432,000 shares were cancelled in January 2012.

Month of repurchase	**Number of shares repurchased**	**Highest price per share**	**Lowest price per share**	**Aggregate consideration paid**	**Equivalent aggregate consideration paid**
		HK$	*HK$*	*HK$'000*	*RMB'000*
December 2011	1,622,000	0.64	0.56	963	783

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2011.

Closure of the Register of Members

The register of members of the Company will be closed from 3 May 2012 to 4 May 2012, both dates inclusive, during which period no transfer of shares of the Company could be registered for determination of entitlement of shareholders of the Company to the attendance at the forthcoming annual general meeting of the Company. To qualify for the attendance at the annual general meeting, shareholders must ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on 2 May 2011.

Audit Committee

The Company established the Audit Committee on 17 December 2010 with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules and paragraphs C.3.3 and C.3.7 of the Code. The primary duties of the Audit Committee are mainly to review the material investment, capital operation and material financial system of the Company; to review the accounting policy, financial position and financial reporting procedures of the Company; to communicate with external audit firms; to assess the performance of internal financial and audit personnel; and to assess the internal control of the Company. The Audit Committee has three members comprising Mr. Gao Xingbo (Chairman), Mr. Feng Bing and Mr. Chen Shaofeng.

During the year ended 31 December 2011, the Audit Committee had reviewed the final results of the Group for 2010, the 2010 annual report of the Company, the 2011 interim results and report of the Company and the quarterly results and report for the periods ended 31 March 2011 and 30 September 2011. The Audit Committee had reviewed the Group's internal controls for the year. The Group's final results for the year ended 31 December 2011 had been reviewed by the Audit Committee before submission to the Board for approval. Members of the Audit Committee were of the opinion that the preparation of such results complied with the applicable accounting standards, the GEM Listing Rules and that adequate disclosure have been made.

By Order of the Board
China 33 Media Group Limited
Lin Pintong
Chairman

Hong Kong, 27 March 2012

As at the date of this announcement, the executive Directors are Mr. Lin Pintong (Chairman), Mr. Ruan Deqing and Mr. Han Wenqian; the non-executive Directors are Mr. Wang Jianqing and Mr. Wang Fuqing and the independent non-executive Directors are Mr. Gao Xingbo, Mr. Feng Bing, Mr. Chen Shaofeng and Ms. Xing Zhibin.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading. This announcement will remain on the "Latest Company Announcements" page of the GEM website at www.hkgem.com for at least 7 days from the date of its posting and the Company's website at www.china33media.com.