2011 ANNUAL REPORT

文化中國傳播集團有限公司
CHINAVISION MEDIA GROUP LIMITED

Stock Code: 1060

CONTENTS

CHINAVISION MEDIA GROUP LIMITED

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors
Mr. Dong Ping *(Chairman)*
Mr. Ng Qing Hai
Mr. Zhao Chao

Non-Executive Director
Mr. Kong Muk Yin

Independent Non-Executive Directors
Mr. Chen Ching
Mr. Jin Hui Zhi
Mr. Li Chak Hung

EXECUTIVE COMMITTEE
Mr. Dong Ping *(Chairman)*
Mr. Ng Qing Hai
Mr. Zhao Chao

REMUNERATION COMMITTEE
Mr. Chen Ching *(Chairman)*
Mr. Jin Hui Zhi
Mr. Li Chak Hung

AUDIT COMMITTEE
Mr. Li Chak Hung *(Chairman)*
Mr. Chen Ching
Mr. Jin Hui Zhi

NOMINATION COMMITTEE
Mr. Dong Ping *(Chairman)*
Mr. Zhao Chao
Mr. Chen Ching
Mr. Jin Hui Zhi
Mr. Li Chak Hung

COMPANY SECRETARY
Ms. Fung Ching Man, Ada

SOLICITORS
Fred Kan & Co.
Robertsons

AUDITOR
Deloitte Touche Tohmatsu

WEBSITE
http://www.chinavision.hk

PRINCIPAL BANKERS
Bank of Beijing Co., Ltd.
Bank of China Limited
Bank of Communications Co., Ltd.
Bank of Xian Co., Ltd.
China Construction Bank Corporation
China Everbright Bank Corporation Limited
CITIC Bank International Limited
Hua Xia Bank Co., Ltd.
Industrial and Commercial Bank of China Ltd.
Shanghai Pudong Development Bank Co., Ltd.
Standard Chartered Bank (Hong Kong) Limited

REGISTERED OFFICE
Clarendon House, 2 Church Street
Hamilton HM 11, Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG
Suite 3302, 33rd Floor, Far East Finance Centre
16 Harcourt Road, Admiralty, Hong Kong
Telephone : (852) 3971 8888
Facsimile : (852) 3971 8800
Email : info@chinavision.hk

BEIJING OFFICE
12/F., Tower A & B, Ping An International Finance Center
Nos. 1-3 Xinyuan Nanlu, Chaoyang District, Beijing, China
Post Code : 100027
Telephone : (86) 10 5911 5566
Facsimile : (86) 10 5911 5599

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre, 11 Bermudiana Road
Pembroke HM08, Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Tricor Secretaries Limited
26th Floor, Tesbury Centre, 28 Queen's Road East
Wanchai, Hong Kong

SINGAPORE SHARE TRANSFER AGENT
Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place, #32-01 Singapore Land Tower
Singapore 048623

STOCK CODE
Stock Code on The Stock Exchange of Hong Kong Limited: 1060
Stock Code on The Singapore Exchange Securities Trading Limited: S91

To the Shareholders,

I am pleased to share with you the performance in the areas of print media, mobile new media and television and film operations of ChinaVision Media Group Limited (the "Group") in 2011, as well as the Group's overall business and future development plans.

In recent years, the People's Republic of China (the "PRC") economy has continued to expand while the Central Government has highlighted the importance of "enriching material and spiritual life simultaneously". According to the planning in the Sixth Plenary Session of the Seventeenth Central Committee of the Communist Party of China, the "Outline of Cultural Reform and Development under the Twelfth Five-year Plan" has further suggested that the cultural industry should "gradually develop into a pillar of the PRC economy" by 2015. It is expected that favorable policies to facilitate such development are to be launched soon. With this background, the PRC cultural, film and television industry faces bright prospects.

During the year, the Group implemented certain major changes with the aim to improve and enhance its core operations, and on the other hand, expand its scale of business through acquisitions and strengthen the competitiveness of its sales network. With the synergies created within the Group's various divisions, consolidation of resources and the closer cooperation between the teams of each business division, we are setting a solid foundation on which to boost the rapid growth and become the leader of the cultural industry within the PRC.

ACQUISITION OF CEMG AND STRATEGIC PARTNERSHIP WITH TENCENT

On 21st October, 2011, the Group announced that it has acquired the entire issued share capital of China Entertainment Media Group Limited ("CEMG"). CEMG is a fast-growing media entertainment company principally engaged in three major business segments namely movies, television drama series and television advertising. For its movie business, CEMG works with a team of well-recognised directors, screenwriters, actors and actresses to originate four to six movies per year which include the strategic cooperation with China Film Group Corporation ("CFGC") to co-produce and co-invest in certain Chinese history-themed mega productions. For its television drama series business, CEMG aims to invest in or produce four to six medium-to large-scale television drama series per year. CEMG also has a management team that is experienced in satellite television content and production. It has entered into a long-term cooperation agreement with the Gansu Provincial Film and TV Broadcast Group to exclusively operate the television advertising and content programming segments of the Gansu Satellite Television Network and Gansu Local Television Network. A significant milestone for the Group, the acquisition was approved unanimously by independent shareholders at the Special General Meeting held on 26th January, 2012 and was completed on 31st January, 2012.

We believe that the acquisition of CEMG helps reinforce and enhance the Group's core competitive strengths. It also helps the Group to further enrich its portfolio of television, movies and media content, as well as content delivery platform, enabling the Group to seize numerous business opportunities in the PRC driven by favorable policies, and to further improve operational efficiency through the potential synergies created among two groups. CEMG has extensive experience in the production and distribution of film and television drama series, while the Group has competitive advantages in print media and mobile new media. More importantly, the Group is now able to tap CEMG's television network platform. Following the Acquisition, both the Group and CEMG will thus be able to utilise each other's content delivery platforms for synergistic benefits such as opportunities for cross-channel sales among different delivery platforms. In addition, the operating efficiency of the enlarged group can be further improved through sharing of resources and expenses (such as the marketing and promotion expenses, etc.). As cinema networks continue to expand and new theatres are built, we expect the PRC's box office revenues will continue to grow rapidly and demand for quality movies will increase.

ACQUISITION OF CEMG AND STRATEGIC PARTNERSHIP WITH TENCENT *(Continued)*

At the same time, the Group also entered into a subscription agreement and a framework strategic cooperation agreement with a wholly-owned subsidiary of Tencent Holdings Limited ("Tencent"; SEHK: 0700). This initiative not only strengthens the strategic collaboration between the two parties, but has also enhanced the Group's capital foundation. Tencent is a leading provider of integrated Internet services with the largest base of Internet users in the PRC. We believe that such strategic partnership with Tencent will enable the Group to access various new media platforms, promote the Group's films, television drama series and artists, as well as expand the Group's new media business. We hope to promote and market our movies, television drama series, artists, new media content and mobile entertainment content on Tencent's plentiful online platform, including Instant Messaging QQ, web portal QQ.com and Qzone etc. We will also distribute and broadcast our films and television drama series via Tencent's online video platform and by co-production of premium video contents.

PRINT MEDIA BUSINESS – NEWSPAPER

Beijing Times celebrated the 10th anniversary of its founding in 2011. In the highly competitive media environment within Beijing, Beijing Times is one of the most popular newspapers in the city. It has also grown from a single newspaper business to a diversified media group covering Jinghua Books (京華圖書), Jinghua Artistic Services (京華演藝), Jinghua TV (京華視頻), Jinghua Advertising (京華廣告), Jinghua Logistics (京華物流), the Jinghua website, e-business services (億家網), and various electronic terminal products under the brand of Jinghua. For the year ended 31st December, 2011, the market shares of Beijing Times reached 73%[1], far higher than other daily newspapers in Beijing. Leveraging its extensive readership and strong brand, the newspaper should continue to bring stable income for the Group.

With the rising living standards of the urban population in recent years, branding becomes more important in first-tier cities like Beijing, which makes print media a key platform for promotion and marketing for brand and image advertising. As such, Beijing Times set up a stylish business division in early 2011 in order to capture market opportunities for expanding its share in the advertising market for high-end products. However, pressurized by the automobile purchase restriction policy, revenues from automotive and classified advertising were affected. The rising paper cost also posed pressure on the Group's operating cost. Nevertheless, a strong rebound in commercial and classified advertising was resulted from the Group's timely adjusted business strategies according to the actual market situation. Coupled with the increasing placement of brand and image advertisements, Beijing Times remained its leading position in certain sectors of the advertising market. The Group's print newspaper business recorded outstanding performance during the year, due to strong growth of advertisements placement especially by financial sector and high-end consumer brands. This growth momentum is expected to continue in 2012 and the management expects that the newspaper segment will grow steadily in 2012.

[1] Data from CTR and HC analysis

PRINT MEDIA BUSINESS – NEWSPAPER *(Continued)*

Capitalising on the platform of news presentation and the branding effect of Beijing Times, JinHua Website has built a trendy new interface, and launched a couple of new features including JinHua Weibo, an e-newspaper and a mobile reading solution device. JinHua Weibo's introduction in March 2011 made Beijing Times the first print media to own a Weibo platform marking a major step in its development.

Looking ahead in 2012, Beijing Times is striving to boost its brand advertising business, making this business as one of the major contributors to the Group's overall advertising income. In addition, it will also consolidate its media resources and set up a brand strategic centre in order to create additional synergistic values through better utilisation of resources. On the other hand, we are also committed to creating new profit growth driver through dedicated development of the Group's publication and logistics related businesses.

PRINT MEDIA BUSINESS – MAGAZINE

The Group and Groupe Le Figaro (費加羅雜誌集團) of France have strategically collaborated to jointly operate a semimonthly high-end women's magazine 費加羅 FIGARO, which was launched in mid-August 2011. Madame FIGARO is currently the women's magazine with the largest circulation in France. The magazine has nine international editions and the Chinese version is called 費加羅 FIGARO. Serving as an important part of the Group's strategy while opening a new era in the PRC with trendy and wide-ranging media, 費加羅 FIGARO has incorporated an all-round media resource platform. The Group is developing the FIGARO iPad digital edition, as well as an official website and Weibo. 費加羅 FIGARO also maintains a close strategic cooperation with the Group's mobile TV and newspaper businesses, and other media including satellite TVs. This initiative has gained wide market acceptance from advertisers representing major international brands. In addition, the magazine has already participated in two international films production.

As the Group invested substantial resources in the sales and marketing of 費加羅 FIGARO in the beginning stage, the magazine recorded a loss at its inception. However, for the year 2011, 費加羅 FIGARO has already covered Beijing, Shanghai, Guangzhou, Shenzhen and 42 second– to third-tier cities. In only four-month time, our magazine has been widely recognized by the readers and the industry. The magazine even ranked the top in various fashion periodical sales rating and received positive comments from some special channels such as in Beijing and Shanghai international airports. With the continued strong development of the Chinese economy, as well as surging consumption power, the prospect of the commercial advertising business of the fashionable biweeklies 費加羅 FIGARO is promising thanks to its high-end positioning and fascinating content.

MOBILE NEW MEDIA BUSINESS

With the extensive roll-out of the 3G network in the PRC, it is predicted within the industry that the number of 3G users will experience accelerated growth in the coming two years. The Group is thus very bullish on the prospects of the emerging mobile internet segment. It has been exploring development opportunities and has revised its development plan for mobile new media business during the year under review. For the year ended 31st December, 2011, the revenue derived from mobile new media business increased by 44%, and the number of users surged to 23 million.

MOBILE NEW MEDIA BUSINESS *(Continued)*

The key columns of the Group's mobile new media business cover news stories, live or recorded broadcasting of English Premier League ("EPL") matches, social and legal system, entertainment, film and television, as well as a wide variety of self-branded columns. In 2011, the Group recorded gross sales revenue of over HK$37 million from the mobile television launched through the three largest telecom operators. At the same time, the Group was granted rights for launching two movies online, namely "Feng Ju Ye Feng Kwang" (飯局也瘋狂) and "War of Desire" (凰圖騰) respectively. In the end of 2011, the Group was allocated with more marketing resources after having obtained the right from China Mobile Ltd for operating its vertical column of "Legal System" (法制). Starting from April 2011, two of the Group's vertical columns, namely "television dramas" and "lifestyle", were officially launched at China United Communications Group Company Limited ("China Unicom"). In the second half of 2011, revenue generated from the Group's mobile television business on the platform of China Unicom had already grown substantially.

On the other hand, various mobile businesses of the Group such as mobile digital reading, mobile music and mobile animation experienced prospective development. The Group has formatted its mobile reading, mobile games, mobile animation and mobile music businesses into its digital base. While the Group launched its mobile reading business online in 2011, it successfully introduced "Feng Ju Ye Feng Kwang" (飯局也瘋狂) and "Love ah Ah I am Willing" (愛啊哎呀我願意) e-books during the year under review. The Group's revenue generated from SMS service related business declined as compared with the Group's revenue in 2010 because SMS service charge was suspended since March 2011 due to the policy adjustment by the telecommunication operators, such SMS service charge resumed in December 2011 though. The Group is optimistic about the business prospects of mobile SMS, mobile reading, mobile music and mobile animation in 2012.

In addition, mobile games are also an important segment of the Group's mobile new media business. Following the launch of "玄境 OL", a multiplayer online role-playing game, the Group has launched "星彈堂" and "鐵騎" in July and August 2011 and the games were well received by users. Meanwhile, the Group is developing value added features of a new mobile game "Twin Castle 2." Currently, the Group is working hard to enrich the content and improve the quality of its mobile games.

We strongly believe that content influence and channel value are the fundamentals to support all forms of media despite the changes and development of the media. Looking ahead, the Group is continuing its efforts to strengthen the partnership with telecommunications operators to jointly develop the mobile TV, mobile game, mobile reading and mobile value-added services, aiming to maintain rapid growth in these businesses in 2012.

TELEVISION AND FILM BUSINESS

The Group has been bolstering the quality of its television and film business during the year and continued to build a strong brand leveraging CEMG's solid foundation. In 2012, the Group plans to launch "槍神傳奇", a major television drama about the weapons industry in the PRC which is currently under post-production. While negotiating with a number of satellite TVs, "槍神傳奇" is expected to obtain high ratings and brings the Group with significant sales revenue. On the other hand, after the merger between the Group and CEMG, the enlarged group will broadcast two major dramas, namely "正者無敵" of "Heroic Trilogy" (英雄無敵系列) and "Liang Jian – Tie Xue Jun Hun" (亮劍 – 鐵血軍魂) in 2012. "正者無敵" of "Heroic Trilogy" (英雄無敵系列) has already completed shooting and achieved satisfactory sales and distribution results with higher profit margin expected comparing to the previous series. "Liang Jian – Tie Xue Jun Hun" (亮劍 – 鐵血軍魂) started broadcast on Zhejiang TV satellite channels since end of 2011 and recorded the highest program viewing rate since then. It is also broadcasted on a couple of online platforms with numbers of click-rate exceeded 200 million within one week. The management is confident that this television series will contribute a significant amount of revenue to the Group in 2012.

As for our film business, leverage our successful track record and with an aim to developing high-quality movies, the Group will partner with CFGC and other investors to co-invest and co-produce a couple of high quality films in 2012, these movies are expected to be launched by end of 2012 the earliest. Looking ahead, the Group will continue to explore potentially yield-accretive investment opportunities of television drama or film production. As the television and film business always enjoys very handsome returns on investment, the Group is guided by the motto of "Building a Strong Brand; Producing Outstanding Dramas" in the coming year to generate more satisfactory income and profit.

OTHER VIDEO OPERATION BUSINESS

Follow by the completion of the Group's subscription of the subscribed preferred shares allotted and issued by Super Sports Media Inc. ("Super Sports"), which represented 30% of the equity interest of Super Sports on an as-converted and fully diluted basis, at a total consideration of US$15 million (approximately HK$116,726,000) at the end of March 2011, Super Sports became the Group's associated company. Super Sports is a leading sports television programs company which has signed a series of license agreements with The Football Association Premier League Limited for the audio-visual exploitation of the live and recorded broadcasting, as well as other relevant exploration techniques in respect of each EPL match for the seasons between 2010 and 2013 in the territory of Mainland China and Macau.

In order to streamline the Group's operations and enhance its cash-flow position, the Group decided to sell its 30% shares in Super Sports as well as the rights of mobile live, delayed and recorded broadcasting of EPL matches to an independent third party at a consideration of US$20 million on 29th March, 2012 so as to allocate more resources to other new media business as well as film and television business. Upon the completion of the disposal of interest, the Group is still keeping the operating right of mobile broadcasting of EPL match, though not exclusively. However, by integrating the resources with the Group's other new media business and minimising the resources invested in the operation and maintenance of broadcasting EPL matches, the Group can achieve better cost-control and higher cost-efficiency in order to create greater synergies among different business segments. The Group is striving to build a resources integrated and highly efficient platform. We expect the Group's income stream and advertising revenues can be further expanded through the enhanced promotion and marketing of its new media business.

PROSPECTS

The Group has optimally utilised and reasonably invested its resources in developing its strategic businesses during the year under review. With the careful planning and excellent execution capabilities of the management, as well as the unfailing efforts of the staff, the Group's business scale has continued to grow, forming a solid foundation for us to realise the goal of becoming one of the leading diversified and integrated culture and media companies within the PRC. Looking ahead to 2012, we believe the merger with CEMG will help boosting the Group's core competitive advantages, creating greater synergies and thus achieving significant growth in terms of both revenues and profitability. At the same time, the Group will consolidate the three major businesses of traditional print media, television and film and mobile new media through organic growth and exploring cooperation and investment opportunities. It will also accelerate the development of those business segments with high growth potential and high return on investment through integration of internal resources and realising greater economies of scale.

FINANCIAL RESULTS

For the year ended 31st December, 2011, the Group recorded a turnover of HK$285,265,000 and a net loss attributable to the owners of the Company of HK$212,673,000, as compared to a turnover and a net profit of HK$405,986,000 and HK$13,662,000 respectively in 2010. Excluding the non-cash expenses, including amortisation and impairment of intangible assets and film rights, the effective interest expense on convertible notes, an unrealised loss on change in fair value of investments held for trading and share options expense of HK$127,399,000 (2010: HK$149,841,000), the net loss attributable to the owners of the Company is HK$85,274,000 (2010: profit of HK$163,503,000).

The loss of HK$212,673,000 in the current year was primarily attributable to (i) increase in certain non-cash expenses, including amortisation and impairment of intangible assets and film rights, the effective interest expense on convertible notes and an unrealised loss on change in fair value of investments held for trading, which arise as a result of accounting treatment under the provisions of the applicable accounting standards; (ii) significant increase in the incidental expenses incurred for the acquisition of media related businesses of approximately HK$34,615,000; and (iii) decrease in the turnover and the gross profit of the Group due to the protracted production and delay in distribution of certain television drama series.

Loss per share (both basic and diluted) of the Group for the year ended 31st December, 2011 is 10.51 HK cents (2010: earnings per share was 0.78 HK cents) and the net assets value attributable to owners of the Company per share is HK$0.30 (2010: HK$0.38).

DIVIDEND

The Directors do not recommend the payment of a dividend for the year ended 31st December, 2011 (2010: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Operations

During the year ended 31st December, 2011, the Group was primarily engaged in two businesses, namely (i) media related businesses; and (ii) securities trading and investments. Media related businesses mainly include the planning, production, publication, investment, distribution and licensing of television drama and film and organizing cultural and artistic exchange activities, mobile value-added services, mobile game business, mobile TV business, sales and distribution of newspapers and magazines, advertising agency businesses and TV programmes packaging services. A majority of these businesses were conducted in the PRC.

Media Related Businesses

For the year ended 31st December, 2011, the film, television programme and television drama series production, distribution and licensing business brought the Group revenue of HK$5,934,000 (2010: HK$186,173,000) with segment loss of HK$25,891,000 (2010: profit of HK$72,056,000). The decrease in revenue was mainly due to the protracted production and delay in distribution of certain television drama series and impairment of HK$14,399,000 (2010: nil) of certain film rights that were not expected to generate significant revenue in the near future.

During the year ended 31st December, 2011, the mobile games business brought the Group revenue of HK$2,195,000 (2010: HK$1,687,000) with segment loss of HK$3,833,000 (2010: HK$5,541,000), which was mainly due to the amortisation of the mobile game intangibles acquired upon acquisition of HK$2,772,000 (2010: HK$4,211,000) and the impairment loss of an intangible asset of mobile game platform of HK$1,452,000 (2010: nil) in which no future profit was expected as a result of change in technology for mobile game.

The mobile value-added business mainly refers to the provision of personalised information and entertainment services to mobile handset users in the PRC via the internet and other modern telecom technologies in the form of SMS, MMS, WAP, interactive voice response and the like. For the year ended 31st December, 2011, this line of business brought the Group net revenues of HK$3,066,000 (2010: HK$10,416,000) with segment loss of HK$17,182,000 (2010: profit of HK$2,002,000), after netting off amortisation of licenses upon acquisition of HK$3,603,000 (2010: HK$2,266,000) and the impairment loss of the licenses of HK$4,804,000 (2010: nil) since the licenses granted by China Mobile Limited were terminated during the year and new licenses were granted in late 2011. The decrease in revenue and loss was a result of the policy adjustment by the telecommunication operators which led to suspension in the SMS value-added business since March 2011. After a re-assessment by the telecommunication operators in August 2011, the SMS value-added business had been resumed in December 2011.

For the year ended 31st December, 2011, the net revenue of mobile TV business amounted to HK$5,172,000 (2010: HK$4,487,000) (after the 49% share of results) and this segment recorded a loss of HK$20,948,000 (2010: HK$4,240,000), which was primarily resulted from the amortisation of the broadcasting right of HK$19,061,000 (2010: HK$3,636,000).

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Media Related Businesses *(Continued)*

For the year ended 31st December, 2011, the newspaper advertising agency and distribution businesses contributed to the Group's revenue and segment profit of HK$237,691,000 (2010: HK$171,484,000) (after the 50% share of results) and HK$32,485,000 (2010: HK$30,579,000) respectively. The increase in revenue was primarily owing to the fact that only eight months' results of this business were recognised in 2010, whereas, the drop of profit margin was caused by the rising cost of sales, in particular, paper cost.

During the second half of the year, the Group and Groupe Le Figaro (費加羅雜誌集團) of France strategically collaborated to jointly operate a high-end women's magazine 費加羅 FIGARO. The first issue of 費加羅 FIGARO was published in mid-August. The revenue recognised since August 2011 amounted to HK$16,971,000 and this segment recorded a loss of HK$19,400,000 which was mainly resulted from the large startup expenses and spendings over marketing and promotion.

During the year, the Group also carried out other advertising agency services. These businesses contributed to the Group's revenue and segment loss of HK$394,000 (2010: HK$19,424,000) and HK$3,283,000 (2010: profit of HK$15,518,000) respectively for the year ended 31st December, 2011. The decline in segment revenue was mainly due to the fact that no advertising intermediary activities were carried out during the year.

Securities Trading and Investments

For the year ended 31st December, 2011, the Group's trading and investment recorded a segment loss of HK$40,129,000 (2010: HK$10,273,000) which was mainly due to loss from change in fair value of investments held for trading.

Other Business

For the year ended 31st December, 2011, revenues and segment profit from other segments including distribution of newspapers and magazines other than Beijing Times and 費加羅 FIGARO, sales of bottled water, TV programme packaging services and others in the PRC amounted to HK$13,842,000 (2010: HK$12,315,000) and HK$6,470,000 (2010: HK$4,917,000) respectively.

On 27th January, 2011, the Group subscribed for the preferred shares at a consideration of US$15,000,000 (equivalent to approximately HK$116,726,000) in Super Sports representing 30% of the equity interests in Super Sports on an enlarged and fully diluted basis. Upon completion of the acquisition on 30th March, 2011, Super Sports became an associate of the Group. The Group shared a loss of HK$10,796,000 in Super Sports for the period since the completion of the acquisition. As the Group is determined to streamline its business operations and direct its efforts on business over which it has majority control or interests, on 29th March, 2012, the Group entered into a conditional sale and purchase agreement with an independent third party to dispose of its 30% interests in Super Sports and the English Premier League match mobile audio-visual broadcasting rights, for a total consideration of US$20,000,000. This transaction has not yet been completed as at the date of this report.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Other Business *(Continued)*

On 21st October, 2011, the Group entered into a conditional sale and purchase agreement with Sequoia Capital 2010 CGF Holdco, Ltd., Brilliant Mark Limited which is wholly-owned by the chairman and executive director of the Company, Mr. Dong Ping, World Charm Holdings Limited which is owned by an executive director of the Company, Mr. Zhao Chao, and certain target management of CEMG, for the acquisition of the entire issued share capital of CEMG at a consideration of approximately HK$2,016,300,000. The consideration was satisfied by the issue of 5,040,750,000 ordinary shares of the Company at a price of HK$0.4 each. CEMG is principally engaged in the production and licensing of film, television and satellite television programmes and television advertising in the PRC. It is also engaged in the merchandising and licensing of products related to its programmes. Its business is divided into three main businesses – movies, television drama series and television advertising. The transaction was completed on 31st January, 2012. For details, please refer to the above section headed "Acquisition of CEMG and Strategic Partnership with Tencent" and note 44(a) to the consolidated financial statements.

FINANCIAL REVIEW

Liquidity, Financial Resources and Capital Structure

The Group's capital expenditure, daily operations and investments are mainly funded by cash generated from its operations, loans from principal bankers and financial institutions and equity financing. As at 31st December, 2011, the Group maintained cash reserves of HK$96,268,000 (2010: HK$141,342,000). As at 31st December, 2011, the equity attributable to owners of the Company amounted to HK$625,144,000 (2010: HK$727,369,000) with total borrowings of HK$23,063,000 (2010: HK$32,618,000). As at 31st December, 2011, the Group's gearing ratio (net borrowings including convertible notes over total equity) was 40.4% (2010: 23.6%).

On 30th March, 2011, the Company issued 20,000,000 shares of the Company to the vendor, an independent third party to settle the remaining consideration for the acquisition of the entire issued share capital of Year Wealth Limited, which indirectly owns 51% equity interests in 西安金鼎影視文化有限公司 (in English, Xian Jinding Film, Television and Culture Company Limited).

On the same day, the Company issued to the vendor, an independent third party, convertible note in a principal amount of HK$30,000,000 with a conversion price of HK$1 per share of the Company to settle the remaining consideration for the acquisition of the entire issued share capital of Main City Limited, which indirectly owns 30% equity interests of Beijing Beida Culture Development Company Limited which in turn, owns 50% equity interest in JingHua Culture Media Company Limited, a jointly controlled entity of the Company. None of this convertible note has been converted as the date of this report.

FINANCIAL REVIEW *(Continued)*

Liquidity, Financial Resources and Capital Structure *(Continued)*

The Group conducted a placing during the year under review in order to further strengthen its capital base and to expand the Group's media related business and investment. On 9th June, 2011, the Group announced to place 125,000,000 placing shares to an independent investor at a price of HK$0.4 per placing share. The net proceeds of HK$50,000,000 from the placing were used for general working capital of the Group. The placing was completed on 24th June, 2011.

On 21st October, 2011, the Company entered into the subscription agreement with an independent investor to allot and issue 619,400,000 ordinary shares of the Company at a price of HK$0.40 each. The gross proceeds of HK$247,760,000 from the subscription were used to improve the financial strength and flexibility and the subsequent development and general working capital of the Group. The subscription was completed on 31st January, 2012.

Foreign Exchange Fluctuation

The Group's operations are mainly located in mainland China and its transactions, related working capital and borrowing are primarily denominated in Renminbi and Hong Kong Dollars. The Group monitors its foreign exchange exposure and will consider hedging significant currency exposure should the need arise.

Charges on Assets

As of 31st December, 2011, investments held for trading with respective carrying value of HK$13,317,000 (2010: HK$49,959,000) was pledged to financial institution as collateral mainly to secure short-term credit facilities granted to the Group. Such pledge was released when the Group repaid the entire short-term borrowings in February 2012.

Contingent Liabilities

As at 31st December, 2011, the Group had no material contingent liabilities (2010: nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 31st December, 2011, the Group, including its subsidiaries and jointly controlled entities but excluding its associate, employed 1,721 (2010: 1,695) employees. The remuneration policies of the Group are based on the prevailing market levels and the performance of the respective group companies and individual employees. These policies are reviewed on a regular basis.

RISK MANAGEMENT

During the year, the Group constantly reviewed the risk and credit control systems of its profit centres to improve the overall control system and mitigate the credit risk.

Dong Ping
Chairman

Hong Kong, 29th March, 2012

Executive Director

Mr. Dong Ping, aged 50, appointed on 23rd April, 2009, is the Chairman of the Company. He is also appointed as acting Chief Executive Officer on 9th January, 2012. Mr. Dong graduated from Capital Normal University（首都師範大學）, the People's Republic of China. He was the founder of Asian Union Film and Media（北京保利華億傳媒文化有限公司）("Asian Union Film and Media"), which was among the first group of Chinese corporations that engage in film investment. Mr. Dong has been the producer and co-producer of various international renowned films, including Crouching Tiger Hidden Dragon《臥虎藏龍》, Devils on the Doorstep《鬼子來了》, Breaking the Silence《漂亮媽媽》, Jasmine Women《茉莉花開》, Keep Cool《有話好好説》, Peacock《孔雀》, Mei Wan Mei Liao《沒完沒了》and The Emperor and The Assassin《荊軻刺秦王》. All these films have won numerous major prizes in both domestic and overseas film festivals. From August 2003 to April 2005, he was the president of Asian Union Film and Media. In between 31st May, 2005 and 11th January, 2008, he was appointed as an executive director of Media China Corporation Limited（華億媒體有限公司）, and was named as the chairman of the board of directors from 12th May, 2006 to 11th January, 2008. Mr. Dong has extensive experience, knowledge and connection in investment and operation of Chinese media, advertisement, satellite TV, film productions and media fields. Mr. Dong is the brother-in-law of Mr. Zhao Chao.

Mr. Ng Qing Hai, aged 55, appointed on 15th May, 2001, is the President of the Company. He had been the Chief Executive Officer of the Company up to 20th April 2010. Mr. Ng is also the non-executive director of Tian An China Investments Company Limited and the executive director and the managing director of Allied Cement Holdings Limited. He graduated from the Accounting Department of Shanghai Institute of Building Materials in 1983. Mr. Ng became a member of the Association of Registered Accountants of the People's Republic of China in 1994. He was admitted as Management Consultant by GROUPE ESSEC of France in 1988, and became the vice chairman of China Building Materials Enterprises Management Association in 2004 and a fellow of Asian Knowledge Management Association in 2006 and also became the vice chairman of Shanghai Cement Industrials Association in 2008. Mr. Ng has extensive experience in managing enterprises.

Mr. Zhao Chao, aged 47, appointed on 23rd April, 2009, is an Executive Director of the Company. Mr. Zhao was graduated from Renmin University of China（中國人民大學）majoring in photography between 1987 and 1990. He worked as a journalist at《環球企業資訊》in China Enterprise Management Association between 1990 and 1993. From 1993 to 1995, he took the position of general manager (PRC) at Asian Union Holding Limited (華億集團有限公司). Subsequently from 1995 to 2003, he acted as the vice president of 北大華億影視文化有限責任公司. From 2003 to 21st April, 2009, he was the vice president of Asian Union Film and Media. Mr. Dong Ping is the brother-in-law of Mr. Zhao.

During his time in Asian Union Film and Media, Mr. Zhao participated in the planning and distribution of a number of films such as The Emperor and The Assassin 《荊軻刺秦王》, Mei Wan Mei Liao《沒完沒了》, Breaking the Silence 《漂亮媽媽》, Crouching Tiger Hidden Dragon《臥虎藏龍》, Devils on the Doorstep《鬼子來了》, And the Spring Comes《立春》, Letter from an Unknown Woman《一個陌生女人的來信》, Jasmine Women《茉莉花開》and Peacock《孔雀》. Moreover, he engaged in the marketing and distribution of a hundred of classic Chinese films and animation films, including Yellow Earth《黃土地》, The Big Parade《大閱兵》, The River Flows Eastwards《一江春水向東流》, Two Stars《銀漢雙星》, Red Sorghum《紅高粱》, Jigong Versus Cricket《濟公鬥蟋蟀》and Baby Tadpoles Look for Their Mother《小蝌蚪找媽媽》to the overseas market.

Non-Executive Director

Mr. Kong Muk Yin, aged 46, was appointed as an Executive Director of the Company on 4th July, 2007 and has been re-designated as a Non-Executive Director of the Company since 30th December, 2010. Mr. Kong was graduated from City University of Hong Kong with a Bachelor's degree in business studies. He is a fellow member of The Association of Chartered Certified Accountants, a member of the Hong Kong Institute of Certified Public Accountants and a Chartered Financial Analyst and has extensive experience in corporate finance, financial management, accounting and auditing. Mr. Kong is currently the executive director of COL Capital Limited and APAC Resources Limited (both listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange")) and a director of Interport Resources Corporation and Mabuhay Holdings Corporation (both listed on The Philippine Stock Exchange, Inc.). He was an executive director of Greenfield Chemical Holdings Limited (listed on the Stock Exchange) from 13th October, 2009 to 21st January, 2010.

Independent Non-Executive Director

Mr. Chen Ching, aged 63, appointed on 27th September, 2004, is an Independent Non-Executive Director of the Company. Mr. Chen is currently a director of China Ocean Management Limited. He was a director of Genesis Energy Holdings Limited from 1999 to 2001. He served as a senior executive in various companies within the food sector and metal sector in the People's Republic of China. Mr. Chen has over twenty seven years of experience in financial management.

Mr. Jin Hui Zhi, aged 52, appointed on 14th December, 2004, is an Independent Non-Executive Director of the Company. Mr. Jin is currently an independent non-executive director of Tian An China Investments Company Limited, the chairman of Shanghai Horizon Investment Co. Ltd. ("Shanghai Horizon") and the honorary deputy president of the Youth Entrepreneur Association of Shanghai. Shanghai Horizon is a company principally engaged in the investment of energy saving and healthcare businesses. During the period from 1996 to 2000, he was the general manager and chairman of Shanghai Huaihai Commerce Group. Mr. Jin was formerly chief member of Youth Work Ministry, chief member and deputy director of Research Department, member of Standing Committee and minister of Youth Work Ministry of China Communist Youth League Shanghai Committee. He has extensive experience in the business market. Mr. Jin holds a MBA degree.

Mr. Li Chak Hung, aged 47, appointed on 27th September 2004, is an Independent Non-Executive Director of the Company. He holds a Bachelor's Degree of Business Administration and is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and a fellow of The Association of Chartered Certified Accountants in the United Kingdom. He has over twenty two years of experience in auditing, accounting and financial management. Mr. Li is also an independent non-executive director of Allied Overseas Limited, a company listed on the Stock Exchange.

The Company is committed to maintaining a high standard of corporate governance within a sensible framework with an emphasis on the principles of transparency, accountability and independence. The board of directors of the Company (the "Board") believes that good corporate governance is essential to the success of the Company and the enhancement of shareholders' value.

CODE ON CORPORATE GOVERNANCE PRACTICES

In the light of the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Board has reviewed the corporate governance practices of the Company with the adoption and improvement of the various procedures and documentation which are detailed in this report. The Company has applied the principles of and complied with the applicable code provisions of the CG Code during the year ended 31st December, 2011 except for certain deviations with considered reasons as explained below. The Board will review the current practices at least annually and make appropriate changes if considered necessary.

THE BOARD

The Board currently comprises seven Directors in total, with three Executive Directors, one Non-Executive Director and three Independent Non-Executive Directors ("INEDs"). The composition of the Board during the year and up to the date of this report is set out as follows:–

Executive Directors

Mr. Dong Ping *(Chairman)*
Mr. Ng Qing Hai
Mr. Zhao Chao

Non-Executive Director

Mr. Kong Muk Yin

INEDs

Mr. Chen Ching
Mr. Jin Hui Zhi
Mr. Li Chak Hung

The brief biographical details of the Directors are set out in the "Biographical Details in Respect of Directors" section on pages 14 to 15. Other than that Mr. Dong Ping, the Chairman of the Company, is a brother-in-law of Mr. Zhao Chao, an Executive Director of the Company, there are no family or other material relationships among members of the Board.

During the year, the Non-Executive Directors (a majority of whom are independent) provided the Group with a wide range of expertise and experience. Their active participation in the Board and committee meetings brings independent judgment on issues relating to the Group's strategy, performance and management process, taking into account the interests of all shareholders.

THE BOARD *(Continued)*

Throughout the year and up to the date of this report, the Company had three INEDs representing more than one-third of the Board. At least one of the INEDs has appropriate professional qualifications or accounting or related financial management expertise under Rule 3.10 of the Listing Rules. The Board has received from each INED an annual confirmation of his independence and considers that all the INEDs are independent under the guidelines set out in Rule 3.13 of the Listing Rules.

The Board meets regularly to discuss the overall strategy as well as the operation and financial performance of the Group, and to review and approve the Group's annual and interim results. During the year, four Board meetings were held and attendance of each Director at the Board meetings is set out as follows:–

Director	Number of Board meetings attended/eligible to attend
Executive Directors	
Mr. Dong Ping *(Chairman)*	4/4
Mr. Ng Qing Hai	4/4
Mr. Zhao Chao	4/4
Non-Executive Director	
Mr. Kong Muk Yin	3/4
INEDs	
Mr. Chen Ching	4/4
Mr. Jin Hui Zhi	4/4
Mr. Li Chak Hung	4/4

The Board has reserved for its decision or consideration matters covering mainly the Group's overall strategy, annual operating budget, annual and interim results, recommendations on Directors' appointment or re-appointment, material contracts and transactions as well as other significant policy and financial matters. The Board has delegated the day-to-day responsibility to the executive management under the instruction/ supervision of the Executive Committee which has its specific written terms of reference. The respective functions of the Board and management of the Company have been formalised and set out in writing which was approved by the Board in June 2005. The Board will review the same from time to time to ensure that they are consistent with the existing rules and regulations.

THE BOARD *(Continued)*

Board meetings each year are scheduled to be held at approximately quarterly intervals and as required by business needs. At least 14 days' notice of a Board meeting is normally given to all Directors who are given an opportunity to include matters for discussion in the agenda. The Company Secretary assists the Chairman in preparing the agenda for meetings and ensures that all applicable rules and regulations are complied with. The agenda and the accompanying Board papers are normally sent to all Directors at least 3 days before the intended date of a regular Board meeting (and so far as practicable for such other Board meetings). Draft minutes of each Board meeting are circulated to all Directors for their comment before the same will be tabled at the following Board meeting for approval. All minutes are kept in the Company Secretarial Department of the Company and are open for inspection at any reasonable time on reasonable notice by any Director.

According to current Board practice, any transaction which involves a conflict of interests for a substantial shareholder or a Director and which is considered by the Board to be material, will be dealt with by the Board at a duly convened Board meeting. The Bye-laws of the Company also stipulate that a Director should abstain from voting and not be counted in the quorum at meetings for approving transactions in which such Director or any of his associates have a materially interest therein.

Each Director is entitled to have access to Board papers and related materials and has access to the advice and services of the Company Secretary. The Board and each Director also have separate and independent access to the Company's senior management. Directors will be continuously updated on the major development of the Listing Rules and other applicable regulatory requirements to ensure compliance and upkeep of good corporate governance practices. In addition, a written procedure was established in June 2005 to enable the Directors, in the discharge of their duties, to seek independent professional advice in appropriate circumstances at a reasonable cost to be borne by the Company.

ROLES OF CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code provision A.2.1 of the CG Code stipulates that the roles of the chairman and chief executive officer ("CEO") shall be separated and shall not be performed by the same individual. Under the organisational structure of the Company, Mr. Dong Ping, the Chairman of the Company, is primarily responsible for the leadership of the Board, ensuring that (i) all significant policy issues are discussed by the Board in a timely and constructive manner; (ii) all Directors are properly briefed on issues arising at Board meetings; and (iii) the Directors receive accurate, timely and clear information. The functions of the CEO was performed by Mr. Cui Bin who took up the role of the CEO of the Company for the day-to-day management of the Group's business during the year. However, the Company does not have a separate chairman and CEO following the resignation of Mr. Cui Bin as CEO with effect from 9th January, 2012 and since then, Mr. Dong Ping has been the acting CEO until an appropriate person is appointed to fill in the vacancy.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

In June 2005, the Board established and adopted a written nomination procedure (the "Nomination Procedure") specifying the process and criteria for the selection and recommendation of candidates for directorship of the Company. The Executive Committee shall, based on those criteria as set out in the Nomination Procedure (such as appropriate experience, personal skills and time commitment), identify and recommend the proposed candidate to the Board for approval of an appointment.

New Directors, on appointment, will be given an induction package containing all key legal and Listing Rules' requirements as well as guidelines on the responsibilities and obligations to be observed by a Director. The package will also include the latest published financial reports of the Company and the documentation for the corporate governance practices adopted by the Board. The senior management will subsequently conduct such briefing as is necessary to give the new Directors more detailed information on the Group's businesses and activities.

Each of the Non-Executive Directors (including INEDs) was appointed for a specific term but subject to the relevant provisions of the Bye-laws of the Company or any other applicable laws whereby the Directors shall vacate or retire from their office. Such term for each of the Non-Executive Directors (including INEDs) has been renewed for further two years to 31st December, 2012.

The code provision A.4.2 of the CG Code requires all Directors, including all Non-Executive Directors, to be subject to retirement by rotation at least once every three years. The Company has fully complied with code provision A.4.2 of the CG Code.

BOARD COMMITTEES

The Board has established various committees, including a Remuneration Committee, an Audit Committee, a Nomination Committee and an Executive Committee, each of which has its specific written terms of reference. Copies of minutes of all meetings and resolutions of the committees, which are kept in the Company Secretarial Department of the Company, are circulated to all Board members and the committees are required to report back to the Board on their decision and recommendations where appropriate. The procedures and arrangements for a Board meeting, as mentioned on page 18 in the section headed "The Board" above, have been adopted for the committee meetings so far as practicable.

Remuneration Committee

The Remuneration Committee has been established since June 2005 and currently consists of three members, including Messrs. Chen Ching (Chairman), Jin Hui Zhi and Li Chak Hung, all of whom are INEDs. The Remuneration Committee is provided with sufficient resources to discharge its duties and has access to independent professional advice in accordance with the Company's policy if considered necessary.

BOARD COMMITTEES *(Continued)*

Remuneration Committee *(Continued)*

The major roles and functions of the Remuneration Committee are:–

(i) to review and recommend to the Board the remuneration policy and packages of the Directors and, where appropriate, to consult the Chairman (if any) and/or CEO about the committee's proposals relating to the remuneration of other Executive Directors;

(ii) to review and recommend performance-based remuneration by reference to corporate goals and objectives approved by the Board from time to time;

(iii) to review and recommend the compensation payable to Executive Directors relating to any loss or termination of their office or appointment;

(iv) to review and recommend compensation arrangements relating to dismissal or removal of Directors for misconduct; and

(v) to ensure that no Director is involved in deciding his own remuneration.

The terms of reference of the Remuneration Committee of the Company are in line with the code provision B.1.3 of the CG Code, but with a deviation from the code provision of the remuneration committee's responsibilities to determine the specific remuneration packages of all executive directors and senior management of a listed company. The Board considers that the Remuneration Committee of the Company should review (as opposed to determine) and make recommendations to the Board on the remuneration packages of Executive Directors only and not senior management for the following reasons:–

(i) the Board believes that the Remuneration Committee is not properly in a position to evaluate the performance of senior management and that this evaluation process is more effectively carried out by the Executive Directors;

(ii) the Remuneration Committee members only consist of INEDs who may not be industry skilled and come from differing professions and backgrounds and they are not involved in the daily operation of the Company. They may have little direct knowledge of industry practice and standard compensation packages. The Remuneration Committee is thus not in a position to properly determine the remuneration of the Executive Directors;

BOARD COMMITTEES *(Continued)*

Remuneration Committee *(Continued)*

(iii) the Executive Directors must be in a position to supervise and control senior management and thus must be able to control their compensation; and

(iv) there is no reason for Executive Directors to pay senior management more than industry standards and thus shareholders will benefit by reducing costs in the fixing of such compensation packages.

The terms of reference of the Remuneration Committee are available on the Company's website.

The Remuneration Committee shall meet at least once a year. One committee meeting was held in 2011 and the attendance of each member is set out as follows:–

Committee member	**Number of Committee meeting attended/eligible to attend**
Mr. Chen Ching *(Chairman)*	1/1
Mr. Jin Hui Zhi	1/1
Mr. Li Chak Hung	1/1

Apart from the Committee meeting, the Remuneration Committee also dealt with matters by way of circulation during 2011. In 2011 and up to the date of this report, the Remuneration Committee (i) reviewed the existing remuneration packages of all the Executive Directors and Non-Executive Directors (including INEDs) for the year ended 31st December, 2011, including the existing policy and structure for the remuneration of Directors; and (ii) reviewed and made recommendation on the remuneration package of and payment of bonus to the Directors for the Board's approval.

Each Director will be entitled to a Director's fee which is to be proposed for the shareholders' approval at the annual general meeting of the Company ("AGM") each year. Further remuneration payable to Directors including any service fees to the INEDs for their additional responsibilities and services will depend on their respective contractual terms under their employment or service contracts as approved by the Board on the recommendation of the Remuneration Committee. Details of the Directors' remuneration are set out in note 11 to the consolidated financial statements. Details of the remuneration policy of the Group are also set out in the "Employees and Remuneration Policies" section in the Chairman's Statement on page 13.

The Company's share option scheme was adopted pursuant to a resolution passed by the shareholders of the Company on 23rd May, 2002. Details of the share option scheme of the Company and the outstanding share options as at 31st December, 2011 are set out in the Directors' Report on page 31 and note 34 to the consolidated financial statements.

BOARD COMMITTEES *(Continued)*

Audit Committee

The Audit Committee has been established since August 2001 and currently consists of three INEDs. To retain independence and objectivity, the Audit Committee is chaired by an INED (with appropriate professional qualifications or accounting or related financial management expertise). The current members of the Audit Committee are Messrs. Li Chak Hung (Chairman), Chen Ching and Jin Hui Zhi. The Audit Committee is provided with sufficient resources to discharge its duties and has access to independent professional advice according to the Company's policy if considered necessary.

The major roles and functions of the Audit Committee are:–

(i) to consider and recommend to the Board on the appointment, re-appointment and removal of the external auditor, to approve the remuneration and terms of engagement of the external auditor, and any questions of resignation or dismissal of those auditors;

(ii) to consider and discuss with the external auditor the nature and scope of each year's audit;

(iii) to review and monitor the external auditor's independence and objectivity;

(iv) to review the interim and annual consolidated financial statements before submission to the Board;

(v) to discuss any problems and reservation arising from the interim review and final audit, and any matters the external auditor may wish to discuss;

(vi) to review the external auditor's management letters and management's response;

(vii) to review the Group's financial controls, internal control and risk management systems; and

(viii) to consider any findings of major investigations of internal control matters as delegated by the Board and management's response.

The terms of reference of the Audit Committee of the Company were revised from time to time to comply with the code provision C.3.3 of the CG Code, but with the deviations from the code provision of the audit committee's responsibility to:–

(i) implement policy on the engagement of the external auditors to supply non-audit services;

(ii) ensure the management has discharged its duty to have an effective internal control system; and

(iii) ensure coordination between the internal and external auditors, and ensure that the internal audit function is adequately resourced and has appropriate standing within the listed company.

BOARD COMMITTEES *(Continued)*

Audit Committee *(Continued)*

The Board considers that the Audit Committee of the Company should recommend (as opposed to implement) the policy on the engagement of the external auditor to supply non-audit services for the following reasons:–

(i) it is proper, and appropriate for the Board and its committees to develop policy and make appropriate recommendations;

(ii) the proper and appropriate mechanism for implementation of such policy and recommendations is through the Executive Directors and management; and

(iii) INEDs are not in an effective position to implement policy and follow up the same on a day-to-day basis.

Further, the Board considers that the Audit Committee of the Company only possesses the effective ability to scrutinise (as opposed to ensure) whether management has discharged its duty to have an effective internal control system. The Audit Committee is not equipped to ensure that the same is in place as this would involve day-to-day supervision and the employment of permanent experts. The Audit Committee is not in a position either to ensure coordination between the internal and external auditors but it can promote the same. Similarly, the Committee cannot ensure that the internal audit function is adequately resourced but it can check whether it is adequately resourced.

The terms of reference of the Audit Committee are available on the Company's website.

The Audit Committee shall meet at least twice a year. Two committee meetings were held in 2011 and the attendance of each member is set out as follows:–

Committee member	Number of Committee meetings attended/eligible to attend
Mr. Li Chak Hung *(Chairman)*	2/2
Mr. Chen Ching	2/2
Mr. Jin Hui Zhi	2/2

BOARD COMMITTEES *(Continued)*

Audit Committee *(Continued)*

Apart from the Committee meetings, the Audit Committee also dealt with matters by way of circulation during 2011. In 2011 and up to the date of this report, the Audit Committee had performed the work summarised as below:–

(i) reviewed and approved the audit scope and fees proposed by the external auditor in respect of the final audit of the Group for the year ended 31st December, 2010 (the "2010 Final Audit") and for the interim results review for the six months ended 30th June, 2011 (the "2011 Interim Review");

(ii) reviewed the external auditor's report of findings in relation to the 2010 Final Audit;

(iii) reviewed the external auditor's independent review report in relation to the 2011 Interim Review; and

(iv) reviewed the financial reports for the year ended 31st December, 2010 and for the six months ended 30th June, 2011 and recommended the same to the Board for approval.

Nomination Committee

The Nomination Committee has been established on 29th March, 2012 and currently consists of five members, including Messrs. Dong Ping (Chairman), Zhao Chao, Chen Ching, Jin Hui Zhi and Li Chak Hung. Among the five members of the Nomination Committee, three members are INEDs. The primary duties of the Nomination Committee are to review the structure, size and composition of the Board, identify individuals suitably qualified to become members of the Board, and assess the independence of the INEDs. The terms of reference of the Nomination Committee are available on the Company's website.

Executive Committee

The Executive Committee has been established since December 2004 and currently consists of three Executive Directors, being Messrs. Dong Ping (Chairman), Ng Qing Hai and Zhao Chao. The Executive Committee is vested with all the general powers of management and control of the activities of the Group as are vested in the Board, save for those matters which are reserved for the Board's decision and approval pursuant to the written terms of reference of the Executive Committee.

The Executive Committee meets periodically to discuss the operating affairs of the Group and also deals with matters by way of circulation. It is mainly responsible for undertaking and supervising the day-to-day management and is empowered:–

(i) to formulate and implement policies for the business activities, internal control and administration of the Group; and

(ii) to plan and decide on strategies to be adopted for the business activities of the Group within the overall strategy of the Group as determined by the Board.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND RELEVANT EMPLOYEES

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its code of conduct regarding securities transactions by the Directors. All Directors have confirmed, following a specific enquiry by the Company, that they have complied with the required standard as set out in the Model Code.

To comply with the code provision A.5.4 of the CG Code, the Company has also adopted in June 2005 the Model Code, to regulate dealings in the securities of the Company by certain employees of the Company or its subsidiaries who are considered to be likely in possession of unpublished price sensitive information in relation to the Company or its securities.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Directors acknowledge their responsibility for preparing, with the support from the finance department, the consolidated financial statements of the Group. In preparing the consolidated financial statements for the year ended 31st December, 2011, the accounting principles generally accepted in Hong Kong have been adopted and the requirements of the Hong Kong Financial Reporting Standards (which also include Hong Kong Accounting Standards and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance were complied with. Appropriate accounting policies have also been applied consistently.

The reporting responsibilities of the Company's external auditor, Deloitte Touche Tohmatsu, are set out in the Independent Auditor's Report on pages 39 and 40.

The financial statements are prepared on a going concern basis. The Directors confirm that, to the best of their knowledge, they are not aware of material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

Internal Control

The purpose of the internal control systems is to keep the Group on course towards achieving its performance and profitability goals and its overall mission. The immediate aim of internal control is to help to provide a reasonable level of assurance that the Group will meet the agreed objectives and goals. It has a key role in the management of risks that are significant to the fulfilment of business objectives. It is the Board's responsibility to review the effectiveness of the Group's internal control systems and ensure that the controls are sound and effective to safeguard the shareholders' investment and the Group's assets at all times.

ACCOUNTABILITY AND AUDIT *(Continued)*

External Auditor's Remuneration

During the year, the remuneration paid/payable to the Company's external auditor, Deloitte Touche Tohmatsu, is set out as follows:–

Services rendered for the Group	Fee paid/payable
	HK$'000
Audit services	1,800
Non-audit services	2,342
Total	4,142

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

The Board recognises the importance of good communication with shareholders. Information in relation to the Group is disseminated to shareholders in a timely manner through a number of formal channels, which include interim and annual reports, announcements and circulars.

The Company's AGM is a valuable forum for the Board to communicate directly with the shareholders. The Chairman actively participates in the AGM and personally chairs the meeting to answer any questions from the shareholders. The chairmen of the Audit Committee and the Remuneration Committee or in their absence, another member of the respective committees, are also available to answer questions at the AGM. A separate resolution is proposed by the Chairman in respect of each issue to be considered at the AGM.

The Company's last AGM was held on 8th June, 2011 and the AGM circular was distributed to shareholders at least 21 clear days prior to the AGM, setting out details of each proposed resolution, voting procedures and other relevant information. The Chairman explained the procedures for demanding and conducting a poll again at the beginning of the last AGM.

The next AGM will be held on 11th June, 2012, the notice of which will be sent to shareholders at least 20 clear business days before the meeting. An explanation of the detailed procedures for conducting a poll will be provided to the shareholders at the commencement of the meeting. The Chairman will answer any questions from shareholders regarding voting by way of a poll. The poll results will be published in accordance with the requirements of the Listing Rules.

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS *(Continued)*

In order to bring the Bye-laws of the Company in line with the current revised requirements of the Listing Rules, in particular but not limited to the CG Code and certain changes to the Companies Act 1981 of Bermuda and other house-keeping improvements to the Bye-laws of the Company, certain amendments to the Bye-laws of the Company are proposed by the Board for approval by the shareholders of the Company at the forthcoming AGM. Details of the proposed amendments are set out in the circular of the Company enclosed with this report.

CORPORATE GOVERNANCE ENHANCEMENT

Enhancing corporate governance is not simply a matter of applying and complying with the CG Code of the Stock Exchange but about promoting and developing an ethical and healthy corporate culture. We will continue to review and, where appropriate, improve our current practices on the basis of our experience, regulatory changes and developments. Any views and suggestions from our shareholders to promote and improve our transparency are also welcome.

On behalf of the Board
Dong Ping
Chairman

Hong Kong, 29th March, 2012

The directors of the Company (the "Directors") present their report and the audited consolidated financial statements of the Company and its subsidiaries for the year ended 31st December, 2011.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries, jointly controlled entities and an associate are set out in notes 46, 16 and 17 respectively to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December, 2011 are set out in the consolidated income statement on page 41.

The Directors do not recommend the payment of a dividend for the year ended 31st December, 2011 (2010: nil).

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 15 to the consolidated financial statements.

SHARE CAPITAL

Details of movement in the share capital of the Company during the year are set out in note 31 to the consolidated financial statements.

CONVERTIBLE NOTES

Details of the convertible notes of the Company are set out in note 32 to the consolidated financial statements.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out on page 45 and in note 45(c) to the consolidated financial statements respectively.

DONATIONS

The Group made charitable donations of HK$20,000 for the year ended 31st December, 2011.

FINANCIAL 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 page 152.

BORROWINGS

Borrowings repayable on demand are classified under current liabilities. Details of borrowings are set out in note 29 to the consolidated financial statements.

DIRECTORS

The Directors of the Company during the year and up to the date of this report were:–

Executive Directors
Mr. Dong Ping *(Chairman)*
Mr. Ng Qing Hai
Mr. Zhao Chao

Non-Executive Director
Mr. Kong Muk Yin

Independent Non-Executive Directors
Mr. Chen Ching
Mr. Jin Hui Zhi
Mr. Li Chak Hung

In accordance with bye-law 87(2) of the Company's Bye-laws, Messrs. Dong Ping, Kong Muk Yin and Chen Ching will retire from office by rotation at the forthcoming annual general meeting of the Company (the "AGM") and, being eligible, offer themselves for re-election.

The Directors' biographical details are set out on pages 14 and 15.

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES

As at 31st December, 2011, the interests and short positions of the Directors and the chief executives of the Company and their associates in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Hong Kong (the "SFO")) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:–

Long positions in the shares and underlying shares of the Company

	Number of ordinary shares/underlying shares held			
Name of Director	**Interests in shares**	**Interests in underlying shares[2]**	**Total interests**	**Approximate percentage of issued shares[1]**
Dong Ping	1,802,632,500[3]	14,100,000	1,816,732,500	87.23%
Zhao Chao	331,288,020[4]	8,910,000	340,198,020	16.34%
Kong Muk Yin	500,000[5]	3,000,000	3,500,000	0.17%
Chen Ching	–	1,050,000	1,050,000	0.05%
Jin Hui Zhi	–	1,050,000	1,050,000	0.05%
Li Chak Hung	–	1,050,000	1,050,000	0.05%

Notes:

1. The percentage of shareholding has been complied based on the total number of issued ordinary shares of the Company of 2,082,592,564 as at 31st December, 2011.

2. The relevant interests are share options (the "Share Options") granted pursuant to the Company's share option scheme adopted on 23rd May, 2002 (the "Existing Share Option Scheme"). Upon exercise of the Share Options in accordance with the Existing Share Option Scheme, the shares in the capital of the Company are issuable.

3. This represents 38,370,000 ordinary shares of the Company held by Mr. Dong Ping as beneficial owner and 1,764,262,500 ordinary shares of the Company to the allotted and issued to Mr. Dong Ping upon completion of the acquisition of China Entertainment Media Group Limited ("CEMG") (the "Acquisition") pursuant to the sale and purchase agreement dated 21st October, 2011 entered into among the Company as purchaser, Brilliant Mark Limited ("BML"), World Charm Holdings Limited ("WCHL") and Sequoia Capital 2010 CGF Holdco, Ltd. ("Sequoia"), as vendors, the management of CEMG and Mr. Dong Ping (the "SPA").

4. As at 31st December, 2011, Basic Charm Investment Limited ("Basic Charm"), a wholly-owned subsidiary of Rainstone International Limited ("Rainstone"), held 331,288,020 ordinary shares of the Company. Mr. Zhao Chao maintained 100% beneficial interest in Rainstone. Accordingly, Mr. Zhao Chao was deemed to have corporate interest in 331,288,020 ordinary shares of the Company.

5. This represents interests held by Mr. Kong Muk Yin as beneficial owner.

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES *(Continued)*

Details of the Share Options, duly granted to the Directors pursuant to the Existing Share Option Scheme, which constitute interests in underlying ordinary shares of equity derivatives of the Company under the SFO are set out in the section headed "Share Options" of this report.

Save as disclosed above, as at 31st December, 2011, none of the Directors, chief executives of the Company nor their respective associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTIONS

The Existing Share Option Scheme was adopted by the Company pursuant to a resolution passed by the shareholders of the Company on 23rd May, 2002. Details of the Existing Share Option Scheme are set out in note 34 to the consolidated financial statements.

A new share option scheme (the "2012 Share Option Scheme") is proposed by the Board to be adopted subject to the approval of shareholders of the Company at the forthcoming AGM. The 2012 Share Option Scheme shall take effect conditional upon (among other things) the expiry of the Existing Share Option Scheme, which is expected to be on 23rd May, 2012. Details of the proposal are set out in the circular of the Company enclosed with this report.

Movement of the Share Options granted by the Company pursuant to the Existing Share Option Scheme during the year ended 31st December, 2011 are as follows:–

				Number of Share Options		
Category		Date of grant	Exercise price per share *HK$*	Outstanding as at 1st January, 2011	Exercised during the year	Outstanding as at 31st December, 2011
1.	**Directors**					
	Dong Ping	04/05/2010	0.560	14,100,000	–	14,100,000
	Zhao Chao	04/05/2010	0.560	8,910,000	–	8,910,000
	Kong Muk Yin	04/05/2010	0.560	3,000,000	–	3,000,000
	Chen Ching	04/05/2010	0.560	1,050,000	–	1,050,000
	Jin Hui Zhi	04/05/2010	0.560	1,050,000	–	1,050,000
	Li Chak Hung	04/05/2010	0.560	1,050,000	–	1,050,000
2.	**Employees**	18/03/2010	0.475	82,250,000	–	82,250,000
		04/05/2010	0.560	7,200,000	–	7,200,000
3.	**Consultants**	18/03/2010	0.475	29,300,000	–	29,300,000
	Total:			147,910,000	–	147,910,000

SHARE OPTIONS *(Continued)*

Notes:

1. The Share Options are exercisable as follows:–

Exercise criteria	Amount of Share Options that can be exercised
(i) On completion of the continuous employment/service of the grantee with the Group for 1 year commencing from 23rd April, 2009 or the date of the relevant grantee's commencement of employment/service (whichever is the later)	Up to one-third of the Share Options granted
(ii) On completion of the continuous employment/service of the grantee with the Group for 2 years commencing from 23rd April, 2009 or the date of the relevant grantee's commencement of employment/service (whichever is the later)	Up to two-thirds of the Share Options granted
(iii) On completion of the continuous employment/service of the grantee with the Group for 3 years commencing from 23rd April, 2009 or the date of the relevant grantee's commencement of employment/service (whichever is the later)	Up to all of the Share Options granted

2. The period within which the Share Options must be exercised shall not be more than 10 years from the date of grant.

3. Employees are working under employment contracts that are regarded as "continuous contracts" for the purposes of the Employment Ordinance.

4. During the year, no Share Options were granted, exercised, cancelled or lapsed.

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "Share Options" above, at no time during the year was the Company, any of its holding companies, its subsidiaries or its fellow subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in the section headed "Connected Transaction" below, no contracts of significance to which the Company, any of its holding companies, its subsidiaries or its fellow subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' SERVICE CONTRACTS

No Directors being proposed for re-election at the forthcoming AGM has a service contract with the Company or any of its subsidiaries which is not determinable by the employing company within one year without payment of compensation (other than statutory compensation).

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales attributable to the Group's five largest customers accounted for approximately 11% and the largest customer accounted for approximately 5% of the Group's total turnover during the year.

The aggregate purchases attributable to the Group's five largest suppliers accounted for approximately 5% and the largest supplier accounted for approximately 2% of the Group's total purchases during the year.

None of the Directors, their associates, or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) has any interest in the Group's five largest customers and five largest suppliers.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 31st December, 2011, the following parties had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:–

Long positions in the shares and underlying shares of the Company

Name of Shareholder	Capacity in which interests are held	Number of ordinary shares/underlying shares held	Approximate percentage of issued shares[1]
Dong Ping	Beneficial owner[2&3]	1,816,732,500	87.23%
Chu Hoi Chun	Held by controlled corporation[4]	756,110,000	36.31%
Great Esteem Group Limited ("Great Esteem")	Beneficial owner[4]	756,110,000	36.31%
Tencent Holdings Limited ("Tencent")	Held by controlled corporation[5]	619,400,000	29.74%
Zhao Chao	Held by controlled corporation[6] and beneficial owner[2]	340,198,020	16.34%

INTERESTS OF SUBSTANTIAL SHAREHOLDERS *(Continued)*

Long positions in the shares and underlying shares of the Company *(Continued)*

Name of Shareholder	Capacity in which interests are held	Number of ordinary shares/underlying shares held	Approximate percentage of issued shares[1]
Rainstone	Held by controlled corporation[6]	331,288,020	15.91%
Basic Charm	Beneficial owner[6]	331,288,020	15.91%
Chen Huiwen	Held by controlled corporation[7]	291,666,666	14.00%
Ideal Growth Investments Limited ("Ideal Growth")	Beneficial owner[7]	291,666,666	14.00%
Tang Zhou	Held by controlled corporation[8&9] and beneficial owner[10]	261,970,000	12.58%
Sino Investment Holdings Limited ("Sino Investment")	Beneficial owner[8]	204,150,000	9.80%
Niu Zheng	Beneficial owner[11]	251,157,500	12.06%
Lin Li Dong	Held by controlled corporation[12]	241,950,000	11.62%
Superb Jade Limited ("Superb Jade")	Beneficial owner[12]	241,950,000	11.62%
He Peng	Beneficial owner[13]	223,370,000	10.73%
Liu Yang	Held by controlled corporation[14]	220,000,000	10.56%
Atlantis Capital Holdings Limited ("ACHL")	Held by controlled corporation[14]	220,000,000	10.56%
Yuen Hoi Po	Held by controlled corporation[15]	153,430,000	7.37%
Time Zone Investments Limited ("Time Zone")	Beneficial owner[15]	153,430,000	7.37%

INTERESTS OF SUBSTANTIAL SHAREHOLDERS *(Continued)*

Long positions in the shares and underlying shares of the Company *(Continued)*

Notes:

1. The percentage of shareholding has been complied based on the total number of issued ordinary shares of the Company of 2,082,592,564 as at 31st December, 2011.

2. This represents interests in options held as beneficial owner to subscribe for the relevant underlying shares of the Company in respect of the option shares granted by the Company pursuant to the Existing Share Option Scheme.

3. This represents 38,370,000 ordinary shares of the Company held by Mr. Dong Ping as beneficial owner and 1,764,262,500 ordinary shares of the Company to be allotted and issued to Mr. Dong Ping upon completion of the Acquisition pursuant to the SPA.

4. This represents 756,110,000 ordinary shares of the Company to be allotted and issued to Great Esteem upon completion of the Acquisition pursuant to the SPA. Ms. Chu Hoi Chun maintained 100% beneficial interest in Great Esteem and was therefore deemed to have the same interest held by Great Esteem.

5. This represents 619,400,000 ordinary shares of the Company to be allotted and issued to THL F Limited ("THL") upon completion of the subscription of 619,400,000 ordinary shares of the Company pursuant to the subscription agreement dated 21st October, 2011 entered into between the Company and THL. Tencent maintained 100% beneficial interest in THL and was therefore deemed to have the same interest held by THL.

6. As at 31st December, 2011, Basic Charm, a wholly-owned subsidiary of Rainstone, held 331,288,020 ordinary shares of the Company. Mr. Zhao Chao maintained 100% beneficial interest in Rainstone. Accordingly, Mr. Zhao Chao is deemed to have corporate interest in 331,288,020 ordinary shares of the Company.

7. The interest in HK$350,000,000 convertible note of the Company held by Ideal Growth giving rise to an interest in 291,666,666 underlying shares of the Company. Ms. Chen Huiwen maintained 100% beneficial interest in Ideal Growth and was therefore deemed to have the same interest held by Ideal Growth.

8. This represents 204,150,000 ordinary shares of the Company to be allotted and issued to Sino Investment upon completion of the Acquisition pursuant to the SPA. Mr. Tang Zhou maintained 70% beneficial interest in Sino Investment and was therefore deemed to have the same interest held by Sino Investment.

9. As at 31st December, 2011, Deli International Limited ("Deli International") held 10,820,000 ordinary shares of the Company. Mr. Tang Zhou maintained 60% beneficial interest in Deli International and was therefore deemed to have the same interest held by Deli International.

10. This represents 47,000,000 ordinary shares of the Company held by Mr. Tang Zhou as beneficial owner.

11. This represents 251,157,500 ordinary shares of the Company to be allotted and issued to Mr. Niu Zheng upon completion of the Acquisition pursuant to the SPA.

12. This represents 241,950,000 ordinary shares of the Company to be allotted and issued to Superb Jade upon completion of the Acquisition pursuant to the SPA. Mr. Lin Li Dong maintained 100% beneficial interest in Superb Jade and was therefore deemed to have the same interest held by Superb Jade.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS *(Continued)*

Long positions in the shares and underlying shares of the Company *(Continued)*

13. This represents 1,900,000 ordinary shares of the Company held by Mr. He Peng as beneficial owner and 221,470,000 ordinary shares of the Company to be allotted and issued to Mr. He Peng upon completion of the Acquisition pursuant to the SPA.

14. As at 31st December, 2011, ACHL was the beneficial owner of these shares in the Company, which, in turn, was wholly-owned by Ms. Liu Yang.

15. As at 31st December, 2011, Time Zone held 123,430,000 ordinary shares of the Company and an interest in HK$30,000,000 convertible note of the Company giving rise to an interest in 30,000,000 underlying shares of the Company. Mr. Yuen Hoi Po maintained 100% beneficial interest in Time Zone and was therefore deemed to have the same interest held by Time Zone.

16. Subsequent to the reporting period, 1,008,150,000 ordinary shares of the Company were allotted and issued to Sequoia upon completion of the Acquisition on 31st January, 2012 pursuant to the SPA.

Save as disclosed above, as at 31st December, 2011, there were no other parties who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

DIRECTORS' INTEREST IN COMPETING BUSINESSES

As at 31 December 2011, save as disclosed below, none of the Directors or their respective associates had any business or interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group:–

(i) Mr. Dong Ping, the Chairman and an Executive Director of the Company, held directorship and indirect interest in CEMG, a company with its principal business in the investment in, and the production and distribution of, films and television programmes and television advertising.

(ii) Mr. Zhao Chao, an Executive Director of the Company, held directorship and indirect interest (pending the transfer of such interest to the relevant members of the employees, consultants and management of CEMG as disclosed in the section headed "Connected Transaction" below) in CEMG, a company with its principal business in the investment in, and the production and distribution of, films and television programmes and television advertising.

DIRECTORS' INTEREST IN COMPETING BUSINESSES *(Continued)*

Subsequent to the reporting period, the Company acquired CEMG (the "Acquisition") in which the relevant directors had personal interest. As the aforesaid competing businesses were operated and managed by independent management and administration before the Acquisition, the Group was therefore capable of carrying on its business independently of, and at arm's length from, the aforesaid competing businesses.

CONNECTED TRANSACTION

On 21st October, 2011, the Company as purchaser, BML, WCHL and Sequoia, as vendors, the management of CEMG and Mr. Dong Ping entered into a sale and purchase agreement in respect of the acquisition by the Company of the entire issued share capital of CEMG for a total consideration of approximately HK$2,016.3 million (the "Acquisition"). The completion of the Acquisition took place on 31st January, 2012.

Mr. Dong Ping, the Chairman and an Executive Director of the Company, through a wholly-owned company, BML, indirectly held 35% interest in CEMG. Mr. Zhao Chao, an Executive Director of the Company, held 44.3% interest in WCHL (pending the transfer of such shares to the relevant members of the employees, consultants and management of CEMG upon completion of registration procedures to permit the acquisition of WCHL by the relevant members of the employees, consultants and management of CEMG) which in turn held 45% interest in CEMG. Mr. Liu Xiao Lin is a substantial shareholder of a subsidiary of the Company and was also beneficially interested in 1.6% of the issued share capital of CEMG. Accordingly, BML, WCHL and Mr. Liu Xiao Lin are connected persons of the Company and therefore, the Acquisition constituted a connected transaction for the Company under the Rules Governing the Listing of Securities on the Stock Exchange. Details of which were disclosed in the circular of the Company dated 6th January, 2012.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Bye-laws of the Company or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to the existing shareholders.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares during the year ended 31st December, 2011.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 16 to 27.

PUBLIC FLOAT

As at the date of this report, the Company has maintained a sufficient public float as required under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of its Directors.

EVENTS AFTER THE REPORTING PERIOD

Details of significant events occurring after the reporting period are set out in note 44 to the consolidated financial statements.

AUDITOR

The consolidated financial statements for the year ended 31st December, 2011 were audited by Deloitte Touche Tohmatsu. A resolution to re-appoint Deloitte Touche Tohmatsu as auditor of the Company will be proposed at the forthcoming AGM.

On behalf of the Board
Dong Ping
Chairman

Hong Kong, 29th March, 2012

Deloitte.
德勤

TO THE MEMBERS OF CHINAVISION MEDIA GROUP LIMITED
文化中國傳播集團有限公司
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of ChinaVision Media Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 41 to 151, which comprise the consolidated statement of financial position as at 31st December, 2011, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows 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 Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of 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 and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, 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.

AUDITOR'S RESPONSIBILITY *(Continued)*

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31st December, 2011 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
29th March, 2012

CONSOLIDATED INCOME STATEMENT

For the year 31st December, 2011

	Notes	2011 HK$'000	2010 HK$'000
Revenue	7	**285,265**	405,986
Cost of sales		**(180,244)**	(185,424)
Gross profit		**105,021**	220,562
Other income	8	**8,171**	9,182
Other gains and losses, net	9	**(32,581)**	(607)
Gain on disposal of subsidiaries	39	**–**	26,406
Distribution and selling expenses		**(81,613)**	(45,308)
Administrative expenses			
– share options expense		**(13,118)**	(28,266)
– other administrative expenses		**(123,372)**	(104,817)
		(136,490)	(133,083)
Other expenses		**(36,285)**	(4,903)
Finance costs			
– effective interest expense on convertible notes		**(28,152)**	(19,877)
– other finance costs		**(3,541)**	(4,011)
	10	**(31,693)**	(23,888)
Share of results of an associate	17	**(10,796)**	–
(Loss) profit before taxation		**(216,266)**	48,361
Taxation charge	12	**(9,467)**	(24,633)
(Loss) profit for the year	13	**(225,733)**	23,728
(Loss) profit for the year attributable to:			
Owners of the Company		**(212,673)**	13,662
Non-controlling interests		**(13,060)**	10,066
		(225,733)	23,728
		HK cents	HK cents
(Loss) earnings per share	14		
Basic		**(10.51)**	0.78
Diluted		**(10.51)**	0.78

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year 31st December, 2011

	2011 HK$'000	2010 HK$'000
(Loss) profit for the year	**(225,733)**	23,728
Other comprehensive income for the year:		
Exchange difference arising on translation to presentation currency	**36,601**	32,135
Total comprehensive (expense) income for the year	**(189,132)**	55,863
Total comprehensive (expense) income for the year attributable to:		
Owners of the Company	**(177,526)**	44,026
Non-controlling interests	**(11,606)**	11,837
	(189,132)	55,863

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st December, 2011

	Notes	**2011** HK$'000	2010 HK$'000
Non-current assets			
Property, plant and equipment	15	**28,081**	29,764
Goodwill	18	**222,575**	213,378
Intangible assets	19	**467,878**	493,848
Interest in an associate	17	**105,930**	–
Club debenture	20	**2,808**	2,692
Art work	21	**60,164**	51,565
Deposits and prepayments	26	**11,747**	3,165
Deferred tax assets	33	**3,380**	1,818
		902,563	796,230
Current assets			
Inventories	22	**2,669**	1,015
Film rights	23	**24,310**	16,309
Investments held for trading	24	**13,317**	49,959
Loan receivable	25	**22,167**	–
Trade and other receivables, deposits and prepayments	26	**239,424**	398,948
Amounts due from non-controlling interests	42	**805**	786
Bank balances and cash	27	**96,268**	141,342
		398,960	608,359
Current liabilities			
Trade and other payables and deposits received	28	**164,162**	159,170
Amount due to a non-controlling interest	42	**739**	741
Amount due to a joint venture partner	42	**2,661**	2,082
Tax liabilities		**29,197**	31,756
Borrowings	29	**23,063**	32,618
		219,822	226,367
Net current assets		**179,138**	381,992
Total assets less current liabilities		**1,081,701**	1,178,222

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st December, 2011

	Notes	2011 HK$'000	2010 HK$'000
Capital and reserves			
Share capital	31	**520,648**	484,398
Reserves		**104,496**	242,971
Equity attributable to owners of the Company		**625,144**	727,369
Non-controlling interests		**27,540**	38,182
Total equity		**652,684**	765,551
Non-current liabilities			
Convertible notes issuable	30	–	30,000
Convertible notes	32	**326,002**	280,362
Deferred tax liabilities	33	**103,015**	102,309
		429,017	412,671
		1,081,701	1,178,222

The consolidated financial statements on pages 41 to 151 were approved and authorised for issue by the Board of Directors on 29th March, 2012 and are signed on its behalf by:

Dong Ping
DIRECTOR

Zhao Chao
DIRECTOR

	Attributable to owners of the Company													
	Share capital HK$'000	Share premium HK$'000	Share option reserve HK$'000	Convertible notes equity reserve HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000	Translation reserve HK$'000	Merger reserve HK$'000 (Note a)	Capital reserve HK$'000	Shares issuable reserve HK$'000 (Note b)	Accumulated losses HK$'000 (Note c)	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1st January, 2010	370,398	61,334	–	–	918	44,203	9,959	1,799	–	22,500	(151,522)	359,589	45,737	405,326
Profit for the year	–	–	–	–	–	–	–	–	–	–	13,662	13,662	10,066	23,728
Exchange difference arising on translation to presentation currency	–	–	–	–	–	–	30,364	–	–	–	–	30,364	1,771	32,135
Total comprehensive income and expense for the year	–	–	–	–	–	–	30,364	–	–	–	13,662	44,026	11,837	55,863
Dividend paid to non-controlling interest	–	–	–	–	–	–	–	–	–	–	–	–	(16,623)	(16,623)
Issue of shares for acquisition of subsidiaries	10,000	5,000	–	–	–	–	–	–	–	(15,000)	–	–	–	–
Shares issued for cash	74,000	88,800	–	–	–	–	–	–	–	–	–	162,800	–	162,800
Transaction costs attributable to issue of shares	–	(4,921)	–	–	–	–	–	–	–	–	–	(4,921)	–	(4,921)
Acquisition of additional interest in a subsidiary (note 37)	–	–	–	–	–	–	–	–	(5,288)	–	–	(5,288)	(4,157)	(9,445)
Capital contribution from a non-controlling interest of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	562	562
Disposal of a subsidiary	–	–	–	–	–	–	115	–	–	–	–	115	826	941
Recognition of equity component of convertible notes	–	–	–	69,476	–	–	–	–	–	–	–	69,476	–	69,476
Issue of shares upon conversion of convertible notes	30,000	73,765	–	(30,459)	–	–	–	–	–	–	–	73,306	–	73,306
Recognition of equity-settled share-based payments	–	–	28,266	–	–	–	–	–	–	–	–	28,266	–	28,266
At 31st December, 2010	484,398	223,978	28,266	39,017	918	44,203	40,438	1,799	(5,288)	7,500	(137,860)	727,369	38,182	765,551
Loss for the year	–	–	–	–	–	–	–	–	–	–	(212,673)	(212,673)	(13,060)	(225,733)
Exchange difference arising on translation to presentation currency	–	–	–	–	–	–	35,147	–	–	–	–	35,147	1,454	36,601
Total comprehensive income and expense for the year	–	–	–	–	–	–	35,147	–	–	–	(212,673)	(177,526)	(11,606)	(189,132)
Issue of shares for acquisition of subsidiaries	5,000	2,500	–	–	–	–	–	–	–	(7,500)	–	–	–	–
Shares issued for cash	31,250	18,750	–	–	–	–	–	–	–	–	–	50,000	–	50,000
Transaction costs attributable to issue of shares	–	(5)	–	–	–	–	–	–	–	–	–	(5)	–	(5)
Capital contribution from a non-controlling interest of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	964	964
Recognition of equity component of convertible notes	–	–	–	12,188	–	–	–	–	–	–	–	12,188	–	12,188
Recognition of equity-settled share-based payments	–	–	13,118	–	–	–	–	–	–	–	–	13,118	–	13,118
At 31st December, 2011	**520,648**	**245,223**	**41,384**	**51,205**	**918**	**44,203**	**75,585**	**1,799**	**(5,288)**	**–**	**(350,533)**	**625,144**	**27,540**	**652,684**

Notes:

(a) The merger reserve of the Group represents the difference between the nominal amount of the share capital of the subsidiaries at the date on which they were acquired by the Group and the nominal amount of the share capital issued by the Company as consideration for the acquisition under the reorganisation.

(b) Share issuable reserve represents 40,000,000 ordinary shares of the Company with par value of HK$0.25 each to be issued after the year ended 31st December, 2009 and 20,000,000 ordinary shares of the Company with par value of HK$0.25 each to be issued after the year ending 31st December, 2010. Based on the agreement in connection with the acquisition of 100% of the issued share capital of Year Wealth Limited ("Year Wealth") in the year 2009, the Group is required to issue 40,000,000 ordinary shares of the Company with par value of HK$0.25 each according to the payment term of the agreement and additional 20,000,000 ordinary shares of the Company with par value of HK$0.25 each to the vendor if the guaranteed profit after taxation of 西安金鼎影視文化有限公司 (in English, Xian Jinding Film, Television and Culture Company Limited ("Xian Jinding")), a subsidiary of Year Wealth, for the years ended 31st December, 2009 and 2010 exceed RMB15,000,000 and RMB26,000,000 respectively (the "Guaranteed Profit"). As the aforesaid condition has been met, 40,000,000 and 20,000,000 ordinary shares of the Company with par velue of HK$0.25 each were issued on 11th February, 2010 and 30th March, 2011 respectively.

(c) Remittance outside the People's Republic of China (the "PRC") of retained profits of the subsidiaries established in the PRC is subject to approval of the local authorities and the availability of foreign currencies generated and retained by these subsidiaries.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31st December, 2011

	2011 HK$'000	2010 HK$'000
OPERATING ACTIVITIES		
(Loss) profit before taxation	**(216,266)**	48,361
Adjustments for:		
Allowance for bad and doubtful debts	**9,995**	90
Impairment loss on intangible assets	**6,256**	–
Impairment loss on film rights	**14,399**	–
Depreciation and amortisation	**36,479**	17,823
(Gain) loss on disposal of property, plant and equipment	**(19)**	36
Finance costs	**31,693**	23,888
Unrealised loss on change in fair value of investments held for trading	**36,642**	9,894
Change in fair value of convertible notes issuable	**–**	4,582
Interest income	**(4,452)**	(2,751)
Gain on disposal of subsidiaries	**–**	(26,406)
Gain on disposal of art work	**(17,031)**	–
Gain on disposal of other financial asset	**–**	(9,007)
Share of results of an associate	**10,796**	–
Share options expense	**13,118**	28,266
Operating cash (outflow) inflow before movements in working capital	**(78,390)**	94,776
Change in inventories	**(1,575)**	194
Change in film rights	**(21,539)**	11,571
Change in trade and other receivables, deposits and prepayments	**92,158**	(113,352)
Change in investments held for trading	**–**	(2,031)
Change in trade and other payables and deposits received	**20,157**	76,893
Cash generated from operations	**10,811**	68,051
Income tax paid	**(18,407)**	(9,344)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	**(7,596)**	58,707

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31st December, 2011

	NOTES	2011 HK$'000	2010 HK$'000
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(8,461)**	(13,960)
Addition to intangible assets		**(2,425)**	(56,231)
Purchase of art work		**(24,927)**	(42,281)
Proceeds from disposal of property, plant and equipment		**178**	881
Proceeds from disposal of other financial asset in prior year		**32,996**	7,084
Acquisition of subsidiaries, net of cash and cash equivalent acquired	36	**–**	(88,818)
Acquisition of an associate		**(116,726)**	–
Repayment from a joint venture partner		**38,850**	39,261
Advance to a joint venture partner		**(27,126)**	(44,995)
Advance to a film producer		**(18,072)**	–
Repayments from non-controlling interests		**15**	19
Proceed from disposal of art work		**23,019**	–
Proceed from disposal of a subsidiary in prior year		**17,777**	–
Refund for acquisition of an associate		**–**	6,818
Disposal of subsidiaries, net of cash and cash equivalents	39	**–**	7,262
Interest received		**837**	2,751
NET CASH USED IN INVESTING ACTIVITIES		**(84,065)**	(182,209)
FINANCING ACTIVITIES			
Repayments of borrowings		**(13,000)**	(145,973)
Interest paid		**(3,541)**	(4,011)
Dividend paid to a non-controlling interest		**–**	(16,623)
(Repayment to) advance from a non-controlling interest		**(33)**	59
Advance from a joint venture partner		**478**	2,082
Advance from related companies		**78,000**	–
Repayment to related companies		**(72,280)**	(5,715)
Acquisition of additional interest in a subsidiary		**–**	(9,445)
Capital contribution from a non-controlling interest		**964**	562
New borrowings raised		**3,445**	161,510
Proceeds from issue of shares		**50,000**	162,800
Expenses on issue of shares		**(5)**	(4,921)
NET CASH FROM FINANCING ACTIVITIES		**44,028**	140,325

	2011	2010
	HK$'000	HK$'000
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(47,633)**	16,823
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**141,342**	126,671
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**2,559**	(2,152)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash	**96,268**	141,342

1. GENERAL

The Company is a public limited company incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as primary listing and The Singapore Exchange Securities Trading Limited as secondary listing. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information to the annual report.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 46.

The consolidated financial statements are presented in Hong Kong dollars ("HK$") which is different from the functional currency of the Company, Renminbi ("RMB"), as the directors of the Company consider that HK$ is the most appropriate presentation currency in view of its place of first listing, which is Hong Kong.

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

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

Amendments to HKFRSs	Improvements to HKFRSs issued in 2010
HKAS 24 (as revised in 2009)	Related party disclosures
Amendments to HKAS 32	Classification of rights issues
Amendments to HK(IFRIC) – INT 14	Prepayments of a minimum funding requirement
HK(IFRIC) – INT 19	Extinguishing financial liabilities with equity instruments

The application of the new and revised HKFRSs in the current year has had no material effect on the Group's financial performance and positions for the current and prior years and/or disclosures set out in these consolidated financial statements.

The Group has not early applied the following new and revised standards and interpretations that have been issued but are not yet effective:

Amendments to HKFRS 7	Disclosures – Transfers of financial assets[1]
	Disclosures – Offsetting financial assets and financial liabilities[2]
	Mandatory effective date of HKFRS 9 and transition disclosures[3]
HKFRS 9	Financial instruments[3]

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

HKFRS 10	Consolidated financial statements[2]
HKFRS 11	Joint arrangements[2]
HKFRS 12	Disclosure of interests in other entities[2]
HKFRS 13	Fair value measurement[2]
Amendments to HKAS 1	Presentation of items of other comprehensive income[5]
Amendments to HKAS 12	Deferred tax – Recovery of underlying assets[4]
HKAS 19 (as revised in 2011)	Employee benefits[2]
HKAS 27 (as revised in 2011)	Separate financial statements[2]
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures[2]
Amendments to HKAS 32	Offsetting financial assets and financial liabilities[6]
HK(IFRIC) – INT 20	Stripping costs in the production phase of a surface mine[2]

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

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

- HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 "Financial instruments: Recognition and measurement" to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

HKFRS 9 Financial Instruments *(Continued)*

- The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

The directors anticipate that the adoption of HKFRS 9 in the future may have significant impact on amounts reported in respect of the Group's financial assets. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

New and revised standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 "Consolidated and separate financial statements" that deal with consolidated financial statements and HK (SIC) – INT 12 "Consolidation – Special purpose entities". HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New and revised standards on consolidation, joint arrangements, associates and disclosures *(Continued)*

HKFRS 11 replaces HKAS 31 "Interests in joint ventures" and HK (SIC) – INT 13 "Jointly controlled entities – Non-monetary contributions by venturers". HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

These five standards are effective for annual periods beginning on or after 1st January, 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

The directors anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1st January, 2013. The application of these five standards may have significant impact on amounts reported in the consolidated financial statements. The application of HKFRS 10 may result in the Group no longer consolidating some of its investees, and consolidating investees that were not previously consolidated (e.g. the Group's interest in an associate may become the Group's subsidiary based on the new definition of control and the related guidance in HKFRS 10). In addition, the application of HKFRS 11 may result in changes in the accounting of the Group's jointly controlled entities that are currently accounted for using proportionate consolidation. Under HKFRS 11, those jointly controlled entities will be classified as a joint operations or joint venture, depending on the rights and obligations of the parties to the joint arrangement. However, the directors have not yet performed a detailed analysis of the impact of the application of these standards and hence have not yet quantified the extent of the impact.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

HKFRS 13 Fair Value Measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 "Financial instruments: Disclosures" will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1st January, 2013, with earlier application permitted.

The directors anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1st January, 2013 and that the application of the new standard may affect the amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared under the historical cost basis except for certain financial instruments which are measured at fair values and those as disclosed in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

The principal accounting policies are set out below.

(A) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance (effective from 1st January, 2010 onwards).

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(A) Basis of consolidation *(Continued)*

Changes in the Group's ownership interests in existing subsidiaries *(Continued)*

When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognised as a gain or loss in profit or loss attributable to the Group. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to accumulated losses as specified by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 "Financial instruments: Recognition and measurement" or, when applicable, the cost on initial recognition of an interest in an associate or a jointly controlled entity.

(B) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income taxes" and HKAS 19 "Employee benefits" respectively;

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(B) Business combinations *(Continued)*

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 "Share-based payment" at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current assets held for sale and discontinued operations" are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another standard.

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(B) Business combinations *(Continued)*

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 "Provisions, contingent liabilities and contingent assets", as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

(C) Goodwill

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(C) Goodwill *(Continued)*

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently whenever there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated income statement. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

(D) Interest in an associate

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of an associate are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, interest in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(D) Interest in an associate *(Continued)*

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's interest in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group' consolidated financial statements only to the extent of interest in the associate that are not related to the Group.

(E) Jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The Group recognises its interests in jointly controlled entities using proportionate consolidation. The Group's share of each of the assets, liabilities, income and expenses of the jointly controlled entities are combined with the Group's similar line items, line by line, in the consolidated financial statements.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities and of a jointly controlled entity recognised at the date of acquisition is recognised as goodwill.

Any goodwill arising on the acquisition of the Group's interest in a jointly controlled entity is accounted for in accordance with the Group's accounting policy for goodwill arising on the acquisition of a business (see the accounting policy above).

Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

When a group entity transacts with its jointly controlled entity, profits and losses resulting from the transactions with the jointly controlled entity are recognised in the Group' consolidated financial statements only to the extent of interests in the jointly controlled entity that are not related to the Group.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(F) Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

(G) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from the production and distribution of film rights is recognised when the production of films, television programmes and television drama series are completed, the Group's entitlement to such payments has been established which is upon the delivery of the master copy or materials to the customers and the collectability of proceeds is reasonably assured.

Revenue from mobile game subscription is recognised when the mobile game premium features is consumed by the users.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(G) Revenue recognition *(Continued)*

Revenue from mobile value-added services is recognised upon the provision of personalised information to application supplies and provision of entertainment services to mobile handset users in the PRC.

Mobile TV subscription income is recognised upon the provision of mobile TV content to mobile handset users in the PRC.

Revenue from newspapers distribution is recognised based on the date of delivery of the newspapers.

Revenue from advertising agency is recognised when advertising agency services are provided.

Revenue from magazines distribution is recognised based on the date of delivery of the magazines.

Other agency services income from acting as advertising intermediary and organising cultural and artistic exchange activities is recognised when services are provided.

Revenue from sales of cement and clinker are recognised when the goods are delivered and title has passed to customers.

Dividend income from investments is recognised when the Group's rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

(H) Property, plant and equipment

Property, plant and equipment including land and buildings held for use in the production or supply of goods or services, or for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(H) Property, plant and equipment *(Continued)*

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

(I) Club debenture

Club debenture is stated at cost less any identified impairment loss.

(J) Art work

Art work is stated at cost less any identified impairment loss.

(K) Impairment losses on tangible and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(K) Impairment losses on tangible and intangible assets other than goodwill *(Continued)*

Recoverable amount is the higher of fair value less costs to sell and value in use. 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

(L) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risk and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

(M) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(N) Film rights

Film rights represent films, television programmes and television drama series produced by the Group or acquired by the Group.

Film rights are stated at cost less any identified impairment loss. The costs of film rights are recognised as an expense in profit or loss based on the proportion of actual income earned during the year to the total estimated income from the distribution of film rights.

(O) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from the profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and interests in joint ventures and an associate, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(O) Taxation *(Continued)*

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax is also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

(P) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised as and included in finance costs in profit or loss in the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(Q) Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period, except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in the consolidated statement of comprehensive income, in which cases, the exchange differences are also recognised directly in the consolidated statement of comprehensive income.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the group entities which are stated at functional currency other than HK$ are translated into the presentation currency of the Group (i.e. HK$) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year. Exchange differences arising on translation of asset and liabilities and income and expenses from functional currency to HK$ are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve, attributed to non-controlling interests as appropriate.

Goodwill and fair value adjustments on identifiable assets acquired on an acquisition of a foreign operation on or after 1st January, 2005 are treated as assets and liabilities of that foreign operation and retranslated at the rate of exchange prevailing at the end of the reporting period. Any exchange differences arising are recognised in the translation reserve.

(R) Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(R) Government grants *(Continued)*

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants related to subsidy income from government and refund of business tax from tax authorities that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

(S) Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

(T) Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

(i) Financial assets

The Group's financial assets are classified into one of the two categories, including investments held for trading and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(T) Financial instruments *(Continued)*

(i) Financial assets (Continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Investments held for trading

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets classified as investments held for trading are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned in the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables and deposits, loan receivable, amounts due from non-controlling interests and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses. The accounting policy on impairment loss of financial assets is set out below.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(T) Financial instruments *(Continued)*

(ii) Impairment of financial assets

Financial assets, other than investments held for trading, are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the financial assets have been affected.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised in the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount is reduced by the impairment loss directly for all loans and receivables with the exception of trade and other receivables and deposits, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When trade and other receivables and deposits are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(T) Financial instruments *(Continued)*

(ii) Impairment of financial assets (Continued)

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(iii) Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(T) Financial instruments *(Continued)*

(iii) Financial liabilities and equity instruments (Continued)

Financial liabilities at fair value through profit or loss

A financial liability other than a financial liability held for trading may be designated as at fair value through profit or loss ("FVTPL") upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with changes in fair value arising on remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any interest paid on the financial liabilities.

Other financial liabilities

Other financial liabilities (including trade and other payables, amounts due to a non-controlling interest/a joint venture partner and borrowings) are subsequently measured at amortised cost, using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(T) Financial instruments *(Continued)*

(iii) Financial liabilities and equity instruments (Continued)

Convertible notes which contain liability and equity components, and early redemption option

Convertible notes issued by the Company that contain liability (together with the early redemption option which is closely related to the host liability component) and conversion option components are classified separately into respective items on initial recognition in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest rate of similar non-convertible debts and the fair value of the conversion option for the note holders to convert the notes into equity which is included in equity (convertible notes equity reserve) is determined using the Binomial Model.

In subsequent periods, the liability component of the convertible notes is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in convertible notes equity reserve until the conversion option is exercised (in which case the balance stated in convertible notes equity reserve will be transferred to share premium). Where the conversion option remains unexercised at the expiry date, the balance stated in convertible notes equity reserve will be released to retained profits (accumulated losses). No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible loan notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible loan notes using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(T) Financial instruments *(Continued)*

(iv) Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligation are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

(U) Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share option reserve.

When the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to accumulated losses.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(U) Share-based payment transactions *(Continued)*

Equity-settled share-based payment transactions *(Continued)*

Share options granted to consultants

Share options issued in exchange for goods or services are measured at the fair values of the goods or services received, unless that fair value cannot be reliably measured, in which case the goods or services received are measured by reference to the fair value of the share options granted. The fair values of the goods or services received are recognised as expenses, with a corresponding increase in equity (share option reserve), when the Group obtains the goods or when the counterparties render services, unless the goods or services qualify for recognition as assets.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Cost of film rights recognised as an expense

The cost of film rights are recognised as an expense in profit or loss based on the proportion of actual income earned during the year to the total estimated income from the distribution of film rights.

During the year ended 31st December, 2011, the cost of film rights recognised as an expense included in cost of sales is HK$3,396,000 (2010: HK$82,060,000).

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Estimated impairment of film rights

At the end of the reporting period, the management of the Group assesses the impairment on film rights with reference to its recoverable amount. The assessment was made on a film-by-film basis. The recoverable amount of the film rights was determined based on the present value of the expected future revenue generated from the film and future cost of sales. The cash flow forecast calculation requires the management to estimate the future revenue expected to arise. If the recoverable amount is lower than the carrying amount, the carrying amount of the film rights will be written down to its recoverable amount. Based on the management assessment's on the recoverability of film rights, the directors determined that an impairment loss of HK$14,399,000 (2010: nil) was recognised. As at 31st December, 2011, the carrying amount of the film rights was approximately HK$24,310,000 (2010: HK$16,309,000) (details disclosed in note 23).

Allowances for bad and doubtful debts

The policy of allowance for bad and doubtful debts of the Group is based on the evaluation of collectability and aged analysis of accounts and on management's judgment. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

Deferred taxation

At 31st December, 2011, the Group had unused tax losses of HK$191,024,000 (2010: HK$96,772,000) available for offset against future profits. No deferred tax asset in relation to these unused tax losses has been recognised in the consolidated statement of financial position due to uncertainty of future profit streams. In cases where there are future profits generated to utilise the tax losses, a material deferred tax assets may arise, which would be recognised in profit or loss for the period in which such future profits are recorded.

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. As at 31st December, 2011, the carrying amount of goodwill was HK$222,575,000 (2010: HK$213,378,000). Details of the recoverable amount calculation are disclosed in note 18.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Intangible assets

The estimated useful life of intangible assets, being licenses, mobile game platform, mobile game and broadcasting right is based on the management's best estimate of the expected useful life of these intangible assets according to its understanding of mobile related business and broadcasting right industry. If there is any change on the management's estimation, indication of impairment of intangible assets may arise. Based on the management's estimation, an impairment loss of HK$6,256,000 (2010: nil) was recognised for the licenses and mobile game platform.

The Group determines whether indefinite life of intangible assets, being advertising and distribution rights, are impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the respective asset is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. As at 31st December, 2011, the carrying amount of indefinite intangible was HK$440,034,000 (2010: HK$421,851,000).

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure the entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from the prior year.

The capital structure of the Group consists of debt, which includes convertible notes disclosed in note 32 and equity attributable to owners of the Company, comprising issued share capital and reserves. The directors of the Company review the capital structure on an annual basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

6. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2011 HK$'000	2010 HK$'000
Financial assets		
Investments held for trading	**13,317**	49,959
Loans and receivables (including cash and cash equivalents)	**313,747**	483,296
Financial liabilities		
Amortised cost	**474,745**	408,048
Financial liabilities designated as FVTPL – Convertible notes issuable	**–**	30,000

Financial risk management objectives and policies

The Group's major financial instruments include investments held for trading, loan receivable, trade and other receivables and deposits, amounts due from non-controlling interests, bank balances and cash, trade and other payables, amounts due to a non-controlling interest and a joint venture partner, borrowings, convertible notes issuable and convertible notes. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

There has been no significant change to the Group's exposure to financial risks or the manner in which it manages and measures the risk.

Market risks

Interest rate risk

The Group's fair value interest rate risk relates primarily to certain fixed-rate loan receivable and borrowings (see notes 25 and 29 for details of these loan receivable and borrowings respectively). The Group has not used any derivative contracts to hedge these exposure to interest rate risk.

The Group's cash flow interest rate risk primarily relates to variable-rate bank balances. The Group has not used any interest rate swaps in order to mitigate its exposure associated with fluctuations on cash flows relating to interest. However, management monitors interest rate exposure and will consider necessary actions when significant interest rate exposure is anticipated.

The management considers that the Group's exposure to future cash flow risk on variable-rate bank balances as a result of the change of market interest rate is insignificant and thus no sensitivity analysis is presented.

6. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Market risks *(Continued)*

Foreign currency risk

The Group collects most of its revenue in RMB and incurs most of the expenditures as well as capital expenditures in RMB. The directors considered that the Group's exposure to foreign currency exchange risk is insignificant as the majority of the Group's transactions were denominated in the functional currency of the respective group entities.

As at end of the reporting period, the carrying amounts of the Group's monetary assets and liabilities that are denominated in currency other than functional currencies of the respective group entities are as follows:

	HK$		**United States dollars ("USD")**	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables	**–**	–	**–**	11,193
Other receivable	**1,072**	757	**–**	–
Bank balances and cash	**5,159**	15,426	**–**	–

The Group currently does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

The Group is mainly exposed to the currency risk for other receivable and bank balances which are denominated in HK$ in both years and trade receivables which are denominated in USD as at 31st December, 2010.

6. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Market risks *(Continued)*

Foreign currency risk (Continued)

Sensitivity analysis

The following table details the Group's sensitivity to a 5% (2010: 5%) increase and decrease in RMB against USD and 5% (2010: 5%) increase and decrease in RMB against HK$. 5% (2010: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonable possible change in foreign exchange rates. The sensitivity analysis includes only outstanding USD and HK$ denominated monetary items and adjusts their translation at the year end for a 5% (2010: 5%) change in foreign currency rates. A positive number below indicates a decrease in post-tax loss (increase in post-tax profit) for the year where RMB strengthen 5% (2010: 5%) against the relevant currency. For a 5% (2010: 5%) weakening of RMB against the USD and HK$, there would be an equal and opposite impact on the result for the year.

	HK$		**USD**	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Increase in post-tax loss for the year	**(260)**	–	**–**	–
Decrease in post-tax profit for the year	**–**	(676)	**–**	(467)

Equity price risk on investments held for trading

The Group is exposed to equity price risk through its investments held for trading. The Group's investments held for trading has significant concentration of price risk on a particular equity stock traded in Hong Kong stock market. Management monitors the equity price exposure by regularly reviewing and maintaining a portfolio of equity investments with different risk profiles.

6. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Market risks *(Continued)*

Equity price risk on investments held for trading (Continued)

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks at the end of the reporting period.

If the prices of the respective equity instruments had been 10% (2010: 10%) higher/lower and all other variables were held constant, the Group's post-tax loss for the year ended 31st December, 2011 would have decreased/increased by approximately HK$1,112,000 (2010: post-tax profit would have increased/decreased by approximately HK$4,172,000) as a result of the changes in fair value of investments held for trading.

Equity price risk on convertible notes issuable

The Group was required to estimate the fair value of the contingent consideration as at 31st December, 2010 with changes in fair value to be recognised in profit or loss as long as the contingent consideration was outstanding. The fair value adjustment will be affected either positively or negatively, amongst others, by the changes in market interest rate, the Company's share market price and share price volatility. As at 31st December, 2011, the Group was not exposed to the price risk on convertible notes issuable as the Company has issued that convertible notes.

Since the conversion price was much higher than market price as at 31st December, 2010, the directors of the Company considered that the sensitivity of fair value of the convertible notes issuable in relation to reasonably possible changes in equity price of the Company was not significant.

Credit risk

The Group's credit risk is primarily attributable to loan receivable, trade and other receivables and bank balances.

The Group's maximum exposure to credit risk which will cause a financial loss to the Group in the event of the counterparties' failure to perform their obligations as at 31st December, 2011 and 2010 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position.

6. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk *(Continued)*

In order to minimise credit risk, management has delegated a team to be responsible for the determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the management reviews the recoverable amount of each individual debt receivables regularly to ensure that adequate impairment losses are recognised for irrecoverable debts. In this regard, management considers that the Group's credit risk is significantly reduced.

The Group's bank balances are deposited with banks of high credit ratings in Hong Kong and the PRC.

As at 31st December, 2011, the Group had significant concentration of credit risk on several long-aged debtors from production and distribution of film rights segment, amount due from a former subsidiary and amount due from a joint venture partner amounted to HK$40,960,000, HK$49,153,000 and HK$18,742,000 respectively. The Group exercises continuous monitoring procedures and ensures that follow-up actions are taken to ensure settlement of the debtors. Over 30% of trade debtors from production and distribution of film rights segment aged over 365 days had been settled subsequently. The remaining of these trade debtors are large PRC television stations which are financially supported by respective local state-owned enterprises. Based on the settlement history of these debtors, it usually takes approximately 1 to 2 years to settle the receivables due from them and no dispute on these receivables was noted in the past, which is the practice for those PRC television stations. Regarding the amount receivable from a former subsidiary, over 60% of the balance due had been settled in March 2012 and the remaining balance was secured by the future revenue to be generated under a profit sharing right of a TV drama held by the purchaser of the former subsidiary in which the directors of the Company considered the value of the pledge well exceeds the remaining outstanding amount of approximately HK$19,153,000. For the amount due from a joint venture partner, there are continuous settlements from the joint venture partner during the year and subsequent to the end of the reporting period. In the opinion of the directors of the Company, the credit risk was significantly reduced.

Loan receivable of HK$22,167,000 had been settled subsequent to 31st December, 2011. In this regard, the directors of the Company considered that the Group did not have significant credit risk on such loan receivable at 31st December, 2011.

6. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk *(Continued)*

At 31st December, 2010, the Group had significant concentration of credit risk on other receivables as the credit risk was mainly attributable from four counterparties regarding receivable in relation to disposal of a subsidiary, amount receivable from a former subsidiary, receivable for disposal of other financial asset and amount due from a joint venture partner amounted to HK$17,420,000, HK$45,538,000, HK$40,142,000 and HK$29,456,000 respectively. As the other receivables other than the amount receivable from a former subsidiary had been partially settled subsequent to 31st December, 2010, in the opinion of the directors of the Company, the credit risk was significantly reduced.

Other than the above, there is no significant concentration of credit risk on trade and other receivables as the exposure spread over a number of counterparties and customers in both years.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition to issuance of new shares, the Group also relies on convertible notes as a significant source of liquidity.

The following table details the Group's contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

6. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

Liquidity and interest risk tables

	Weighted average effective interest rate	Repayable on demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Total undiscounted cash flows	Carrying amount at 31.12.2011
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2011								
Non-derivative financial liabilities								
Borrowings – fixed rate	12	23,063	–	–	–	–	23,063	23,063
Trade and other payables	–	9,365	77,745	13,042	22,128	–	122,280	122,280
Amount due to a non-controlling interest	–	739	–	–	–	–	739	739
Amount due to a joint venture partner	–	2,661	–	–	–	–	2,661	2,661
Convertible notes	10.03	–	–	–	–	380,000	380,000	326,002
		35,828	77,745	13,042	22,128	380,000	528,743	474,745

6. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

Liquidity and interest risk tables (Continued)

	Weighted average effective interest rate	Repayable on demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Total undiscounted cash flows	Carrying amount at 31.12.2010
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2010								
Non-derivative financial liabilities								
Borrowings – fixed rate	12	32,618	–	–	–	–	32,618	32,618
Trade and other payables	–	–	50,320	12,780	29,145	–	92,245	92,245
Amount due to a non-controlling interest	–	741	–	–	–	–	741	741
Amount due to a joint venture partner	–	2,082	–	–	–	–	2,082	2,082
Convertible notes	10.03	–	–	–	–	350,000	350,000	280,362
Convertible notes issuable	–	–	–	–	–	30,000	30,000	30,000
		35,441	50,320	12,780	29,145	380,000	507,686	438,048

Fair values

The fair values of financial assets and financial liabilities are determined as follows:

- the fair values of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices; and

- the fair values of other financial assets and derivative financial instruments are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors consider that the carrying values of financial assets and financial liabilities recorded at amortised cost in the consolidated statement of financial position approximate their corresponding fair values.

6. FINANCIAL INSTRUMENTS *(Continued)*

Fair values *(Continued)*

Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value measurement of investments held for trading is grouped into Level 1 based on the degree to which the fair value is observable.

As at 31st December, 2010, the convertible notes issuable amounting to HK$30,000,000 was grouped into Level 3.

Reconciliation of Level 3 fair value measurement of convertible notes issuable

	HK$'000
At 1st January, 2010	–
Recognised on initial recognition (Note)	25,418
Changes in fair value included in other gain and losses	4,582
At 31st December, 2010	30,000
Issuance of convertible notes	**(30,000)**
At 31st December, 2011	**–**

Note: The balance represented the estimated fair value of contingent consideration at the end of the reporting period arising from the acquisition of Prefect Strategy International Limited ("Prefect Strategy") and Main City Limited ("Main City"). For details, please refer to notes 30 and 36(b).

7. REVENUE AND SEGMENT INFORMATION

Revenue represents the fair value of amounts received and receivable for goods sold or services rendered by the Group to outside customers, less discount and related taxes for the year, and is analysed as follows:

	2011	2010
	HK$'000	HK$'000
Production and distribution of film rights	**5,934**	186,173
Mobile game subscription income	**2,195**	1,687
Income from mobile value-added services	**3,066**	10,416
Mobile TV subscription income	**5,172**	4,487
Newspaper distribution	**28,347**	28,332
Advertising agency for newspaper	**209,344**	143,152
Magazine distribution	**1,532**	–
Advertising agency for magazine	**15,439**	–
Other agency services income	**394**	19,424
Others (Note)	**13,842**	12,315
	285,265	405,986

Note: Amount included revenue from distribution of newspapers and magazines other than Beijing Times and FIGARO of HK$2,168,000 (2010: HK$2,135,000), sales of bottled water of HK$2,384,000 (2010: HK$1,039,000), TV programmes packaging services income of HK$5,788,000 (2010: HK$5,422,000) and other business divisions of HK$3,502,000 (2010: HK$3,719,000).

7. REVENUE AND SEGMENT INFORMATION *(Continued)*

The Group's operating segments, which are reportable segments, determined based on information reported to the board of directors, the chief operating decision maker ("CODM"), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided, are as follows:

(i)	Production and distribution of film rights	–	production and distribution of film rights over films and television programmes
(ii)	Mobile game subscription	–	development and distribution of mobile games in the PRC
(iii)	Mobile value-added services	–	provision of personalised information and entertainment services to mobile handset users in the PRC
(iv)	Mobile TV subscription	–	development and distribution of mobile television in the PRC
(v)	Advertising agency and newspaper distribution	–	circulation and subscription of newspapers Beijing Times and newspaper advertising agency in the PRC
(vi)	Advertising agency and magazine distribution	–	circulation and subscription of fashion magazine FIGARO and magazine advertising agency in the PRC
(vii)	Other agency services	–	acting as advertising intermediary and organising cultural and artistic exchange activities
(viii)	Securities trading and investments	–	trading of securities in Hong Kong investments

The segment under (vi) above is the new operating segment upon establishment of certain subsidiaries during the year ended 31st December, 2011. The segments under (iv) and (v) above are operated through jointly controlled entities. For details, please refer to note 16.

7. REVENUE AND SEGMENT INFORMATION *(Continued)*

In addition to the reportable segments described above, the Group has other operating segments which include distribution of newspapers and magazines other than Beijing Times and FIGARO, sales of bottled water, TV programmes packaging services income and others in the PRC. None of these segments meet any of the quantitative thresholds for determining reportable segments. During the year ended 31st December, 2011, the management of the Group considered sales of cement in the PRC is no longer significant to the Group. Accordingly, the results and financial information relating to sales of cement in the PRC are not separately reported as it is no longer considered a reportable segment of the Group. Accordingly, all of the above operating segments are grouped as "all other segments". Segment revenue and segment information for the year ended 31st December, 2010 is restated.

(1) Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segments.

	Production and distribution of film rights	Mobile game subscription	Mobile value-added services	Mobile TV subscription	Advertising agency and newspaper distribution	Advertising agency and magazine distribution	Other agency services	Securities trading and investments	Reportable Segments' total	All other segments	Consolidated
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
For the year ended 31st December, 2011											
Segment revenue	5,934	2,195	3,066	5,172	237,691	16,971	394	-	271,423	13,842	285,265
Segment results	(25,891)	(3,833)	(17,182)	(20,948)	32,485	(19,400)	(3,283)	(40,129)	(98,181)	6,470	(91,711)
Unallocated interest income and other gains and losses, net											21,130
Corporate administrative expenses and share options expense											(106,681)
Finance costs											(28,208)
Share of results of an associate											(10,796)
Loss before taxation											(216,266)

7. REVENUE AND SEGMENT INFORMATION *(Continued)*

(1) Segment revenue and results *(Continued)*

	Production and distribution of film rights HK$'000	Mobile game subscription HK$'000	Mobile value-added services HK$'000	Mobile TV subscription HK$'000	Advertising agency and newspaper distribution HK$'000	Other agency services HK$'000	Securities trading and investments HK$'000	Reportable segments' total HK$'000	All other segments HK$'000	Consolidated HK$'000
For the year ended 31st December, 2010 (restated)										
Segment revenue	186,173	1,687	10,416	4,487	171,484	19,424	–	393,671	12,315	405,986
Segment results	72,056	(5,541)	2,002	(4,240)	30,579	15,518	(10,273)	100,101	4,917	105,018
Unallocated interest income and net exchange gains										7,370
Corporate administrative expenses and share options expense										(62,768)
Change in fair value of convertible notes issuable										(4,582)
Gain on disposal of subsidiaries										26,406
Finance costs										(23,083)
Profit before taxation										48,361

All of the segment revenue reported above is from external customers and there was no inter-segment sales for both years.

Segment results represent the (loss) profit incurred or generated by each segment without allocation of interest income from banks, net exchange gains, corporate administrative expenses, share options expense, finance costs on borrowings other than margin loan, change in fair value of convertible notes issuable, gain on disposal of art work, gain on disposal of subsidiaries and share of results of an associate. This is the measure reported to the board of directors for the purpose of resource allocation and performance assessments.

7. REVENUE AND SEGMENT INFORMATION *(Continued)*

(2) Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segments.

	Production and distribution of film rights HK$'000	Mobile game subscription HK$'000	Mobile value-added services HK$'000	Mobile TV subscription HK$'000	Advertising agency and newspaper distribution HK$'000	Advertising agency and magazine distribution HK$'000	Other agency services HK$'000	Securities trading and investments HK$'000	Reportable segments' total HK$'000	All other segments HK$'000	Consolidated HK$'000
At 31st December, 2011											
Segment assets	221,663	8,370	26,315	34,469	683,020	15,143	17,690	13,317	1,019,987	8,130	1,028,117
Property, plant and equipment – corporate											3,365
Interest in an associate											105,930
Art work											60,164
Other receivables and deposits											2,954
Amounts due from non-controlling interests											805
Bank balances and cash											96,268
Prepayments											540
Deferred tax assets											3,380
Consolidated assets											1,301,523
Segment liabilities	20,897	135	2,039	2,485	65,212	18,108	1,740	23,063	133,679	2,245	135,924
Other payables and deposits received											51,301
Amount due to a non-controlling interest											739
Amount due to a joint venture partner											2,661
Tax liabilities											29,197
Convertible notes											326,002
Deferred tax liabilities											103,015
Consolidated liabilities											648,839

7. REVENUE AND SEGMENT INFORMATION *(Continued)*

(2) Segment assets and liabilities *(Continued)*

	Production and distribution of film rights HK$'000	Mobile game subscription HK$'000	Mobile value-added services HK$'000	Mobile TV subscription HK$'000	Advertising agency and newspaper distribution HK$'000	Other agency services HK$'000	Securities trading and investments HK$'000	Reportable segments' total HK$'000	All other segments HK$'000	Consolidated HK$'000
At 31st December, 2010 (restated)										
Segment assets	347,815	10,691	35,271	67,767	668,229	16,892	49,959	1,196,624	4,516	1,201,140
Property, plant and equipment – corporate										4,311
Art work										51,565
Other receivables and deposits										3,964
Bank balances and cash										141,342
Prepayments										449
Deferred tax assets										1,818
Consolidated assets										1,404,589
Segment liabilities	35,872	259	3,948	22,739	73,160	5,213	32,618	173,809	3,832	177,641
Other payables and deposits received										14,147
Amount due to a non-controlling interest										741
Amount due to a joint venture partner										2,082
Tax liabilities										31,756
Convertible notes issuable										30,000
Convertible notes										280,362
Deferred tax liabilities										102,309
Consolidated liabilities										639,038

For the purpose of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating segments other than property, plant and equipment for corporate use, interest in an associate, art work, amounts due from non-controlling interests, certain other receivables and deposits, certain prepayments, bank balances and cash and deferred tax assets, for which the Group's management monitored and managed all these assets on a group basis; and

7. REVENUE AND SEGMENT INFORMATION *(Continued)*

(2) Segment assets and liabilities *(Continued)*

- all liabilities are allocated to operating segments other than certain other payables and deposits received, amount due to a non-controlling interest, amount due to a joint venture partner, amounts due to related companies, tax liabilities, convertible notes issuable, convertible notes and deferred tax liabilities, which for the Group's management monitored and managed all these liabilities on a group basis.

(3) Other segment information

	Production and distribution of film rights HK$'000	Mobile game subscription HK$'000	Mobile value-added services HK$'000	Mobile TV subscription HK$'000	Advertising agency and newspaper distribution HK$'000	Advertising agency and magazine distribution HK$'000	Other agency services HK$'000	Securities trading and investments HK$'000	Reportable segments' total HK$'000	All other segments HK$'000	Unallocated HK$'000	Consolidated HK$'000
2011												
Amount included in the measure of segment profit or loss or segment assets:												
Additions to intangible assets	–	2,425	–	–	–	–	–	–	2,425	–	–	2,425
Additions to property, plant and equipment	402	115	4	769	5,144	530	119	–	7,083	1,270	108	8,461
Depreciation of property, plant and equipment	6,334	179	183	722	1,746	42	583	–	9,789	202	1,052	11,043
Amortisation of intangible assets	–	2,772	3,603	19,061	–	–	–	–	25,436	–	–	25,436
Impairment loss on intangible assets	–	1,452	4,804	–	–	–	–	–	6,256	–	–	6,256
Impairment loss on film rights	14,399	–	–	–	–	–	–	–	14,399	–	–	14,399
Allowance for bad and doubtful debt	8,819	–	–	–	1,176	–	–	–	9,995	–	–	9,995
Change in fair value of investments held for trading	–	–	–	–	–	–	–	36,642	36,642	–	–	36,642
Finance costs	–	–	–	–	–	–	–	3,485	3,485	–	28,208	31,693

7. REVENUE AND SEGMENT INFORMATION *(Continued)*

(3) Other segment information *(Continued)*

	Production and distribution of film rights HK$'000	Mobile game subscription HK$'000	Mobile value-added services HK$'000	Mobile TV subscription HK$'000	Advertising agency and newspaper distribution HK$'000	Other agency services HK$'000	Securities trading and investments HK$'000	Reportable segments' total HK$'000	All other segments HK$'000	Unallocated HK$'000	Consolidated HK$'000
2010 (restated)											
Amount included in the measure of segment profit or loss or segment assets:											
Additions to goodwill and intangible assets	–	1,233	28,563	60,000	554,231	–	–	664,027	–	–	644,027
Additions to art work	–	–	–	–	–	–	–	–	–	42,281	42,281
Additions to property, plant and equipment	5,848	340	475	1,686	1,121	2,252	–	11,722	117	2,389	14,228
Additions to property, plant and equipment through acquisition of subsidiaries	–	–	62	–	4,424	–	–	4,486	–	–	4,486
Depreciation of property, plant and equipment	5,230	113	115	182	925	177	–	6,742	126	842	7,710
Amortisation of intangible assets	–	4,211	2,266	3,636	–	–	–	10,113	–	–	10,113
Allowance for bad and doubtful debt	–	–	–	–	–	–	–	–	–	90	90
Loss on disposal of property, plant and equipment	–	–	20	–	16	–	–	36	–	–	36
Change in fair value of investments held for trading	–	–	–	–	–	–	9,525	9,525	–	–	9,525
Finance costs	–	–	–	–	–	–	805	805	–	23,083	23,888

7. REVENUE AND SEGMENT INFORMATION *(Continued)*

(3) Other segment information *(Continued)*

Information separately reported to the CODM but not included in the measure of segment profit:

Gross proceeds from sale of investments held for trading and change in fair value of convertible notes issuable were HK$1,380,000 and HK$4,582,000 for the year ended 31st December, 2010 respectively. There was no sale of investments held for trading and the additional CB (as defined in note 30) has not been converted during the year ended 31st December, 2011.

Geographical information

The Group's securities trading and investments are carried out in Hong Kong. All other segment revenues are derived from the PRC.

Information about the Group's revenue from external customers is presented based on the locations of customers and distributors and information about the Group's non-current assets is presented based on the geographical location of the assets.

	Revenue from external customers		**Non-current assets**	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**–**	–	**5,645**	4,311
The PRC	**285,265**	405,986	**784,306**	786,936
	285,265	405,986	**789,951**	791,247

Note: Non-current assets excluded financial assets and deferred tax assets.

7. REVENUE AND SEGMENT INFORMATION *(Continued)*

Revenue from major products and services

The following is an analysis of the Group's revenue from its major products and services:

	2011 HK$'000	2010 HK$'000
Production and distribution of film rights over films	–	39,456
Production and distribution of film rights over television programme	5,934	146,717
Mobile game subscription	2,195	1,687
Mobile value-added services	3,066	10,416
Mobile TV subscription	5,172	4,487
Newspaper distribution – Beijing Times	28,347	28,332
Advertising agency – Beijing Times	209,344	143,152
Magazine distribution – FIGARO	1,532	–
Advertising agency – FIGARO	15,439	–
Other agency services	394	19,424
Others	13,842	12,315
	285,265	405,986

Information of major customers

There was no single external customer amounting to 10 percent or more of the Group's revenue for both years.

8. OTHER INCOME

	2011 HK$'000	2010 HK$'000
Interest income	**4,452**	2,751
Government subsidies (Note a)	**3,049**	7
Refund of business tax (Note b)	**184**	6,050
Sundry income	**486**	374
	8,171	9,182

Notes:

(a) During the year ended 31st December, 2011, the Group received subsidies of HK$3,049,000 (2010: HK$7,000) from the relevant PRC Governments for promoting the cultural industry development. There were no conditions attached to the subsidies granted to the Group.

(b) The PRC government authorities have granted a tax incentive to a subsidiary in the PRC by way of business tax refund for film rights sold by the Group in the PRC.

9. OTHER GAINS AND LOSSES, NET

	2011 HK$'000	2010 HK$'000
Gain (loss) on disposal of property, plant and equipment	**19**	(36)
Gain on disposal of art work	**17,031**	–
Net foreign exchange gains	**3,262**	4,619
Allowance for bad and doubtful debts	**(9,995)**	(90)
Gain on disposal of other financial asset	**–**	9,007
Impairment loss on intangible assets (Note 1)	**(6,256)**	–
Change in fair value of convertible notes issuable	**–**	(4,582)
Change in fair value of investments held for trading (Note 2)	**(36,642)**	(9,525)
	(32,581)	(607)

9. OTHER GAINS AND LOSSES, NET *(Continued)*

Notes:

(1) During the year ended 31st December, 2011, impairment loss of HK$1,452,000 (2010: nil) was recognised for the intangible asset of mobile game platform in which the management expects that no future profit would be generated as a result of change in technology for mobile game. Impairment loss of HK$4,804,000 (2010: nil) was recognised for the licenses granted by China Mobile Limited to a subsidiary in mobile value-added segment since the licenses were terminated during the year and new licenses were granted in late 2011 to enable the subsidiary to continue acting as a service provider in the form of mobile value-added services. Since the recoverable amounts turned to zero, full impairment losses were recognised.

(2) The amount includes net realised gain of approximately nil (2010: HK$369,000) on disposal of investments held for trading and unrealised loss of approximately HK$36,642,000 (2010: HK$9,894,000) on change in fair value of investments held for trading.

10. FINANCE COSTS

	2011	2010
	HK$'000	HK$'000
Interests on:		
Borrowings wholly repayable within five years	**3,541**	4,011
Effective interest expense on convertible notes (note 32)	**28,152**	19,877
	31,693	23,888

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

The emoluments of the directors and the five highest paid individuals are summarised as follows:

Directors' emoluments

	2011					2010				
		Other emoluments					Other emoluments			
	Directors' fees HK$'000	Salaries, bonus and other benefits HK$'000 (Note)	Retirement benefits scheme contributions HK$'000	Share-based payments HK$'000	Total HK$'000	Directors' fees HK$'000	Salaries, bonus and other benefits HK$'000 (Note)	Retirement benefits scheme contributions HK$'000	Share-based payments HK$'000	Total HK$'000
Dong Ping	600	3,389	12	1,286	5,287	600	2,693	12	2,857	6,162
Ng Qing Hai	–	–	–	–	–	–	–	–	–	–
Zhao Chao	960	293	12	813	2,078	960	160	12	1,805	2,937
Kong Muk Yin	240	200	–	274	714	140	200	–	608	948
Chen Ching	10	90	–	96	196	10	70	–	213	293
Jin Hui Zhi	10	90	–	96	196	10	70	–	213	293
Li Chak Hung	10	110	–	96	216	10	90	–	213	313
Total	1,830	4,172	24	2,661	8,687	1,730	3,283	24	5,909	10,946

Note: Amounts include discretionary bonus.

No directors waived any emoluments in both years.

Employees' emoluments

The five highest paid individuals included three (2010: three) directors of the Company, whose emoluments are disclosed above. The emoluments of the remaining two (2010: two) highest paid individuals for the year ended 31st December, 2011 were as follows:

	2011 HK$'000	2010 HK$'000
Salaries, bonus and other benefits	4,332	3,120
Contributions to retirement benefit schemes	104	92
Share-based payment	696	2,198
	5,132	5,410

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

Employees' emoluments *(Continued)*

Their emoluments were within the following bands:

	2011 HK$'000	2010 HK$'000
Less than HK$1,000,001	**1**	–
HK$1,000,001 to HK$1,500,000	**–**	1
HK$3,500,001 to HK$4,000,000	**–**	1
HK$4,000,001 to HK$4,500,000	**1**	–
	2	2

During both years, no emoluments were paid by the Group to the five highest paid individuals and directors as an inducement to join or upon joining the Group.

12. TAXATION CHARGE

	2011 HK$'000	2010 HK$'000
Current tax		
– PRC Enterprise Income Tax	**(14,956)**	(29,116)
– Overprovision in prior year	**376**	–
	(14,580)	(29,116)
Deferred tax (note 33)		
– current year	**5,113**	4,483
Taxation charge	**(9,467)**	(24,633)

No provision for Hong Kong Profits Tax has been made as the group companies operating in Hong Kong did not have any assessable profit for both years.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and the Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries and jointly controlled entities is 25% from 1st January, 2008 onwards.

12. TAXATION CHARGE *(Continued)*

	2011 HK$'000	2010 HK$'000
(Loss) profit before taxation:	**(216,266)**	48,361
Taxation at the domestic income tax rate of 25% (2010: 25%)	**54,067**	(12,090)
Tax effect of expenses not deductible for tax purpose	**(44,834)**	(20,515)
Tax effect of income not taxable for tax purpose	**14,372**	13,283
Tax effect of tax loss not recognised	**(23,563)**	(2)
Tax effect of share of results of an associate	**(2,699)**	–
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(7,135)**	(5,338)
Overprovision in prior year	**376**	–
Others	**(51)**	29
Taxation charge for the year	**(9,467)**	(24,633)

Note: The domestic tax rate represents the statutory tax rate of the major group companies operating in the PRC.

13. (LOSS) PROFIT FOR THE YEAR

	2011 HK$'000	2010 HK$'000
(Loss) profit for the year has been arrived at after charging:		
Auditor's remuneration	**1,898**	1,616
Film rights recognised as an expense included in cost of sales (Note)	**17,795**	82,060
Cost of inventories recognised as an expense	**43,145**	38,218
Amortisation of intangible assets (included in cost of sales)	**25,436**	10,113
Depreciation of property, plant and equipment	**11,043**	7,710
Total amortisation and depreciation	**36,479**	17,823
Legal and professional fees in relation to merger and acquisition projects (included in other expenses)	**34,615**	4,903
Rental payments for premises under operating leases	**14,240**	12,369
Staff costs inclusive of directors' emoluments (included share options expense)	**108,511**	100,897

13. (LOSS) PROFIT FOR THE YEAR *(Continued)*

Note: Amount included impairment loss on film rights of HK$14,399,000 (2010: nil). Impairment loss was expected whereby the carrying amount of film rights was less than its recoverable amount as the directors of the Company expected those films rights could not generate significant revenue in the near future. For details, please refer to note 4.

14. (LOSS) EARNINGS PER SHARE

The calculation of the basic and diluted (loss) earnings per share is based on the following information:

	2011	2010
	HK$'000	HK$'000
(Loss) earnings		
(Loss) profit for the year attributable to owners of the Company for the purposes of basic and diluted (loss) earnings per share	**(212,673)**	13,662

	2011	2010
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	**2,023,003,814**	1,750,656,324
Effect of dilutive potential ordinary shares:		
Share options issued by the Company	**–**	7,883,027
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	**2,023,003,814**	1,758,539,351

For the two years ended 31st December, 2011 and 2010, no adjustment is made in relation to the Company's outstanding convertible notes as their assumed conversion would (decrease) increase the (loss) earnings per share after taking into account of the effect of effective interest. In addition, the computation of diluted (loss) earnings per share does not assume the exercise of the share options granted because the exercise price of those share options outstanding was higher than the average market price for shares for both 2011 and 2010.

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
THE GROUP						
COST						
At 1st January, 2010	702	4,507	1,550	3,114	10,790	20,663
Exchange adjustments	–	216	50	297	515	1,078
Additions	–	3,289	388	5,057	5,494	14,228
Acquired on acquisition of subsidiaries	–	178	–	2,361	1,947	4,486
Disposals	–	–	–	(1,088)	(67)	(1,155)
Disposal of subsidiaries	–	(99)	(170)	(112)	–	(381)
At 31st December, 2010	702	8,091	1,818	9,629	18,679	38,919
Exchange adjustments	**–**	**319**	**110**	**418**	**736**	**1,583**
Additions	**–**	**2,160**	**526**	**3,366**	**2,409**	**8,461**
Disposals	**–**	**–**	**–**	**(508)**	**(439)**	**(947)**
At 31st December, 2011	**702**	**10,570**	**2,454**	**12,905**	**21,385**	**48,016**
DEPRECIATION						
At 1st January, 2010	492	134	9	253	725	1,613
Exchange adjustments	–	53	6	40	79	178
Provided for the year	10	2,361	258	1,913	3,168	7,710
Eliminated on disposals	–	–	–	(201)	(37)	(238)
Disposal of subsidiaries	–	(18)	(46)	(44)	–	(108)
At 31st December, 2010	502	2,530	227	1,961	3,935	9,155
Exchange adjustments	**–**	**159**	**19**	**132**	**215**	**525**
Provided for the year	**10**	**3,039**	**416**	**3,205**	**4,373**	**11,043**
Eliminated on disposals	**–**	**–**	**–**	**(391)**	**(397)**	**(788)**
At 31st December, 2011	**512**	**5,728**	**662**	**4,907**	**8,126**	**19,935**
CARRYING VALUES						
At 31st December, 2011	**190**	**4,842**	**1,792**	**7,998**	**13,259**	**28,081**
At 31st December, 2010	200	5,561	1,591	7,668	14,744	29,764

15. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold land and buildings	2.7% – 10%
Leasehold improvements	10% – 33%
Plant and machinery	4% – 8%
Furniture, fixtures and equipment	10% – 23%
Motor vehicles	15% – 25%

There was no pledged property, plant and equipment for both years.

The leasehold land and buildings are located on land held under medium-term leases in Hong Kong.

16. INTERESTS IN JOINTLY CONTROLLED ENTITIES

At 31st December, 2011 and 2010, the Group had interests in the following significant jointly controlled entities:

Name of entity	Form of business structure	Place of registration	Principal place of operation	Class of capital	Proportion of nominal value of registered/issued capital attributable to the Group 2011 %	2010 %	Principal activity
人民視訊文化有限公司 RenMinShiXun Culture Company Limited* ("RenMinShiXun")	Limited liability company	PRC	PRC	Registered	**49 (Notes a, b)**	49 (Notes a, b)	Operating in mobile TV
人民視訊(上海)文化有限公司 RenMinShiXun (Shanghai) Culture Company Limited* ("RenMinShiXun (Shanghai)")	Limited liability company	PRC	PRC	Registered	**49 (Notes a, b)**	49 (Notes a, b)	Operating in mobile TV
京華文化傳播有限公司 JingHua Culture Broadcast Company Limited* ("JingHua Culture")	Limited liability company	PRC	PRC	Registered	**50 (Note c)**	50 (Note c)	Advertising agency and distribution of a newspaper – Beijing Times

16. INTERESTS IN JOINTLY CONTROLLED ENTITIES *(Continued)*

Name of entity	Form of business structure	Place of registration	Principal place of operation	Class of capital	Proportion of nominal value of registered/issued capital attributable to the Group 2011 %	2010 %	Principal activity
北京神州京華廣告有限公司 Beijing Shenzhou JingHua Advertising Company Limited* ("Shenzhou JingHua")	Limited liability company	PRC	PRC	Registered	**50 (Note c)**	50 (Note c)	Advertising agency
北京京之華物流有限公司 Beijing Jing Zhi Hua Logistics Company Limited* ("Jing Zhi Hua")	Limited liability company	PRC	PRC	Registered	**50 (Note c)**	50 (Note c)	Logistic services to group companies
北京盛世鴻宇科貿有限公司 Beijing Sheng Shi Hong Yu Technology and Trading Company Limited* ("Beijing Hong Yu")	Limited liability company	PRC	PRC	Registered	**50 (Note c)**	50 (Note c)	Advertising agency
北京京華鴻越圖書發行有限責任公司 Beijing Jing Hua Hong Yue Book Publication Company Limited* ("Beijing Books")	Limited liability company	PRC	PRC	Registered	**30 (Note d)**	–	Sales and distribution of books and electronic publications
北京京華新視覺文化傳播有限公司 Beijing Jing Hua New Vision Culture Broadcast Company Limited* ("Beijing Vision")	Limited liability company	PRC	PRC	Registered	**30 (Note d)**	–	Cultural events organization
北京京華文化藝術發展有限公司 Beijing Jing Hua Cultural Arts Development Company Limited* ("Beijing Arts")	Limited liability company	PRC	PRC	Registered	**30 (Note d)**	–	Cultural events organization

* The English name is for identification purpose only. The official names of those companies are in Chinese.

16. INTERESTS IN JOINTLY CONTROLLED ENTITIES *(Continued)*

Notes:

(a) On 1st April, 2010, the Group established a jointly controlled entity RenMinShiXun in the PRC, which is owned as to 49% by 中聯京華文化傳播（北京）有限公司 (in English, Zhong Lian Jinghua Culture Broadcast (Beijing) Company Limited ("Zhong Lian Jinghua")). The Company does not have any equity interest in the registered capital of Zhong Lian Jinghua as it is owned by an employee of the Group. Pursuant to certain agreements among Zhong Lian Jinghua, the owner of Zhong Lian Jinghua and the Group, the owner of Zhong Lian Jinghua agreed to assign the power to appoint and remove all the members of the board of directors of and to govern the financial and operating policies of Zhong Lian Jinghua to the Group and to transfer all beneficial interests of Zhong Lian Jinghua to the Group. Accordingly, Zhong Lian Jinghua is treated as a wholly-owned subsidiary of the Company and its results, assets and liabilities are consolidated with those of the Group. The registered capital of Zhong Lian Jinghua was contributed by the Group. Zhong Lian Jinghua contributed the capital of RenMinShiXun in cash of RMB14,700,000 (equivalent to approximately HK$17,838,000) and the joint venture partner contributed capital in cash of RMB15,300,000 (equivalent to approximately HK$17,138,000). RenMinShiXun (Shanghai), a wholly-owned subsidiary of RenMinShiXun was set up on 9th August, 2010 with registered and paid up capital of RMB20,000,000.

(b) Zhong Lian Jinghua holds 49% of the registered capital of RenMinShiXun and two out of the five directors of RenMinShiXun are appointed by the Group, hence the Group controls 40% of the voting power in the Board of Directors' meeting. As all the decisions made in the Board of Directors' meeting require at least one vote from the directors from each of the two joint venture partners, RenMinShiXun and hence its wholly-owned subsidiary, RenMinShiXun (Shanghai) are accounted for as jointly controlled entities.

(c) On 1st May, 2010, the Group acquired the entire issued share capital of Prefect Strategy and Main City, which had indirect control and an effective interest of 100% in 北京北大文化發展有限公司 (in English, Beijing Beida Culture Development Company Limited ("Beida Culture")) through 上海經略廣告有限公司 (in English, Shanghai Strategic Advertising Company Limited ("Shanghai Strategic")), which in turn, held 50% equity interest in JingHua Culture. The Company does not have any equity interest in the registered capital of Shanghai Strategic as it is owned by an employee of the Group. Pursuant to certain agreements among Shanghai Strategic, the owner of Shanghai Strategic and the Group, the owner of Shanghai Strategic agreed to assign the power to appoint and remove all the members of the board of directors of and to govern the financial and operating policies of Shanghai Strategic to the Group and to transfer all beneficial interests of Shanghai Strategic to the Group. Accordingly, Shanghai Strategic is treated as a wholly-owned subsidiary of the Company and its results, assets and liabilities are consolidated with those of the Group. Jing Zhi Hua and Beijing Hong Yu were directly owned by JingHua Culture with equity interest of 80% and 90% respectively. 20% of the equity interest in Jing Zhi Hua was directly owned by Shenzhou JingHua. Shenzhou JingHua was 100% owned by JingHua Culture. 10% of the equity interest in Beijing Hong Yu was directly owned by Jing Zhi Hua. JingHua Culture holds exclusive advertising and distribution rights which entitle it to operate the advertising agency business and newspaper distribution business for Beijing Times together with other businesses as permitted under its business certificate. The other joint venture partner is responsible for the editorial part of Beijing Times. JingHua Culture was principally engaged in the businesses of newspaper advertising agency and newspaper distribution of Beijing Times, advertising agency services of sales and distribution of magazines and other newspapers, sales of bottled water and operating the newspaper website (namely JingHua Website) in the PRC. For details, please refer to note 36(b).

(d) During the year ended 31st December, 2011, JingHua Culture has set up three companies, namely Beijing Books, Beijing Vision and Beijing Arts pursuant to which JingHua Culture has 60% equity interests in these companies. According to the articles of association of the respective entities, all the major financial and operating decisions require simple majority of votes. Two out of three directors of Beijing Vision and Beijing Arts and three out of five directors of Beijing Books are appointed by JingHua Culture. Accordingly, Beijing Books, Beijing Vision and Beijing Arts are subsidiaries of JingHua Culture. The Group has 30% indirect interest in Beijing Books, Beijing Vision and Beijing Arts. Therefore, they are considered as jointly controlled entities of the Group.

16. INTERESTS IN JOINTLY CONTROLLED ENTITIES *(Continued)*

As all the major financial and operating decisions of the above entities require unanimous consent from all venturers, they are accounted for as jointly controlled entities.

The summarised financial information in respect of the Group's jointly controlled entities which are accounted for using proportionate consolidation with the line-by-line reporting format is set out below:

	2011	2010
	HK$'000	HK$'000
Current assets	**166,950**	168,794
Non-current assets	**610,969**	560,524
Current liabilities	**70,167**	76,308
Non-current liabilities	**102,714**	98,758
Income recognised in profit or loss	**252,241**	181,260
Expenses recognised in profit or loss	**240,192**	157,859
Other comprehensive income	**5,535**	3,463

17. INTEREST IN AN ASSOCIATE

Pursuant to a subscription agreement dated 27th January, 2011, the Group subscribed for, and was allotted and issued by, Super Sports Media Inc. ("Super Sports") preferred shares entitling the Group to convert into ordinary shares of Super Sports representing 30% of the equity interests in Super Sports on an as-converted and fully diluted basis for a consideration of US$15,000,000 (equivalent to approximately HK$116,726,000). The said acquisition was completed on 30th March, 2011.

	2011
	HK$'000
Cost of investment in an associate	
Unlisted	**116,726**
Share of post-acquisition loss	**(10,796)**
	105,930

17. INTEREST IN AN ASSOCIATE *(Continued)*

As at 31st December, 2011, the Group had interest in the following associate:

Name of entity	Place of incorporation	Principal place of operation	Class of shares held	Proportion of nominal value of issued capital held by the Group	Proportion of voting power held	Principal activity
Super Sports	Cayman Islands	PRC	Preferred shares (Note 1)	30% (Note 2)	30% (Note 2)	Distribution of regional broadcasting right in the PRC and Macau regions and related advertising

Notes:

(1) The preferred shares entitle the Group to have the voting right, in the same manner as the holders of ordinary shares in general meeting. Holders of preferred shares are also entitled to receive payment of dividend in priority to the holders of the ordinary share dividends declared under the same measurement basis. The holders of preferred shares cannot request redemption of preferred shares except upon liquidation of Super Sports. The Group has appointed one director in the board of Super Sports. There are a total of five directors in the board of which three of them are representatives of holders of preferred shares. According to the memorandum and articles of association of Super Sports, all the resolutions require approval by simple majority of the board members. All the preferred shares have to be converted into ordinary shares upon listing of shares of Super Sports to the public.

(2) As at 31st December, 2011, none of the preferred shares held by the Group were converted into ordinary shares. The proportion of nominal value of class of issued capital held by the Group and the proportion of voting power held represent the equity interests in Super Sports on an as-converted and fully diluted basis.

At 31st December, 2011, the Group performed impairment assessment with reference to the recoverable amount of the interest in an associate. On 29th March, 2012, the Group disposed of its interest in an associate and the broadcasting right included in intangible assets for a total consideration of US$20,000,000 which is equivalent to approximately HK$155,360,000 (please refer to note 44 for details). The recoverable amount of Super Sports which represented the fair value less costs to sell was higher than its carrying amount. Accordingly, no impairment loss was recognised in profit or loss for the year ended 31st December, 2011.

17. INTEREST IN AN ASSOCIATE *(Continued)*

The summarised financial information in respect of the Group's associate is set out below:

	At 31st December, 2011 HK$'000
Total assets	385,899
Total liabilities	(32,799)
Net assets	353,100
Group's share of net assets of an associate	105,930

	Year ended 31st December, 2011 HK$'000
Revenue	72,930
Loss and other comprehensive expense for the year	(35,987)
Group's share of loss and other comprehensive expense of an associate for the year	(10,796)

18. GOODWILL AND IMPAIRMENT TEST ON GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIFE

	HK$'000
COST	
At 1st January, 2010	39,781
Exchange adjustments	8,001
Arising on acquisition of subsidiaries (note 36)	166,568
Eliminated on disposal of subsidiaries (note 39(b))	(972)
At 31st December, 2010	213,378
Exchange adjustments	**9,197**
At 31st December, 2011	**222,575**
CARRYING VALUES	
At 31st December, 2011	**222,575**
At 31st December, 2010	213,378

For the purpose of impairment testing, goodwill and intangible assets with indefinite useful life have been allocated to individual cash-generating units ("CGUs"), including one subsidiary in production and distribution of film rights segment ("Entertainment"), one subsidiary in mobile game subscription segment ("Game"), one subsidiary in mobile value-added services segment ("Mobile value-added") and one jointly controlled entity in advertising agency and newspaper distribution – Beijing Times segment ("Advertising and newspaper"). The carrying amounts of goodwill and intangible assets with indefinite useful life as at 31st December, 2011 and 2010 allocated to these units are as follows:

	2011		2010	
	Goodwill	**Intangible assets with indefinite useful life**	Goodwill	Intangible assets with indefinite useful life
	HK$'000	**HK$'000**	HK$'000	HK$'000
Entertainment (Unit A)	**37,850**	**–**	36,286	–
Game (Unit B)	**4,208**	**–**	4,034	–
Mobile value-added (Unit C)	**19,906**	**–**	19,084	–
Advertising and newspaper (Unit D)	**160,611**	**440,034**	153,974	421,851
	222,575	**440,034**	213,378	421,851

18. GOODWILL AND IMPAIRMENT TEST ON GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIFE *(Continued)*

During the year ended 31st December, 2011, the directors of the Company determined that there was no impairment on goodwill of any of its CGUs.

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarised below:

Unit A

The recoverable amounts of Unit A has been determined on the basis of value in use calculations. Its recoverable amount is based on certain key assumptions. The value in use calculations use cash flow projections based on financial budgets approved by management covering a 5-year period (2010: 5-year period), and a discount rate of 17.5% (2010: 16.5%). Unit A's cash flows beyond the 5-year period are extrapolated using a 2% growth rate. The 2% growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on Unit A's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of Unit A to exceed the aggregate recoverable amount of Unit A.

Unit B

The recoverable amount of Unit B has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period (2010: 5-year period), and a discount rate of 20.76% (2010: 19.76%). Unit B's cash flow beyond the 5-year period are extrapolated using a 2% growth rate. The 2% growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on Unit B's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of Unit B to exceed the aggregate recoverable amount of Unit B.

18. GOODWILL AND IMPAIRMENT TEST ON GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIFE *(Continued)*

Unit C

The recoverable amount of Unit C has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period (2010: 5-year period), and a discount rate of 25.08% (2010: 24.08%). Unit C's cash flows beyond the 5-year period are extrapolated using a 2% growth rate. The 2% growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on Unit C's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of Unit C to exceed the aggregate recoverable amount of Unit C.

Unit D

The recoverable amount of Unit D has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period and extrapolated for a further 5-year period using 7% growth rate (2010: 5-year period and extrapolated for a future 5-year period using 7% growth rate), using a discount rate of 13.26% (2010: 13.26%) and terminal value covering the following years indefinitely. The 7% growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry of 5% to 10%. The 5-year period is based on the average business cycle of newspaper media based on the industry history. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin. Such estimation is based on Unit D's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of Unit D to exceed the aggregate recoverable amount of Unit D.

19. INTANGIBLE ASSETS

	Licenses	Mobile game platform	Mobile game	Advertising and distribution rights	Broadcasting right	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
COST						
At 1st January, 2010	–	2,107	5,894	–	–	8,001
Exchange adjustments	397	82	257	15,820	2,338	18,894
Additions	–	–	1,233	10,998	60,000	72,231
Acquired on acquisition of subsidiaries (note 36)	10,195	–	–	395,033	–	405,228
At 31st December, 2010	10,592	2,189	7,384	421,851	62,338	504,354
Exchange adjustments	**457**	**94**	**372**	**18,183**	**1,346**	**20,452**
Additions	**–**	**–**	**2,425**	**–**	**–**	**2,425**
Reduction in cost (Note)	**–**	**–**	**–**	**–**	**(16,000)**	**(16,000)**
At 31st December, 2011	**11,049**	**2,283**	**10,181**	**440,034**	**47,684**	**511,231**
AMORTISATION AND IMPAIRMENT						
At 1st January, 2010	–	–	–	–	–	–
Exchange adjustments	88	21	143	–	141	393
Charge for the year	2,266	527	3,684	–	3,636	10,113
At 31st December, 2010	2,354	548	3,827	–	3,777	10,506
Exchange adjustments	**288**	**60**	**221**	**–**	**586**	**1,155**
Charge for the year	**3,603**	**223**	**2,549**	**–**	**19,061**	**25,436**
Impairment loss recognised in the year	**4,804**	**1,452**	**–**	**–**	**–**	**6,256**
At 31st December, 2011	**11,049**	**2,283**	**6,597**	**–**	**23,424**	**43,353**
CARRYING VALUES						
At 31st December, 2011	**–**	**–**	**3,584**	**440,034**	**24,260**	**467,878**
At 31st December, 2010	8,238	1,641	3,557	421,851	58,561	493,848

19. INTANGIBLE ASSETS *(Continued)*

Other than advertising and distribution rights, the above intangible assets relate to development costs which have finite useful lives. Such intangible assets are amortised on a straight-line basis over the following periods:

Licenses	3 years
Mobile game platform	5 years
Mobile game	2 years
Broadcasting right	3 years

The advertising and distribution rights of Beijing Times are obtained by the Group through acquisition of subsidiaries, Prefect Strategy and Main City during the year ended 31st December, 2010. The advertising and distribution rights are held by JingHua Culture, a jointly controlled entity of the Group. The advertising and distribution rights are considered by the management of the Group as having an indefinite useful life because it is expected to contribute net cash inflows to the Group indefinitely. The advertising and distribution rights will not be amortised until its useful life is determined to be finite. Instead it will be tested for impairment annually and whenever there is an indication that it may be impaired. Details of impairment testing are set out in note 18.

At 31st December, 2011, the Group performed impairment assessment with reference to the recoverable amount of the broadcasting right. On 29th March, 2012, the Group disposed of its broadcasting right and the interest in an associate for a total consideration of US$20,000,000 which is equivalent to approximately HK$155,360,000 (please refer to note 44 for details). The recoverable amount of the broadcasting right which represented the fair value less costs to sell was higher than its carrying amount. Accordingly, no impairment loss was recognised in profit or loss for the year ended 31st December, 2011.

Note: Due to certain technical problem in launching the real time broadcasting a particular sport program via mobile, the Group was not able to commence the real time broadcasting service. During the year ended 31st December, 2011, the Group entered into a supplementary agreement with the vendor of the broadcasting right acquired in prior year, pursuant to which the vendor agreed to reduce the consideration of the broadcasting right acquired by the Group by HK$16,000,000 given that the actual life of the broadcasting right available for the real time broadcasting in the PRC and Macau region is reduced to two years, rather than the originally agreed period of three years. Accordingly, the payable for the purchase of the broadcasting right of HK$16,000,000 was deducted from the carrying amount of the broadcasting right as included in intangible assets.

20. CLUB DEBENTURE

	2011 HK$'000	2010 HK$'000
Club debenture, at cost	**2,808**	2,692

21. ART WORK

	2011 HK$'000	2010 HK$'000
Art work, at cost	**60,164**	51,565

In the opinion of the directors, having considered that most art work was purchased during the year ended 31st December, 2011 and 2010 from sizable auction houses and the positive result of the sales of art work by the Group during the year, there was no indicator of impairment as at the end of the reporting period.

22. INVENTORIES

	2011 HK$'000	2010 HK$'000
Inventories consist of the following:		
Raw materials	**2,669**	1,015

23. FILM RIGHTS

	HK$'000
COST	
At 1st January, 2010	59,114
Exchange adjustments	1,890
Additions	70,489
Recognised as an expense included in cost of sales	(82,060)
Disposal of subsidiaries (note 39(b))	(33,124)
At 31st December, 2010	16,309
Exchange adjustments	**861**
Additions	**24,935**
Recognised as an expense included in cost of sales	**(3,396)**
Impairment loss recognised in the year	**(14,399)**
At 31st December, 2011	**24,310**

At 31st December, 2011, included in film rights costs are costs of films under production of HK$24,310,000 (2010: HK$16,033,000) and costs of films with completed production of nil (2010: HK$276,000).

The cost of film rights are recognised as an expense in profit or loss based on the proportion of actual income earned during the year to the total estimated income from the distribution of film rights.

24. INVESTMENTS HELD FOR TRADING

	2011	2010
	HK$'000	HK$'000
Equity securities listed in Hong Kong	**13,317**	49,959

At 31st December, 2011, all the investments held for trading have been pledged as security for the margin loan to the Group of approximately HK$23,063,000 (2010: HK$32,618,000).

25. LOAN RECEIVABLE

Loan receivable as at 31st December, 2011 related to a loan to a film producer for the production of a particular film. The amount was classified as current asset as it was expected to be recoverable within the next twelve months. The loan receivable bore fixed-rate interest of 20% per annum on the loan amount.

26. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2011 HK$'000	2010 HK$'000
Trade receivables	**123,270**	204,746
Less: Allowance for bad and doubtful debts for trade receivables	**(13,373)**	(3,026)
	109,897	201,720
Receivable for disposal of a subsidiary (note 39(b))	**–**	17,420
Amount receivable from a former subsidiary (Note)	**49,153**	45,538
Receivable for disposal of other financial asset (Note)	**8,145**	40,142
Other tax recoverable	**27,459**	22,305
Other receivables and deposits	**18,600**	15,627
Less: Allowance for bad and doubtful debts for other receivables and deposits	**(2,489)**	(2,405)
	100,868	138,627
Prepayment for purchase of inventories	**4,643**	24,468
Other prepayments	**17,021**	7,842
Amount due from a joint venture partner	**18,742**	29,456
Total trade and other receivables, deposits and prepayments	**251,171**	402,113
Analysed as		
Current	**239,424**	398,948
Non-current	**11,747**	3,165
	251,171	402,113

Note: At 31st December, 2011, the amount receivable from a former subsidiary and receivable for disposal of other financial asset were secured by the future revenue to be generated under a profit sharing right of a TV drama held by the purchaser of the former subsidiary and the other financial asset.

26. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS *(Continued)*

Trade receivables

Trade receivables consist of receivables from debtors arising from production and distribution of film rights segment and other business segments analysed as follows:

	2011 HK$'000	2010 HK$'000
Production and distribution of film rights	**41,574**	144,821
Other business segments	**68,323**	56,899
	109,897	201,720

For the production and distribution of film rights segment, according to certain sales contracts signed with customers who usually pay upfront deposits (around 30% – 50% of total contract value) after obtaining the master copies of films or TV drama, they are required to settle the remaining balance when the relevant films or TV drama are broadcasted, which is normally within two years. In the opinion of the directors, these trade receivables are not considered as past due. However, the directors will assess whether allowance on these receivables is necessary on a regular basis after considering (i) the reputation and historic trading history of these customers; (ii) the market situations that lead to delay of broadcasting; and (iii) subsequent settlement.

The following is an aged analysis of trade receivables net of allowance for doubtful debts for production and distribution of film rights segment presented based on the delivery date at the end of the reporting period:

	2011 HK$'000	2010 HK$'000
0 – 90 days	**614**	60,155
91 – 180 days	**–**	429
181 – 365 days	**–**	53,536
Over 365 days	**40,960**	30,701
	41,574	144,821

26. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS *(Continued)*

Trade receivables *(Continued)*

The following is an aged analysis of trade receivables net of allowance for doubtful debts for other business segments presented based on the invoice date at the end of the reporting period:

	2011	2010
	HK$'000	HK$'000
0 – 90 days	**45,731**	34,259
91 – 180 days	**13,414**	19,751
181 – 365 days	**5,007**	2,889
Over 365 days	**4,171**	–
	68,323	56,899

The Group has a policy of allowing its trade customers from all business segments other than production and distribution of film rights segment credit periods normally ranging from 120 days to 180 days. Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Credit limits granted to customers are reviewed regularly.

Included in the Group's trade receivables are debtors with aggregate carrying amount of HK$50,138,000 (2010: HK$87,126,000) which are past due as at the end of the reporting period for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. The average age of these receivables is 550 days (2010: 335 days).

Ageing of trade receivables which are past due but not impaired

	2011	2010
	HK$'000	HK$'000
181 – 356 days	**5,007**	56,425
Over 365 days	**45,131**	30,701
Total	**50,138**	87,126

26. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS *(Continued)*

Movement in the allowance for bad and doubtful debts

	2011	2010
	HK$'000	HK$'000
Balance at beginning of the year	**5,431**	5,155
Exchange difference	**436**	186
Impairment losses recognised on receivables	**9,995**	90
Balance at end of the year	**15,862**	5,431

Included in the allowance for bad and doubtful debts are individually impaired trade receivables with an aggregate balance of HK$15,862,000 (2010: HK$5,431,000) which have either been placed under liquidation or in severe financial difficulties. The Group does not hold any collateral over these balances.

27. BANK BALANCES AND CASH

Bank balances and cash comprise cash and bank balances held by the Group with maturity of three months or less and carry interest at prevailing deposit rates which range from 0.01% to 0.36% (2010: 0.01% to 0.36%) per annum.

28. TRADE AND OTHER PAYABLES AND DEPOSITS RECEIVED

Trade and other payables comprise amounts outstanding for trade purchases and ongoing costs. The following is an aged analysis of trade and other payables presented based on the invoice date at the end of the reporting period:

	2011 HK$'000	2010 HK$'000
0 – 90 days	**34,223**	41,064
91 – 180 days	**2,256**	3,164
181 – 365 days	**2,144**	3,060
Over 1 year	**2,814**	1,162
	41,437	48,450
Advance payments from customers	**25,151**	30,039
Other tax payable	**16,673**	17,792
Accrued staff cost	**16,745**	9,442
Payable for purchase of broadcasting right (Note 1)	**–**	16,000
Deposits received	**–**	10,172
Other payables and accrued charges (Note 2)	**54,791**	23,903
Amounts due to related companies (note 41)	**9,365**	3,372
	164,162	159,170

The average credit period on purchase of goods is normally ranging from 120 days to 210 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit time frame.

Notes:

(1) The payable has been offset with the cost of broadcasting right. For details, please refer to note 19.

(2) Included in other payables and accrued charges of HK$32,980,000 (2010: HK$317,000) are payables and accruals on legal and professional fees in relation to merger and acquisition projects. The remaining balances are payables and accruals for daily operation expenses.

29. BORROWINGS

Borrowing represent fixed-rate margin loan which are secured by investments held for trading as disclosed in note 24. The margin loan carries fixed interest at 12% (2010:12%) per annum and repayable on demand. The whole amount has been repaid subsequent to 31st December, 2011.

30. CONVERTIBLE NOTES ISSUABLE

The balance represented the estimated fair value of contingent consideration at the end of the reporting period arising from the acquisition of Main City. Details of which are set out in note 36(b).

Based on the relevant agreement, the Group is required to issue an additional amount of convertible note of the Company amounting to a principal amount of HK$30,000,000 (the "Additional CB") to the vendor if the Beida Culture's profit after taxation in the year 2010 exceeds HK$50,000,000 (the "Condition").

Due to the Condition has been fulfilled as at 31st December 2010, the obligation of the issuance of the Additional CB was established. The directors of the Company were of an opinion that the fair value of the convertible notes issuable as at 31st December 2010 approximates HK$30,000,000, which is also the fair value of the Additional CB as of the issuance date on 30th March, 2011.

The Additional CB will comprise of liability and equity component. The fair value of the liability component of the Additional CB was calculated as the present value of the coupon payments and the redemption amount. The discount rate used in the calculation was the cost of debt applicable to the Company. The fair value of the equity component is estimated using Binomial Model. The aggregated fair value of the liability and equity component of the Additional CB as at 30th March, 2011 approximates HK$30,000,000.

31. SHARE CAPITAL

	Number of shares	Share capital
		HK$'000
Ordinary shares of HK$0.25 each		
Authorised		
At 1st January, 2010, 31st December, 2010 and **31st December, 2011**	**10,000,000,000**	**2,500,000**
Issued and fully paid		
At 1st January, 2010	1,481,592,564	370,398
Issued in consideration for the acquisition of Year Wealth in the year 2009 (Note 1)	40,000,000	10,000
Issued by placing of new shares (Note 2)	296,000,000	74,000
Issued upon conversion of convertible note (note 32)	120,000,000	30,000
At 31st December, 2010	1,937,592,564	484,398
Issued in consideration for the acquisition of Year Wealth in the year 2009 (Note 1)	**20,000,000**	**5,000**
Issued by placing of new shares (Note 3)	**125,000,000**	**31,250**
As at 31st December, 2011	**2,082,592,564**	**520,648**

Notes:

(1) The Company issued 40,000,000 and 20,000,000 ordinary shares to the vendor on 11th February, 2010 and 30th March, 2011, respectively, pursuant to the payment term of the agreement in consideration for the acquisition of the entire issued share capital of Year Wealth in the year 2009. The issuance of 40,000,000 and 20,000,000 ordinary shares represents obligation to settle the contingent consideration.

(2) On 18th May, 2010, the Company placed 296,000,000 ordinary shares to independent investors at a price of HK$0.55 per share.

(3) On 24th June, 2011, the Company placed 125,000,000 ordinary shares to independent investor at a price of HK$0.40 per share.

All the shares issued during the years ended 31st December, 2011 and 2010 rank pari passu with the existing shares of the Company in all respects.

32. CONVERTIBLE NOTES

Pursuant to the equity transfer agreements mentioned in note 36(b) for the acquisition, the Company issued two zero coupon convertible notes which have an aggregate principal amount of HK$470,000,000 on 3rd June, 2010. The first convertible note ("CB1") amounting to HK$350,000,000 will be matured in 3 years after the date of issue. The second convertible note ("CB2") amounting to HK$120,000,000 will be matured in 5 years after the date of issue. On 6th August, 2010, CB2 was fully converted into shares of the Company.

In addition, based on the relevant agreements, the Group is required to issue the Additional CB amounting to a principal amount of HK$30,000,000 to the vendor if profit after taxation of Beida Culture in the year 2010 exceeds HK$50,000,000 (the "Condition") has been satisfied. Since the Condition was fulfilled as at 31st December, 2010, the obligation of the issuance of the Additional CB was established. The Additional CB, a zero coupon convertible note with principal amount of HK$30,000,000 was issued on 30th March, 2011 and will be matured in 5 years after the date of issue.

The convertible notes are denominated in HK$. The convertible notes entitle the note holders to convert them into shares of the Company at any time within 3 years (for CB1) or 5 years (for CB2 and Additional CB) from the date of issue of the convertible notes, at the conversion price per share of HK$1.2 for CB1 or HK$1 for CB2 and Additional CB respectively, subject to anti-dilutive clauses. In addition, the note holders shall exercise its conversion rights in relation to all outstanding amount of the convertible notes if (i) the market closing price of the shares on the Stock Exchange shall for 10 consecutive trading days be more than HK$1.5 per share; and (ii) the Company shall have given to the note holders within 7 business days written notice of compulsory conversion requiring the note holders to exercise its conversion rights in relation to all outstanding amount of the convertible notes regardless of the 15% issued share capital restriction set out in the convertible notes under any circumstance.

If the convertible notes have not been converted, they will be redeemed at par on 2nd June, 2013 (for CB1) or 29th March, 2016 (for Additional CB) respectively. The Company is allowed at any time since the date of issue to the maturity date, to redeem the convertible notes at its face value provided that any such redemption shall be made in amount of not less than a whole multiple of HK$1,000,000 as specified in the redemption notice of not less than 7 days (which notice will be irrevocable), if there shall occur before the maturity date any period of 20 consecutive trading days within which the shares shall be trading on the Stock Exchange at the volume of not less than 10,000,000 shares for each of the trading days within the conversion period with the market closing price of the shares being not less than HK$1.5.

32. CONVERTIBLE NOTES *(Continued)*

Upon issuance of the convertible notes, the HK$ principal amount of the convertible notes shall be equivalent to its RMB principal amount of the convertible notes translated at the exchange rate at the date of issuance of HK$1.00 = RMB0.91. Any payment in the event of redemption by the Company shall be made in HK$, equivalent to their RMB principal amount translated at the prevailing exchange rate at the date of redemption.

The number of shares to be issued on conversion of notes will be determined by dividing the RMB principal amount of the notes to be converted (translated into HK$ at the fixed exchange rate of HK$1.00 = RMB0.91) by the conversion price in effect at the conversion date.

The convertible notes contain two components, liability (together with embedded derivative for redemption right by the Company which is closely related to the host debt) and equity elements. On initial recognition, the fair value of the liability component of approximately HK$333,991,000 (for CB1 and CB2) and HK$17,812,000 (for Additional CB) is determined using the prevailing market interest rate of similar non-convertible debts and the fair value of the conversion option for the note holders to convert the notes into equity which is included in equity (convertible notes equity reserve) is determined using the Binomial Model.

The fair values of the embedded derivative for conversion right by the Company at the grant date are calculated using the Binomial Model. The inputs into the model were as follows:

	Additional CB	**CB1**	**CB2**
Conversion price	HK$1.00	HK$1.20	HK$1.00
Expected volatility (Note a)	79.76%	80.16%	79.76%
Expected life (Note b)	5 years	3 years	5 years
Risk free rate (Note c)	1.22% per annum	1.22% per annum	1.22% per annum

Notes:

(a) Expected volatility for embedded derivative was determined by reference to the historical volatility of the Company's share price based on weekly basis.

(b) Expected life was the expected remaining life of the embedded derivative.

(c) The risk free rate is determined by reference to the Hong Kong Exchange Fund Notes.

The fair value of the conversion right as at the grant date is determined by application of Binomial Model and time to maturity equal to the expected remaining life of the option.

32. CONVERTIBLE NOTES *(Continued)*

The effective interest rate of the liability component is 10.03% for CB1 and 10.99% for CB2 and Additional CB respectively at the date of initial recognition.

The movement of the liability component of the convertible notes for the year is set out below:

	Principal amount HK$'000	**Carrying amount** HK$'000
At 1st January, 2010	–	–
Exchange adjustments	–	(200)
Issuance of convertible notes	470,000	333,991
Interest charged (note 10)	–	19,877
Conversion of CB2 to ordinary shares	(120,000)	(73,306)
At 31st December, 2010	350,000	280,362
Exchange adjustments	**–**	**(324)**
Issuance of Additional CB	**30,000**	**17,812**
Interest charged (note 10)	**–**	**28,152**
At 31st December, 2011	**380,000**	**326,002**

Since the dates of issue up to the end of the reporting period, none of the CB1 and Additional CB has been converted. On 6th August, 2010, CB2 was fully converted into shares of the Company.

33. DEFERRED TAXATION

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2011 **HK$'000**	2010 HK$'000
Deferred tax assets	**(3,380)**	(1,818)
Deferred tax liabilities	**103,015**	102,309
	99,635	100,491

33. DEFERRED TAXATION *(Continued)*

At the end of the reporting period and during the year, deferred tax liabilities and assets have been recognised in respect of the temporary differences attributable to the following:

	Intangible assets	Allowance for doubtful debts	Others	Total
	HK$'000	HK$'000	HK$'000	HK$'000
At 1st January, 2010	2,000	–	1,667	3,667
Credit to consolidated income statement for the year	(3,650)	–	(833)	(4,483)
Acquisition of subsidiaries	101,307	–	–	101,307
At 31st December, 2010	99,657	–	834	100,491
Exchange difference	**4,313**	**(55)**	**(1)**	**4,257**
Credit to consolidated income statement for the year	**(955)**	**(2,499)**	**(1,659)**	**(5,113)**
At 31st December, 2011	**103,015**	**(2,554)**	**(826)**	**99,635**

Starting from 1st January, 2008, the tax law of the PRC requires payment of withholding tax upon the distribution of profits earned by the PRC subsidiaries to the foreign shareholders. Deferred tax has not been provided for in the consolidated financial statements in respect of the temporary differences attributable to such profits generated by subsidiaries amounting to approximately HK$70,866,000 (2010: HK$94,458,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

At 31st December, 2011, the Group had estimated unused tax losses of HK$191,024,000 (2010: HK$96,772,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams. Included in unrecognised estimated tax losses are losses of HK$49,421,000 (2010: nil) that will expire in 5 years from the year of origination. Other losses may be carried forward indefinitely.

34. SHARE-BASED PAYMENT TRANSACTIONS

The Company's share option scheme (the "Scheme") was adopted by the shareholders of the Company pursuant to a resolution passed on 23rd May, 2002 for the primary purpose of providing the executives and employees in the services of any member of the Group and other persons who have contributed or will contribute to the Group with the opportunity to acquire proprietary interests in the Company and to encourage participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole. The Scheme will expire on 22nd May, 2012.

The total number of shares in respect of which options may be granted under the Scheme and any other schemes is not permitted to exceed 10% of the shares of the Company in issue at the date of shareholders' approval of the Scheme (the "Scheme Mandate Limit") or, if such 10% limit is refreshed, at the date of shareholders' approval of the renewal of the Scheme Mandate Limit. The maximum aggregate number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes, must not exceed 30% of the total number of shares of the Company in issue from time to time. As at 31st December, 2011, a total of 193,759,256 (2010: 193,759,256) shares of the Company (representing 9.3% (2010: 10%) of the issued share capital of the Company) are available for issue under the Scheme.

The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company then in issue, without prior approval from the Company's shareholders. Each grant of options to any director, chief executive or substantial shareholder must be approved by independent non-executive directors. Where any grant of options to a substantial shareholder or an independent non-executive director or any of their respective associates would result in the shares of the Company issued and to be issued upon exercise of options already granted and to be granted in excess of 0.1% of the Company's issued share capital and with a value in excess of HK$5,000,000 in the 12-month period up to the date of grant must be approved in advance by the shareholders of the Company.

Options granted must be taken up within 21 days from date of grant, upon payment of HK$10 per each grant of options. An option may be exercised in accordance with the terms of the Scheme at any time during the effective period of the Scheme to be notified by the board of directors which shall not be later than 10 years from the date of grant. The exercise price is determined by the directors of the Company, and will not be less than the higher of the closing price of the Company's shares on the date of grant and the average closing price of the shares on the Stock Exchange for the five business days immediately preceding the date of grant, whichever is the higher, provided that the exercise price should not be lower than the nominal value of a share.

34. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

During the year ended 31st December 2010, 147,910,000 share options were granted to certain employees, senior management, directors and consultants on 18th March, 2010 and 4th May, 2010. Both share options granted will have 1/3, issued options vested after 1, 2 and 3 years, respectively of continuous employment/service of the grantee with the Group commencing from 23rd April, 2009 or other date of grantee's commencement of employment/service with the Group whichever is later. The validity period of the share options shall not be more than 10 years from the date of grant. During the year ended 31st December, 2011, no share options were granted. None of these were exercised nor forfeited as at 31st December, 2011 and 2010.

In the opinion of the directors, the consultancy services rendered by the consultants are similar to those rendered by the employees. Therefore, the fair value of the share options granted to the consultants was measured by the same accounting policies as that of the employees in accordance with HKFRS 2. During the year ended 31st December, 2011, share options expense of HK$2,814,000 (2010: HK$9,698,000) in respect of the share options granted to the consultants has been charged to the consolidated income statement.

The fair values of the options determined at the dates of grant of 18th March, 2010 and 4th May, 2010 using the Binomial Model were HK$33,456,217 and HK$11,585,211 respectively.

The closing price of the Company's shares immediately before 18th March, 2010 and 4th May, 2010, the dates of grant, were HK$0.46 and HK$0.52 respectively.

The following assumptions were used to calculate the fair values of share options:

	18th March, 2010	4th May, 2010
Grant date share price	HK$0.475	HK$0.56
Exercise price	HK$0.475	HK$0.56
Expected life	7.2 – 8.3 years	4.1 – 8.0 years
Expected volatility	80%	80%
Dividend yield	0%	0%
Risk-free interest rate	2.65%	2.93%

Since the main business of the Group has been changed, its historical share price volatility is not a relevant estimation. The Group adopted a volatility of 80% for both options granted as of 18th March, 2010 and as of 4th May, 2010, based on the average historical volatilities of companies in similar line of the new main business of the Group.

34. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

The Binomial Model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. Changes in variables and assumptions may result in changes in the fair value of the options.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in the consolidated income statement, with a corresponding adjustment to the share option reserve.

Details of the movements of the share options granted by the Company pursuant to the Scheme during the year are as follows:

			Number of share options	
Category	**Date of grant**	**Exercise price per share**	**At 1st January, 2010**	**Granted during the year ended 31st December, 2010 and outstanding as at 31st December, 2010 and 2011**
		HK$		
1. Directors	04.05.2010	0.560	–	29,160,000
2. Employees	18.03.2010	0.475	–	82,250,000
	04.05.2010	0.560	–	7,200,000
3. Consultants	18.03.2010	0.475	–	29,300,000
Total			–	147,910,000
Exercisable at 31st December, 2011				**98,607,000**
Weighted average exercise price at 31st December, 2011				**HK$0.496**
Exercisable at 31st December, 2010				49,303,000
Weighted average exercise price at 31st December, 2010				HK$0.496

34. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

Notes:

1. The share options are exercisable as follows:

	Exercise criteria	Amount of share options that can be exercised
(i)	On completion of the continuous employment/service of the grantee with the Group for 1 year commencing from 23rd April, 2009 or the date of the relevant grantee's commencement of employment/ service (whichever is the later)	Up to one-third of the share options granted
(ii)	On completion of the continuous employment/service of the grantee with the Group for 2 years commencing from 23rd April, 2009 or the date of the relevant grantee's commencement of employment/ service (whichever is the later)	Up to two-thirds of the share options granted
(iii)	On completion of the continuous employment/service of the grantee with the Group for 3 years commencing from 23rd April, 2009 or the date of the relevant grantee's commencement of employment/ service (whichever is the later)	Up to all of the share options granted

2. The period within which the share options must be exercised shall not be more than 10 years from the date of grant.

3. Employees are working under employment contracts that are regarded as "continuous contracts" for the purposes of the Employment Ordinance.

4. During the period from the date of grant to years ended 31st December, 2011 and 2010, no share options were exercised, cancelled or lapsed. The options outstanding as at 31st December, 2011 and 2010 have a weighted average remaining contractual life of 9 years (2010: 10 years).

5. The Group recognised the total expense of HK$13,118,000 for the year ended 31st December, 2011 (2010: HK$28,266,000) in relation to the share options granted by the Company.

35. RETIREMENT BENEFIT SCHEMES

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Group and each employee employed in Hong Kong are required to make a contribution of 5% on the employees' monthly relevant income with a maximum monthly contribution of HK$1,000 per person.

35. RETIREMENT BENEFIT SCHEMES *(Continued)*

The PRC employees of the Group are members of a state-managed retirement benefit scheme operated by the local government. The Group is required to contribute 20% – 22% (2010: 20% – 22%) of their payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

During the year, the Group made total contributions to the retirement benefits schemes of HK$11,000,000 (2010: HK$9,125,000). Included in the total contribution made, HK$128,000 (2010: HK$98,000) is contribution made for Hong Kong employees.

36. ACQUISITION OF SUBSIDIARIES

(a) On 1st February, 2010, the Group acquired 100% voting power in Youline Technology Company Limited ("Youline Technology") for a consideration of HK$26,162,000. Youline Technology is principally engaged in the provision of personalised information and entertainment services to mobile handset users via the internet and other modern telecom technologies in the form of value-added services business and was acquired with the objective of developing the Group into a modern and innovation media enterprise.

Consideration transferred

	HK$'000
Cash	26,162

Acquisition-related costs amounting to HK$97,000 have been excluded from the cost of acquisition and have been recognised as an expense in the year ended 31st December, 2010, within the "other expenses" line item in the consolidated income statement.

36. ACQUISITION OF SUBSIDIARIES *(Continued)*

(a) *(Continued)*

Assets and liabilities recognised by the Group at the date of acquisition:

	HK$'000
Current assets	
Other receivables	2
Bank balances and cash	84
Non-current assets	
Intangible assets – licenses	10,195
Equipment	62
Non-current liability	
Deferred tax liabilities	(2,549)
	7,794

The intangible assets represent the licenses granted by China Mobile Limited which enables Youline Technology to act as a service provider in the form of mobile value-added services. The fair value of the intangible asset is determined by discounted cash flow method. The cash flows from intangible assets have been used to estimate the benefit stream attributable to the licenses.

Goodwill arising on acquisition

	HK$'000
Consideration transferred	26,162
Less: Fair value of identifiable net assets acquired	(7,794)
Goodwill arise on acquisition	18,368

The goodwill arising on the acquisition of Youline Technology is attributed to the anticipated profitability of the mobile value-added services of this company.

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

36. ACQUISITION OF SUBSIDIARIES *(Continued)*

(a) *(Continued)*

Net cash outflow arising on acquisition

	HK$'000
Cash consideration	26,162
Bank balances and cash acquired	(84)
	26,078

Impact of acquisition on the results of the Group

Included in the profit for the year ended 31st December, 2010 was HK$2,002,000 attributable to the additional business generated by Youline Technology. Revenue for the year ended 31st December, 2010 included HK$10,416,000.

(b) On 1st May, 2010, the Group acquired the entire issued share capital of Prefect Strategy and Main City which have indirect control and an effective interest of 100% in Beida Culture which in turn, holds 50% equity interest in JingHua Culture, a jointly controlled entity for an aggregate consideration of HK$619,000,000 which was partly settled by cash of HK$119,000,000 and partly by the issuance of convertible notes in the principal amount of HK$500,000,000 by the Company, including the convertible notes of the Company with principal amount of HK$30,000,000 to be issued to the vendor if the Condition can be met pursuant to the agreement. Prefect Strategy and Main City were acquired so as to allow the Group to penetrate into the newspaper and advertising market.

Consideration transferred

	HK$'000
Cash consideration	119,000
Convertible notes (note 32)	403,467
Contingent consideration arrangement (Note)	25,418
	547,885

Note: Based on the relevant agreement, the Group was required to issue an additional amount of convertible note of the Company with a principal amount of HK$30,000,000 to the vendor if Beida Culture's profit after taxation in the year 2010 exceeded HK$50,000,000. HK$25,418,000 represented the estimated fair value of this obligation with reference to the fair value of convertible note issued for these acquisitions.

36. ACQUISITION OF SUBSIDIARIES *(Continued)*

(b) *(Continued)*

Acquisition-related costs amounting to HK$4,806,000 had been excluded from the cost of acquisition and had been recognised as an expense in the year ended 31st December, 2010, within the "other expenses" line item in the consolidated income statement.

Assets and liabilities recognised by the Group at the date of acquisition:

	HK$'000
Current assets	
Inventories	1,209
Trade and other receivables and deposits	44,603
Amount due from shareholder	22,832
Prepayments	17,408
Bank balances and cash	56,260
Non-current assets	
Intangible asset – advertising and distribution rights	395,033
Plant and equipment	4,424
Current liabilities	
Trade and other payables, bills payable and deposit received	(40,110)
Tax liabilities	(3,216)
Non-current liability	
Deferred tax liabilities	(98,758)
	399,685

The fair value of trade and other receivables and amount due from shareholder at the date of acquisition amounted to HK$44,318,000 and HK$22,832,000 respectively. The gross contractual amounts of those trade and other receivables and amount due from shareholder acquired amounted to HK$44,318,000 and HK$22,832,000 at the date of acquisition. The best estimate at acquisition date of the contractual cash flows not expected to be collected amounted to nil.

36. ACQUISITION OF SUBSIDIARIES *(Continued)*

(b) *(Continued)*

The intangible asset represents the advertising and distribution rights of Beijing Times held by JingHua Culture. The fair value of the intangible asset is determined by the discounted cash flow method, based on cash flows projections covering 5 years and extrapolated for a further 5-year period using 7% growth rate and terminal value covering the following years indefinitely. A discount rate of 13.26% had been used to estimate the fair value of the intangible asset at date of acquisition. The cash flows from intangible asset has been used to estimate the benefit stream attributable to the advertising and distribution rights.

Goodwill arising on acquisition

	HK$'000
Consideration transferred	547,885
Less: Fair value of identifiable net assets acquired	(399,685)
Goodwill arising on acquisition	148,200

Beijing Times covers more than 75% share of the morning post retail market in Beijing as at the date of acquisition. The goodwill arising on the acquisition of Prefect Strategy and Main City is attributed to the anticipated profitability of the advertising agency business and newspaper distribution business for Beijing Times of JingHua Culture. The principal investment of Beida Culture is a jointly controlled entity, JingHua Culture. The Group recognises its interests in this jointly controlled entity using proportionate consolidation.

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

Net cash outflow arising on acquisition

	HK$'000
Cash consideration paid	119,000
Bank balances and cash acquired	(56,260)
	62,740

36. ACQUISITION OF SUBSIDIARIES *(Continued)*

(b) *(Continued)*

Impact of acquisition on the results of the Group

Included in the profit for the year ended 31st December, 2010 was HK$32,839,000 attributable to Prefect Strategy and Main City. Revenue for the year ended 31st December, 2010 included HK$176,387,000 in respect of Prefect Strategy and Main City.

If the acquisitions of subsidiaries in notes (a) and (b) had been completed on 1st January, 2010, the Group's revenue for the year ended 31st December, 2010 would have been approximately HK$476,306,000 and profit for the year would have been approximately HK$32,092,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and profit of the Group that actually would have been achieved had the acquisition been completed on 1st January, 2010, nor is it intended to be a projection of future results.

37. ACQUISITION OF ADDITIONAL INTEREST OF A SUBSIDIARY

During the year ended 31st December, 2010, a wholly-owned subsidiary of the Group entered into a share transfer agreement with the non-controlling interest of Xian Jinding in relation to the acquisition of 5% equity interest in Xian Jinding at a total consideration of RMB8,000,000 (approximately HK$9,445,000) (the "Consideration"). The Consideration was satisfied by way of cash. The difference between the Consideration and the carrying value of the additional interest acquired by the Group of HK$5,288,000 was recognised in equity as capital reserve.

38. ACQUISITION OF AN ASSET THROUGH PURCHASE OF A SUBSIDIARY

On 14th August, 2010 the Group acquired a broadcasting right from an independent third party through purchase of the entire equity interests of Golden Pace Limited ("Golden Pace") at a total consideration of HK$60,000,000. The subsidiary has not commenced business at the date of acquisition.

Consideration transferred

	HK$'000
Cash consideration	44,000
Deferred cash consideration	16,000
	60,000

38. ACQUISITION OF AN ASSET THROUGH PURCHASE OF A SUBSIDIARYS *(Continued)*

Consideration transferred *(Continued)*

The deferred cash consideration was waived by entering into a supplementary agreement with the vendor during the year ended 31st December, 2011. Details are set out in note 19.

The principal asset of Golden Pace is the broadcasting right. The acquisition is accounted for as acquisition of an asset.

	HK$'000
Non-current asset	
Intangible asset – broadcasting right (note 19)	60,000
Cash outflow arising on acquisition	
Cash consideration	44,000

39. DISPOSAL OF SUBSIDIARIES

(a) On 20th August, 2010, the Company entered into a share transfer agreement (the "Share Transfer Agreement") with an independent third party. Pursuant to the Share Transfer Agreement, the independent third party agreed to purchase and the Company agreed to sell, the entire issued share capital of Power Progress Limited ("Power Progress"), an investment holding company, for a cash consideration of HK$2,000,000. The disposal was completed on 30th August, 2010, on which date control of Power Progress passed to the acquirer.

Consideration transferred

	HK$'000
Cash consideration	2,000

Analysis of assets and liabilities over which control was lost

	HK$'000
Bank balances and cash	928
Other payables and deposits received	(32)
	896

39. DISPOSAL OF SUBSIDIARIES *(Continued)*

(a) *(Continued)*

Gain on disposal of a subsidiary

	HK$'000
Consideration received	2,000
Net assets disposed of	(896)
Gain on disposal	1,104

Net cash inflow arising on disposal

	HK$'000
Cash consideration receivable	2,000
Bank balances and cash disposal of	(928)
	1,072

The directors of the Company considers that disposal of subsidiary is in the best interest of the Company as a whole.

During the period between date of acquisition and year ended 31st December, 2010, Power Progress contributed HK$925,000 to the Group's net operating cash flows and paid HK$4,000 in respect of financing activities.

(b) On 3rd December, 2010, the Company entered into a share transfer agreement (the "Share Transfer Agreement") with an independent third party. Pursuant to the Share Transfer Agreement, the independent third party agreed to purchase and the Company agreed to sell, 75% issued share capital of 北京中盛千里傳媒文化有限公司 in English, Beijing Zhong Sheng Qian Li Media Culture Company Limited ("Zhong Sheng Qian Li") for a cash consideration of RMB5,500,000 equivalent to approximately HK$6,494,000 and a deferred cash consideration of RMB14,755,000 equivalent to approximately HK$17,420,000 paid on or before 28th February, 2011. The disposal was completed before 31st December, 2010, on which date control of Zhong Sheng Qian Li was passed to the acquirer.

39. DISPOSAL OF SUBSIDIARIES *(Continued)*

(b) *(Continued)*

Consideration transferred

	HK$'000
Cash consideration	6,493
Deferred consideration	17,420
	23,913

At 31st December, 2010, the deferred consideration of RMB14,755,000, equivalent to approximately HK$17,420,000 together with the net amount due to the Group companies of HK$45,538,000 was payable within one year after the end of the reporting period. The amount of HK$17,420,000 had been settled during the year ended 31st December, 2011.

Analysis of assets and liabilities over which control was lost

	HK$'000
Equipment	273
Film rights – film in progress	33,124
Other receivables and deposits	8,642
Prepayments	221
Amounts due from group companies	3,260
Bank balances and cash	303
Other payables	(327)
Amounts due to group companies	(48,798)
Net liabilities disposed of	(3,302)

39. DISPOSAL OF SUBSIDIARIES *(Continued)*

(b) *(Continued)*

Gain on disposal of a subsidiary

	HK$'000
Consideration received and receivable	23,913
Net liabilities disposed of	3,302
Non-controlling interest	(826)
Cumulative exchange differences in respect of the net assets of the subsidiary reclassified from equity to the consolidated income statement on loss of control of the subsidiary	(115)
Attributable goodwill	(972)
Gain on disposal	25,302

Net cash inflow arising on disposal

	HK$'000
Cash consideration	6,493
Bank balances and cash disposed of	(303)
	6,190

The directors of the Company considers that the disposal of subsidiary is in the best interest of the Company as a whole.

During the year ended 31st December, 2010, Zhong Sheng Qian Li paid HK$528,000 of the Group's net operating cash flows and paid HK$112,000 in respect of investing activities.

40. OPERATING LEASE COMMITMENTS

	2011 HK$'000	2010 HK$'000
Minimum lease payments under operating leases recognised as an expense in the year	**14,240**	12,369

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases for premises which fall due as follows:

	2011 HK$'000	2010 HK$'000
Not later than one year	**11,496**	13,846
Later than one year and not later than five years	**78,532**	15,545
Later than five years	**103,440**	649
	193,468	30,040

Operating leases and rentals are negotiated for an original average term of two to ten years.

41. RELATED PARTY TRANSACTIONS

The Group has entered into the following related party transactions:

	2011 HK$'000	2010 HK$'000
Key management compensation		
Short-term employee benefits	**6,562**	5,540
Post-employment benefits	**116**	99
Share-based payment	**2,661**	5,909
	9,339	11,548

At 31st December, 2011 and 2010, the Group had the following significant balances with related parties.

41. RELATED PARTY TRANSACTIONS *(Continued)*

	2011	2010
	HK$'000	HK$'000
Amounts due to related companies (Note)	**9,365**	3,372

Note: At 31st December, 2011 and 2010, the related companies are controlled indirectly by members of the key management personnel of the Group.

42. AMOUNTS DUE FROM/TO NON-CONTROLLING INTERESTS AND AMOUNT DUE TO A JOINT VENTURE PARTNER

The balances are unsecured, non-interest bearing and repayable on demand.

43. MAJOR NON-CASH TRANSACTIONS

During the year ended 31st December, 2011, other payable of HK$16,000,000 was deducted from the intangible assets in connection with the supplementary agreement with the vendor of acquisition of a broadcasting right with details as disclosed in note 19. In addition, deposits received of HK$11,706,000 for disposal of art work was utilised upon delivery of the art work in the year 2011.

44. EVENTS AFTER THE REPORTING PERIOD

(a) Acquisition of the entire issued share capital of China Entertainment Media Group Limited

On 21st October, 2011, the Company and Sequoia Capital 2010 CGF Holdco, Ltd., Brilliant Mark Limited and World Charm Holdings Limited (collectively referred to as the "Target Shareholders") and certain target management of China Entertainment Media Group Limited ("CEMG") entered into a sale and purchase agreement, pursuant to which the Company conditionally agreed to acquire the entire issued share capital of CEMG for a total consideration of approximately HK$2,016,300,000 (the "Acquisition"). The consideration for the Acquisition will be satisfied by the issue of 5,040,750,000 new ordinary shares of the Company to be allotted and issued to the Target Shareholders at a price of HK$0.40.

The Acquisition has been completed on 31st January, 2012. Financial information about the acquisition is not presented because the Group is still in the process of obtaining the information to determine the fair value.

44. EVENTS AFTER THE REPORTING PERIOD *(Continued)*

(b) Disposal of subsidiaries

On 29th March, 2012, a wholly-owned subsidiary of the Group has entered into a conditional sale and purchase agreement with an independent third party pursuant to which the Group will dispose 100% equity interests in two subsidiaries which mainly hold 30% equity interest in Super Sports and the broadcasting right in connection with the mobile audio-visual broadcasting for a total consideration of US$20,000,000 which is equivalent to approximately HK$155,360,000 (the "Disposal"). The Disposal has not yet been completed as at the date of the consolidated financial statements for the year ended 31st December, 2011 were authorised for issuance.

45. FINANCIAL INFORMATION OF THE COMPANY

Financial information of the Company at the end of the reporting period includes:

	Notes	**2011 HK$'000**	2010 HK$'000
Non-current assets			
Unlisted investments		**134,723**	150,596
Amounts due from subsidiaries	a	**807,463**	776,100
		942,186	926,696
Current assets			
Investments held for trading		**13,317**	49,959
Amounts due from subsidiaries	b	**138,347**	–
Prepayments		**520**	432
Bank balances and cash		**5,089**	14,816
		157,273	65,207
Current liabilities			
Other payables		**31,278**	11,697
Amounts due to subsidiaries	b	**108,214**	97,871
Amounts due to related companies	b	**45,841**	–
		185,333	109,568
Net current liabilities		**(28,060)**	(44,361)
Total assets less current liabilities		**914,126**	882,335
Capital and reserves			
Share capital		**520,648**	484,398
Reserves	c	**67,476**	87,575
		588,124	571,973
Non-current liabilities			
Convertible notes		**326,002**	280,362
Convertible notes issuable		**–**	30,000
		326,002	310,362
		914,126	882,335

Particulars of the principal subsidiaries of the Company at 31st December, 2011 and 2010 are set out in note 46.

45. FINANCIAL INFORMATION OF THE COMPANY *(Continued)*

Notes:

(a) Amounts due from subsidiaries

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the directors of the Company, the amounts will not be repaid in the next twelve months from the end of the reporting period and the amounts are therefore shown as non-current assets. The effective interest rate of the amounts is 5% (2010: 5%) per annum.

(b) Amounts due from/to subsidiaries and related parties

The amounts due from/to subsidiaries and related companies are unsecured, interest-free and repayable on demand. The related companies are controlled indirectly by members of the key management personnel of the Group.

(c) Reserves of the Company

	Share option reserve HK$'000	Convertible notes equity reserve HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000	Translation reserve HK$'000	Share issuable reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1st January, 2010	–	–	61,334	918	65,409	17,951	22,500	(218,388)	(50,276)
Exchange difference arising on translation to presentation currency	–	–	–	–	–	20,948	–	–	20,948
Loss for the year	–	–	–	–	–	–	–	(98,024)	(98,024)
Issue of shares for acquisition of subsidiaries	–	–	5,000	–	–	–	(15,000)	–	(10,000)
Shares issued	–	–	88,800	–	–	–	–	–	88,800
Transaction costs attributable to issue of shares	–	–	(4,921)	–	–	–	–	–	(4,921)
Recognition of equity component of convertible notes	–	69,476	–	–	–	–	–	–	69,476
Issue of shares upon conversion of convertible notes	–	(30,459)	73,765	–	–	–	–	–	43,306
Recognition of equity-settled share-based payment	28,266	–	–	–	–	–	–	–	28,266
At 31st December, 2010	28,266	39,017	223,978	918	65,409	38,899	7,500	(316,412)	87,575
Exchange difference arising on translation to presentation currency	**–**	**–**	**–**	**–**	**–**	**26,160**	**–**	**–**	**26,160**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(85,310)**	**(85,310)**
Issue of shares for acquisition of subsidiaries	**–**	**–**	**2,500**	**–**	**–**	**–**	**(7,500)**	**–**	**(5,000)**
Shares issued	**–**	**–**	**18,750**	**–**	**–**	**–**	**–**	**–**	**18,750**
Transaction costs attributable to issue of shares	**–**	**–**	**(5)**	**–**	**–**	**–**	**–**	**–**	**(5)**
Recognition of equity component of convertible notes	**–**	**12,188**	**–**	**–**	**–**	**–**	**–**	**–**	**12,188**
Recognition of equity-settled share-based payment	**13,118**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**13,118**
At 31st December, 2011	**41,384**	**51,205**	**245,223**	**918**	**65,409**	**65,059**	**–**	**(401,722)**	**67,476**

45. FINANCIAL INFORMATION OF THE COMPANY *(Continued)*

Notes: *(Continued)*

(c) Reserves of the Company *(Continued)*

The contributed surplus of the Company represents the aggregate of:

(i) the difference between the consolidated shareholders' funds of a group of subsidiaries at the date on which the corporate reorganisation became effective and the nominal amount of the Company's shares issued under the reorganisation; and

(ii) a net balance arising from reduction of issued share capital and share premium after setting off accumulated losses of the Company during 2002 and after deducting the accumulated dividend paid from contributed surplus to shareholders.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus of the Company is available for distribution. However, the Company cannot declare or pay a dividend or make a distribution out of contributed surplus if:

(i) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

The Company had no distributable reserves at 31st December, 2011.

46. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries are as follows:

Name of subsidiary	Country/ place of incorporation/ registration	Place/country of operations	Issued and fully paid share capital/ registered capital	Proportion of issued share capital/ registered capital held by the Company 2011 Directly %	2011 Indirectly %	2010 Directly %	2010 Indirectly %	Principal activities
China Allied Culture Media Group Limited	British Virgin Islands	Hong Kong	Ordinary US$1	**100**	**–**	100	–	Investment holding
Fame Tower Limited	British Virgin Islands	Hong Kong	Ordinary US$1	**100**	**–**	100	–	Investment holding
Gain Favour Limited	British Virgin Islands	Hong Kong	Ordinary US$1	**100**	**–**	100	–	Investment holding
Golden Pace	British Virgin Islands	Hong Kong	Ordinary US$1	**–**	**100**	–	100	Investment holding
Rich Data Limited	British Virgin Islands	Hong Kong	Ordinary US$1	**100**	**–**	100	–	Provision of management services to group companies
Prefect Strategy	British Virgin Islands	Hong Kong	Ordinary US$1	**–**	**100**	–	–	Investment holding
Main City	British Virgin Islands	Hong Kong	Ordinary US$1	**–**	**100**	–	–	Investment holding
SAC Enterprises Limited	Hong Kong	Hong Kong	Ordinary HK$1,000	**100**	**–**	100	–	Provision of management services to group companies
SAC Finance Company Limited	Hong Kong	Hong Kong	Ordinary HK$100	**–**	**100**	–	100	Provision of financing services to group companies
SAC Nominees Limited	Hong Kong	Hong Kong	Ordinary HK$100	**100**	**–**	100	–	Provision of nominee services
SAC Secretarials Limited	Hong Kong	Hong Kong	Ordinary HK$100	**100**	**–**	100	–	Provision of secretarial services

46. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Country/ place of incorporation/ registration	Place/country of operations	Issued and fully paid share capital/ registered capital	Proportion of issued share capital/ registered capital held by the Company 2011 Directly %	2011 Indirectly %	2010 Directly %	2010 Indirectly %	Principal activities
天津唐圖科技有限公司 Tianjin Tang Tu Technology Company Limited* ("Tianjin Tang Tu") (Note a)	PRC (Note b)	PRC (Note b)	Registered capital RMB10,000,000	–	–	–	–	Development and distribution of mobile games
Xian Jinding (Note c)	PRC (Note b)	PRC (Note b)	Registered capital RMB3,000,000	–	–	–	–	Production and distribution of film rights over films and television programmes
Year Wealth	British Virgin Islands	Hong Kong	Ordinary US$50,000	–	100	–	100	Investment holding
Youline Technology (Note a)	PRC (Note b)	PRC (Note b)	Registered capital RMB10,000,000	–	–	–	–	Provision of mobile value-added services
Shanghai Strategic (Note d)	PRC (Note b)	PRC (Note b)	Registered capital RMB1,000,000	–	–	–	–	Investment holding
Beida Culture (Note d)	PRC (Note b)	PRC (Note b)	Registered capital RMB100,000,000	–	–	–	–	Provision of other agency services
北京世通寰亞廣告有限公司 Beijing Shi Tong Huan Ya Advertising Company Limited* ("Beijing Shi Tong") (Note c)	PRC (Note b)	PRC (Note b)	Registered capital RMB200,000	–	–	–	–	Investment holding
北京中聯同達文化有限公司 Beijing Zhong Lian Tong Da Culture Company Limited* ("Zhong Lian Tong Da") (Note a)	PRC (Note b)	PRC (Note b)	Registered capital RMB1,000,000	–	–	–	–	Provision of TV programmes packaging services
北京中聯億盟商貿有限公司 Beijing Zhong Lian Yi Meng Trading Company Limited*	PRC (Note b)	PRC (Note b)	Registered capital RMB1,000,000	–	100	–	100	Sales of cement
沂大商業管理諮詢(上海)有限公司 Yi Da Commercial Management Consultancy (Shanghai) Company Limited*	PRC (Note e)	PRC (Note e)	Registered capital US$100,000	–	100	–	100	Investment holding
中聯京華傳媒文化(北京)有限公司 Zhong Lian Jinghua Media Culture (Beijing) Company Limited*	PRC (Note e)	PRC (Note e)	Registered capital US$100,000	–	100	–	–	Investment holding

46. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Country/ place of incorporation/ registration	Place/country of operations	Issued and fully paid share capital/ registered capital	Proportion of issued share capital/ registered capital held by the Company				Principal activities
				2011		2010		
				Directly %	Indirectly %	Directly %	Indirectly %	
Zhong Lian Jinghua (Note a)	PRC (Note b)	PRC (Note b)	Registered capital RMB10,000,000	–	–	–	–	Investment holding
中聯盛世文化（北京）有限公司 Zhong Lian Sheng Shi Culture (Beijing) Company Limited*	PRC (Note e)	PRC (Note e)	Registered capital RMB56,132,260	–	100	–	100	Investment holding
北京人和人文化有限公司 Beijing Ren He Ren Culture Company Limited* ("Bejjing Ren He Ren") (Note a)	PRC (Note b)	PRC (Note b)	Registered capital RMB100,000	–	–	–	–	Provision of advertising agency and magazine distribution
人和人（天津）廣告有限公司 Ren He Ren (Tianjin) Advertising Company Limited* ("Ren He Ren Tianjin") (Note a)	PRC (Note b)	PRC (Note b)	Registered capital RMB1,500,000	–	–	–	–	Provision of advertising agency and magazine distribution

* The English name is for identification purpose only. The official names of those companies are in Chinese.

Notes:

(a) The Company does not have any equity interest in the registered capital of Zhong Lian Jinghua as it is owned by an employee of the Group. Pursuant to certain agreements among Zhong Lian Jinghua, the owner of Zhong Lian Jinghua and the Group, the owner of Zhong Lian Jinghua agreed to assign the power to appoint and remove all the members of the board of directors of and to govern the financial and operating policies of Zhong Lian Jinghua to the Group and to transfer all beneficial interests of Zhong Lian Jinghua to the Group. Accordingly, Zhong Lian Jinghua is treated as a wholly-owned subsidiary of the Company and its results, assets and liabilities are consolidated with those of the Group. The registered capital of Zhong Lian Jinghua was contributed by the Group. Zhong Lian Jinghua holds 51% of the issued registered capital of Tianjin Tang Tu, 100% equity interest of Youline Technology, 51% equity interest of Zhong Lian Tong Da, 100% equity interest of Bejjing Ren He Ren and 100% equity interest of Ren He Ren Tianjin and controls 51%, 100%, 51%, 100% and 100% of the voting power in Tianjin Tang Tu, Youline Technology, Zhong Lian Tong Da, Bejjing Ren He Ren and Ren He Ren Tianjin respectively. Tianjin Tang Tu, Youline Technology, Zhong Lian Tong Da, Bejjing Ren He Ren and Ren He Ren Tianjin are limited liability companies registered in the PRC.

(b) These subsidiaries are domestic-invested enterprises.

46. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Notes: *(Continued)*

(c) The Company does not have any equity interest in the registered capital of Beijing Shi Tong as it is owned by an employee of the Group. Pursuant to certain agreements among Beijing Shi Tong, the owner of Beijing Shi Tong and the Group, the owner of Beijing Shi Tong agreed to assign the power to appoint and remove all the members of the board of directors of and to govern the financial and operating policies of Beijing Shi Tong to the Group and to transfer all beneficial interests of Beijing Shi Tong to the Group. Accordingly, Beijing Shi Tong is treated as a wholly-owned subsidiary of the Company and its results, assets and liabilities are consolidated with those of the Group. The registered capital of Beijing Shi Tong was contributed by the Group. Beijing Shi Tong holds 56% of the issued share capital of Xian Jinding and controls 56% of the voting power in Xian Jinding. Xian Jinding is a limited liability company registered in the PRC.

(d) The Company does not have any equity interest in the registered capital of Shanghai Strategic as it is owned by an employee of the Group. Pursuant to certain agreements among Shanghai Strategic, the owner of Shanghai Strategic and the Group, the owner of Shanghai Strategic agreed to assign the power to appoint and remove all the members of the board of directors of and to govern the financial and operating policies of Shanghai Strategic to the Group and to transfer all beneficial interests of Shanghai Strategic to the Group. Accordingly, Shanghai Strategic is treated as a wholly-owned subsidiary of the Company and its results, assets and liabilities are consolidated with those of the Group. Shanghai Strategic holds 100% of the issued share capital of Beida Culture and controls 100% of the voting power in Beida Culture. Beida Culture is a limited liability company registered in the PRC.

(e) These subsidiaries are wholly-owned foreign enterprise.

The above list includes the subsidiaries of the Company which, in the opinion of the directors, principally affect the results of the Group for the year or form a substantial portion of the assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had any debt securities outstanding at the end of the year or any time during the year.

FINANCIAL SUMMARY

For the year ended 31st December, 2011

RESULTS

	2007 HK$'000	2008 HK$'000	2009 HK$'000	2010 HK$'000	**2011 HK$'000**
Turnover	434,300	552,847	388,935	405,986	**285,265**
(Loss) profit before taxation	(16,595)	12,346	(218,657)	48,361	**(216,266)**
Taxation credit (charge)	1,400	(1,857)	(400)	(24,633)	**(9,467)**
(Loss) profit for the year	(15,195)	10,489	(219,057)	23,728	**(225,733)**
(Loss) profit attributable to:					
Owners of the Company	(21,658)	2,487	(225,296)	13,662	**(212,673)**
Non-controlling interests	6,463	8,002	6,239	10,066	**(13,060)**
	(15,195)	10,489	(219,057)	23,728	**(225,733)**

ASSETS AND LIABILITIES

	2007 HK$'000	2008 HK$'000	2009 HK$'000	2010 HK$'000	**2011 HK$'000**
Total assets	1,133,021	1,178,748	466,888	1,404,589	**1,301,523**
Total liabilities	(651,259)	(672,792)	(61,562)	(639,038)	**(648,839)**
Total equity	481,762	505,956	405,326	765,551	**652,684**
Non-controlling interests	(186,677)	(192,882)	(45,737)	(38,182)	**(27,540)**
Equity attributable to owners of the Company	295,085	313,074	359,589	727,369	**625,144**