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

(incorporated in the Cayman Islands with limited liability)

Stock Code : 8087

Annual Report 2014

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

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

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

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report. This report for which the directors (the "Directors") of China 33 Media Group Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Ruan Deqing *(Chairman)*
Mr. Lin Pintong
Mr. Han Wenqian *(Chief Executive Officer)*
(resigned as Executive Director on 6 February 2015)
Ms. Yang Kan (appointed on 6 February 2015)
Mr. Peng Lichun (appointed on 5 March 2015)

Non-Executive Directors

Mr. Wang Fuqing
Mr. Wang Jianqing (resigned on 5 March 2015)

Independent Non-Executive Directors

Mr. Gao Xingbo (resigned on 15 May 2014)
Mr. Chen Shaofeng (resigned on 5 March 2015)
Ms. Tay Sheve Li
Mr. Su Naimin (appointed on 15 May 2014; resigned on 31 October 2014)
Mr. Teng Tai (appointed on 3 June 2014)
Ms. Yu Shun Yan Verda (appointed on 5 March 2015)

LEGAL ADVISERS

As to Hong Kong law:

Chiu & Partners
40th Floor, Jardine House
1 Connaught Place
Hong Kong

As to PRC law:

Beijing Zhongtong Law Firm
18th Floor, Tower A, Hanzun Building
No. 29 Third Ring Road North
Xicheng District
Beijing
China

AUDITORS

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

AUTHORISED REPRESENTATIVES

Mr. Ruan Deqing
Mr. Siu Shing Tak

COMPANY SECRETARY

Mr. Siu Shing Tak, *HKICPA, AICPA*

COMPLIANCE OFFICER

Mr. Ruan Deqing

AUDIT COMMITTEE MEMBERS

Ms. Tay Sheve Li
Mr. Gao Xingbo (resigned as member on 15 May 2014)
Mr. Chen Shaofeng (resigned as member on 5 March 2015)
Mr. Su Naimin (appointed as member on 15 May 2014; resigned as member on 31 October 2014)
Mr. Teng Tai (appointed as member on 31 October 2014)
Ms. Yu Shun Yan Verda (appointed as member on 5 March 2015)

REMUNERATION COMMITTEE MEMBERS

Mr. Gao Xingbo (resigned as Chairman on 15 May 2014)
Mr. Su Naimin (appointed as Chairman on 15 May 2014; resigned as Chairman on 31 October 2014)
Mr. Teng Tai (Chairman with effect from 31 October 2014)
Mr. Ruan Deqing
Mr. Chen Shaofeng (resigned as member on 5 March 2015)
Ms. Yu Shun Yan Verda (appointed as member on 5 March 2015)

CORPORATE INFORMATION

NOMINATION COMMITTEE MEMBERS

Mr. Chen Shaofeng *(Chairman)* (resigned as Chairman on 5 March 2015)
Ms. Yu Shun Yan Verda (appointed as Chairman on 5 March 2015)
Mr. Lin Pintong
Mr. Gao Xingbo (resigned as member on 15 May 2014)
Mr. Su Naimin (appointed as member on 15 May 2014; resigned as member on 31 October 2014)
Mr. Teng Tai (appointed as member on 31 October 2014)

REGISTERED OFFICE

Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HEAD OFFICE IN THE PRC

12th Floor, Block B
Yonggui Centre
41 Guangqumennei Main Street
Dongcheng District
Beijing
China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG REGISTERED UNDER PART XI OF THE COMPANIES ORDINANCE

Room 905–06
Tower 2
China Hong Kong City
33 Canton Road
Tsimshatsui
Kowloon
Hong Kong
(with effect from 18 April 2015,
Suite No. 1 20/F
Tower 1
China Hong Kong City
33 Canton Road
Tsimshatsui
Hong Kong)

PRINCIPAL BANKERS

Industrial Bank Co., Ltd.
Standard Chartered Bank (Hong Kong) Limited
Industrial and Commercial Bank of China (Asia) Limited

HONG KONG BRANCH SHARE REGISTRAR

Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

WEBSITE ADDRESS

http://www.china33media.com

STOCK CODE

8087

We are
a channel media operator,
focusing on
high-speed railway in China

Mr. Ruan Deqing
Chairman

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of China 33 Media Group Limited (the "Company"), I hereby present the audited annual results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2014 (the "Year").

INDUSTRY REVIEW

In 2014, China economy recorded an overall steady growth with the GDP growth maintained at 7.4% driven by spurring domestic consumption put forth by the government. According to the market report prepared by Nielson, the development of Chinese advertising market has been slackened during the year 2014. Insignificant increases have been witnessed during January to August, followed by a decrease of the advertising market from September. Whilst, the State Council of PRC convened the executive meetings and launched the policy regarding to the investment and financing channels of the railway industry, promoting the re-construction railways work from central to the local governments. We believe that there is still ample room of development for railways in China, which will facilitate the operations of advertising business on the railway network, and will contribute as a positive stimulus on the sustainable development of the Group.

FINANCIAL HIGHLIGHTS

During the Year, the Group's revenue decreased from approximately RMB157,774,000 to RMB115,631,000, representing a decrease of 26.7% as compared to last year, on account of many customers had not renewed their contracts upon the expiry of the then contract period. During the Year, the total comprehensive loss attributable to the owner of the Company was approximately RMB59,994,000, representing an increase of approximately RMB33,837,000 or 129.4% from RMB26,157,000 as compared to last year.

The Group experienced many difficulties and challenges in 2014. On one hand, the advertising analysis of 2014 showed that the orders placed by various industries on advertising had different levels of shrinkage. Periodicals suffered from a significant reduction of advertising, resulting in a decrease in income. The print media as a whole is facing fierce challenges. On the other hand, the Group adjusted its business, for instance, the periodical, "上海鐵道" (Shanghai Railway), ceased the publication at August 2014, and phase-out of sales of advertising spaces on air traffic control towers at various airports upon the expiry of existing advertising contracts with customers.

CHAIRMAN'S STATEMENT

BUSINESS REVIEW

Being as a dominant channel media provider for China's high-speed railway network, the Group covers printed media, outdoor media and television media. The Group's competitive edges are reflected from its management and sales teams, which have extensive experiences in the advertising and media business, and are capable to apprehend and satisfy needs of different advertising customers and media industries. We will proactively capture opportunities arising in the market to drive the development of the Group's business along the rapid development of high-speed railway network in China.

In year 2014, besides the effort we put on the continuous operation of the print media, such as The Fellow Traveler, City Life, Ever Green, the group has been developing the advertising business through new media — we launched the on-site promotion activities at the railway stations and we carried out the series of traveling events named "Best trips are in the fast trains". We integrated our existing resources and starting to utilize Internet media such as Webo and WeChat to develop new advertising and media platform. We are also holding introduction and marketing events in high-end locations to improve the enterprise image. We believe our effort on the development of the new media will bring revenue to the group and further strengthen our business coverage.

PROSPECTS

Looking ahead, the Group will endeavor to maintain the growth of our existing businesses and expand into diversified new businesses. With the commencement of the four main railway routes, namely Beijing-Shijiazhuang railway, Shijiazhang-Wuhan railway, Ningbo-Hangzhou railway and Harbin-Dailian railway, the Group will also increase the number of route-specific supplements of our printed media, which will be instrumental to the Group's sustainable growth in the development of advertising business on the railway network in China. Moreover, the Group will continue to establish sales offices in different cities in the PRC to expand our sales network, as well as to strengthen our sales and advertising teams. In late 2014, the Group obtained the Mastercard prepaid card license and is planning to launch the "33 prepaid card" in mid 2015. The Group believes that the prepaid card products will further strengthen our brand as it is targeted towards the same audience as our magazine, "Fellow Travelers", who are generally active travelers abroad, and will create synergy amongst the two products.

As part of our diversified business development strategy, the Group entered into the cooperation agreement with Beijing Ouguan Business Service Limited ("Beijing Ouguan"), which engages in media production, at September 2013, for the joint investment, production, marketing and distribution of a movie. Through engaging in movie business, the Group can expand its business platform and expense itself to a wider scope of potential clients with the rapid development of movie industry. The Group believes that the movie together with its ancillary products and marketing activities would provide more advertising channels, and bring additional revenue and business.

In order to expand into advertising business related to television, the Group cooperated with a directly owned subsidiary of China Central Television ("CCTV"), and obtained the production rights of "Geographic China", one of the programmes of CCTV's Science & Education Channel (CCTV-10). This cooperation will further expand the Group's advertising platforms and customer base. It is expected that this new business can attract high-end advertising platform.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to thank the management and all the staff for their hard work and dedication to the Group, as well as the shareholders and customers for their support over the years. The management is confident in achieving better results in the future, creating added value for the Group, shareholders and all staff.

Ruan Deqing
Chairman

Hong Kong, 30 March 2015

FINANCIAL REVIEW

The Group's revenue for the Year amounted to approximately RMB115,631,000, representing a decrease of approximately RMB42,143,000 or 26.7% as compared to approximately RMB157,774,000 for last year. The Group recorded a total comprehensive loss attributable to owners of the Company for the Year of approximately RMB59,994,000, representing an increase of approximately 129.4% as compared to approximately RMB26,157,000 for last year.

REVENUE BY SEGMENT

Analysis of revenue by segment from continuing operations is as follows:

	2014 RMB'000	2013 RMB'000	Change(%)	2014 % of total revenue	2013 % of total revenue
Printed media advertising	89,839	110,891	(19.0)	77.7	70.4
Outdoor advertising	24,791	46,513	(46.7)	21.4	29.6
Money lending interest income	982	–	100	0.9	–
	115,612	157,404	(26.6)	100.0	100.0

Printed Media Advertising

Revenue from printed media advertising was the main source of revenue for the Year, representing approximately 77.7% thereof. It is expected that printed media advertising would remain as the principal source of income for the Group in the future. Revenue from printed media advertising mainly represented the amount generated from the sales of the advertising space on the periodicals operated by the Group and was recognised upon the publication of the periodicals in which the respective advertisement was placed. "旅伴" (Fellow Traveller) is a monthly nationwide periodicals distributed on all China Railway High-speed ("CRH") trains and selected regular trains in China. Revenue from "旅伴" (Fellow Traveller) was the major source of revenue for the Year which contributed approximately 74.7% of the Group's total revenue from printed media advertising.

The decrease was mainly due to the significant decrease of the number of advertising customers of "旅伴" (Fellow Traveller) as the customers had not renewed their contracts upon the expiry of the then contract period by December 2013. However, the decrease was partly offset by the increase of advertising revenue from a periodical, "都市生活" (City Life) which commenced publications in mid-2013.

Outdoor Advertising

Revenue from outdoor advertising represented the advertising income generated from the sales of advertising spaces on the air traffic control towers at various airports, billboards and LEDs installed at certain selected train stations.

The decrease was mainly due to the phase out of advertising on air traffic control towers at airports due to expiry of contracts early 2014. Also revenue from billboards and LEDs advertising at train stations also dropped significantly as those customers had not renewed their contracts upon the expiry of the then contract period in 2014.

Money Lending Interest Income

Revenue from money lending business represented interest income from provision of mortgage loans and short-term loans in Hong Kong. This is the new operating segment since late 2014. Revenue from money lending business was approximately RMB982,000 for the Year.

SEGMENT RESULTS AND PROFIT/(LOSS) MARGIN OF SEGMENT

Analysis of segment results from continuing operations is as follows:

	Revenue		Cost		Segment results		Change	
	2014	2013	**2014**	2013	**2014**	2013		
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	%
Printed media advertising	**89,839**	110,891	**60,672**	56,591	**29,167**	54,300	**(25,133)**	(46.3)
Outdoor advertising	**24,791**	46,513	**36,178**	33,156	**(11,387)**	13,357	**(24,744)**	(185.3)
Money lending interest income	**982**	–	**943**	–	**39**	–	**39**	100.0
	115,612	157,404	**97,793**	89,747	**17,819**	67,657	**(49,838)**	(73.7)

During the Year, the segment results of printed media advertising recorded a segment profit of approximately RMB29,167,000, representing a decrease of approximately 46.3% as compared with approximately RMB54,300,000 for last year. The decrease in segment profit was mainly attributed by high fixed costs including agency fee expense and printing cost of the periodicals. Segment results of outdoor advertising recorded a segment loss of approximately RMB11,387,000 for the Year while it recorded a segment profit of approximately RMB13,357,000 for last year. The significant change from profit to loss-making was mainly attributed by impairment loss of other non-current assets and impairment loss of non-current deposits. Money lending interest income recorded segment profit of approximately RMB39,000 as most of the loan was made in late 2014, while the fixed staff cost was relatively high. In overall, there was a decrease in segment results of approximately RMB49,838,000, representing a decrease of approximately 73.7% or approximately RMB17,819,000 from approximately RMB67,657,000 as compared to that of last year.

Analysis of profit/(loss) margin of segment from continuing operations is as follows:

	Profit/(loss) margin of segment	
	2014	2013
	%	%
Printed media advertising	**32.5**	49.0
Outdoor advertising	**(45.9)**	28.7
Money lending interest income	**4.0**	–
Profit margin of all segments	**15.4**	43.0

Profit margin of printed media advertising segment decreased from approximately 49.0% for last year to approximately 32.5% for the Year. The decrease in revenue and relatively high fixed cost as mentioned above caused the reduction in profit margin.

Margin of outdoor advertising segment changed from profit margin of approximately 28.7% last year to loss margin of approximately 45.9% for the Year. The significant change from profit margin to loss margin was mainly due to the high fixed amortisation cost of other non-current assets of installation and construction of outdoor advertising spaces at various railway stations and air traffic control towers at various airports in the PRC, as well as impairment loss of other non-current assets and impairment loss of non-current deposits.

New money lending business at its start-up stage has profit margin of 4.0%.

The profit margin of segment as a whole decreased from approximately 43.0% for last year to approximately 15.4% for the Year. This was mainly driven by reduction in revenue due to significant decrease of the number of advertising customers, while the fixed cost including agency fee expense, amortisation of installation and construction cost of outdoor advertising spaces and printing cost of periodicals were high.

Other Income

There was other income of approximately RMB6,419,000 for the Year while RMB4,785,000 was made last year. The increase was mainly due to increase in imputed interest income on non-current deposits.

Cost of Sales

Cost of sales increased from approximately RMB85,920,000 for last year to RMB89,208,000 for the Year, representing an increase of approximately 3.8%. Cost of sales has been relatively stable, as agency fee expense, amortisation of other non-current assets and printing cost account nearly 80% of the total cost, and those costs were relatively fixed.

Selling and Distribution Expenses

Selling and distribution expenses mainly include salary, bonus, commission payable to sales staff, travelling and related expenses, office expenses and others. It accounted for approximately 30.7% and 33.5% of the Group's total revenue for the years ended 31 December 2013 and 2014, respectively. The amount decreased by approximately 20.0% from approximately RMB48,467,000 for last year to approximately RMB38,750,000 for the Year. Such decrease was primarily attributable to the decrease in sales commission due to decrease in sales, and decrease in salary due to reduction in the number of sales staff.

Administrative Expenses

Administrative expenses decreased by approximately 6.5% from approximately RMB42,644,000 for last year to approximately RMB39,861,000 for the Year, primarily due to the decrease in entertainment and business meeting expenses, which was offset by the payroll expenses incurred for new staff in Hong Kong for the new prepaid card and money lending businesses.

Other Gains and Losses

It mainly represented the allowance for bad and doubtful debts, net and the impairment loss of non-current deposits made for the Year.

Income Tax Expense

The income tax expense of the Group for the Year was approximately RMB3,423,000 (2013: RMB7,712,000) at the effective tax rate of 6.07% (2013: 36.0%).

Liquidity and Financial Resources

As at 31 December 2014, the Group's cash and cash equivalents, including bank deposits and cash on hand, and short-term bank deposits with original maturities not exceeding three months, amounted to approximately RMB29,790,000, representing a decrease of approximately RMB75,669,000 as compared to the position as at 31 December 2013.

As at 31 December 2014, the current ratio was approximately 2.61 (2013: 2.86) and the gearing ratio of the Group was approximately 0.04 (2013: 0.34) which was calculated based on the Group's net debt divided by the equity attributable to owners of the Company plus net debt. The Group satisfied its working capital needs principally from internally generated cash flow from operating activities.

Pledge of Assets

As at 31 December 2014, the Group has approximately RMB14,952,000 (2013: Nil) pledged bank deposits to secure banking facilities, denominated in US$.

Contingent Liabilities

As at 31 December 2014, the Group did not have any significant contingent liabilities.

Capital Commitments

As at 31 December 2014, save as disclosed in note 33 to the consolidated financial statements, the Group did not have any significant capital commitments.

Total Comprehensive Loss Attributable to Owners of the Company and Net Loss Margin

Total comprehensive loss attributable to the owners of the Company for the Year amounted to approximately RMB59,994,000, representing an increase of approximately 129.4%, as compared to approximately RMB26,157,000 for last year. Net loss margin of the Group was approximately 51.7% as compared to approximately 18.5% for last year.

Capital Structure

During the Year, the Group had net assets of approximately RMB147,287,000 (2013: RMB205,606,000), comprising non-current assets of approximately RMB64,343,000 (2013: RMB81,603,000), and current assets of approximately RMB134,360,000 (2013: RMB190,788,000). The Group recorded a net current asset position of approximately RMB82,944,000 (2013: RMB124,075,000), which primarily consists of cash and bank equivalents and bank deposits amounted to approximately RMB55,092,000 (2013: RMB115,809,000), trade receivables amounted to approximately RMB16,543,000 (2013: RMB40,603,000), prepayments, deposits and other receivables amounted to approximately RMB29,558,000 (2013: RMB34,376,000) and loan receivables amounted to approximately RMB33,167,000 (2013: Nil). Major current liabilities are trade payables and other payables and accruals amounted to approximately RMB26,519,000 (2013: RMB31,896,000) and approximately RMB19,854,000 (2013: RMB30,023,000), respectively. The Group has no bank borrowings.

Foreign Exchange Risk

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

Human Resources

As at 31 December 2014, the Group employed a total of 384 employees (2013: 446 employees) situated in the PRC and Hong Kong. Such decrease was primarily attributable to the closure of a branch office in the PRC as a result of cost control. The Group's emolument policy is formulated based on industry practices and performance of individual employees. During the year under review, the total staff costs (including Directors' emoluments) amounted to approximately RMB41,957,000 (2013: RMB56,576,000).

Material Acquisition and Disposal

The Group had no material acquisition or disposal of subsidiaries and associated companies during the Year.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

Recognising the importance of a listed company's responsibilities to enhance its transparency and accountability, the Company is committed to maintain a high standard of corporate governance in the interests of its shareholders. The Company devotes to best practice on corporate governance and to comply, to the extent practicable, with the code provisions as set out in the Corporate Governance Code (the "Code") contained in Appendix 15 to the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules"). Save as disclosed below, the Directors consider that the Company has complied with the Code during the year ended 31 December 2014. The Company will continue to review its corporate governance practices in order to enhance its corporate governance standard, to comply with the increasingly tightened regulatory requirements and to meet the rising expectations of shareholders of the Company and investors.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all the Directors, all the Directors confirmed that they have complied with the code of conduct and required standard of dealings concerning securities transactions by the directors during the year ended 31 December 2014.

BOARD COMPOSITION

The Board comprises the following Directors:

Executive Directors

Mr. Ruan Deqing *(Chairman)*
Mr. Lin Pintong
Mr. Han Wenqian *(Chief Executive Officer)* (resigned as Executive Director on 6 February 2015)
Ms. Yang Kan (appointed on 6 February 2015)
Mr. Peng Lichun (appointed on 5 March 2015)

Non-Executive Directors

Mr. Wang Fuqing
Mr. Wang Jianqing (resigned on 5 March 2015)

Independent Non-Executive Directors

Mr. Gao Xingbo (resigned on 15 May 2014)
Mr. Chen Shaofeng (resigned on 5 March 2015)
Ms. Tay Sheve Li
Mr. Su Naimin (appointed on 15 May 2014; resigned on 31 October 2014)
Mr. Teng Tai (appointed on 3 June 2014)
Ms. Yu Shun Yan Verda (appointed on 5 March 2015)

The biographical details of the Directors and other senior management are disclosed in the section headed "Biographical Details of Directors and Senior Management" on pages 20 to 25 in this annual report. The composition of the Board is well balanced. Each of the Directors has relevant expertise and extensive corporate and strategic planning experiences that can contribute to the business of the Group. During the year ended 31 December 2014, the Company has complied with Rules 5.05A, 5.05(1) and (2) of the GEM Listing Rules relating to the appointment of at least three independent non-executive Directors representing more than one-third of the Board and at least one of them has appropriate professional qualifications or accounting or related financial management expertise. All independent non-executive Directors also meet the guidelines for assessment of their independence pursuant to Rule 5.09 of the GEM Listing Rules. The Board has received an annual confirmation of independence from each of the Independent Non-Executive Directors. The Company considers all the Independent Non-Executive Directors to be independent.

THE BOARD

The Board is responsible for the leadership and control of, and promoting the success of the Group. This is achieved by setting up corporate and strategic objectives and policies, and the monitoring and evaluating operating activities and financial performance of the Group.

All the Directors carry out their duties in good faith and in compliance with applicable laws and regulations, taking decisions objectively and acting in the interests of the Company and its shareholders at all times.

There is no relationship, including financial, business, family or other material/relevant relationship(s) among members of the Board and between the Chairman and the Chief Executive Officer ("CEO") of the Company.

RESPONSIBILITIES AND DELEGATION OF FUNCTIONS

The Company has formalised and adopted written terms on the division of functions reserved to the Board and those delegated to the management. The Board reserves for its decision on all major matters of the Group, including the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant financial and operational matters.

All Directors have full and timely access to all relevant information as well as the advice and services of the company secretary (the "Company Secretary") and senior management of the Company, with a view to ensuring compliance with Board procedures and all applicable laws and regulations. Any Director may request independent professional advice in appropriate circumstances at the Company's expense, upon reasonable request being made to the Board. The day-to- day management, administration and operations of the Company are delegated to the CEO and senior management of the Company. The Board has delegated a schedule of responsibilities to these officers for the implementation of Board's decisions. The Board periodically reviews the delegated functions and work tasks. Prior to entering into any significant transactions, the aforesaid officers have to obtain the Board's approval.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Pursuant to Paragraph A.2.1 of the Code, the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing. To ensure a balance of power and authority, the Company fully supports the division of responsibility between the Chairman and the CEO. The roles of the Chairman and the CEO are segregated and performed by Mr. Ruan Deqing and Mr. Han Wenqian, respectively.

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

Each of Mr. Lin Pintong, Mr. Ruan Deqing and Mr. Han Wenqian (who resigned on 6 February 2015), all being the Executive Directors, has entered into a service contract and supplement service contract with the Company for an initial term of three years with effect from 17 December 2010 and 11 November 2013, respectively. Ms. Yang Kan, being an Executive Director, has entered into a service contract with the Company for an initial term of three years with effect from 6 February 2015. All service contracts shall be automatically renewed and extended for successive terms of one year unless and until terminated by not less than three months' prior notice in writing served by either party on the other or by payment of three months' fixed salary in lieu of such notice at the end of the initial term or at any time thereafter. Mr. Peng Lichun, being Executive Director, has no fixed term of service with the Company and he will hold office until he retires by rotation from the Board and will be eligible for re-election at the annual general meeting in accordance with the provisions of the bye-law.

Mr. Wang Jianqing (who resigned on 5 March 2015), being a Non-Executive Director and each of Mr. Gao Xingbo (who resigned on 15 May 2014) and Mr. Chen Shaofeng (who resigned on 5 March 2015), being Independent Non-Executive Directors has entered into an appointment letter with the Company for a term of one year commencing from 17 December 2010. Mr. Wang Fuqing, being Independent Non-Executive Director, has entered into an appointment letter with the Company for a term of one year commencing from 19 July 2013. Ms. Tay Sheve Li, being an Independent Non-Executive Director, has entered into an appointment letter with the Company for a term of one year commencing from 30 September 2013. Mr. Su Naimin (who resigned on 31 October 2014), being Independent Non-Executive Director, has entered into an appointment letter with the Company for a term of one year commencing from 15 May 2014 and Mr. Teng Tai, being Independent Non-Executive Director, has entered into an appointment letter with the Company for a term of one year commencing from 3 June 2014. The aforementioned appointment letter for each of the non-executive Directors and independent non-executive Directors is for a term of one year which shall be automatically renewed and extended for successive terms of one year and may be terminated after the initial term by either party by giving at least three months' written notice. The appointments are subject to the provisions of the articles of association with regard to vacation of office of directors, removal and retirement by rotation of directors. Ms. Yu Shun Yan Verda, being Independent Non-Executive Director, has no fixed term of service with the Company and she will hold office until she retires by rotation from the Board and will be eligible for re-election at the annual general meeting in accordance with the provisions of the bye-law.

The Directors are subject to retirement by rotation in accordance with the Company's articles of association. According to the Company's articles of association, one-third of the Directors are required to retire from office at each annual general meeting, provided that every director shall be subject to retirement by rotation at least once every three years. The Directors to retire every year shall be those who have been longest in office since their last re-election or appointment.

BOARD DIVERSITY POLICY

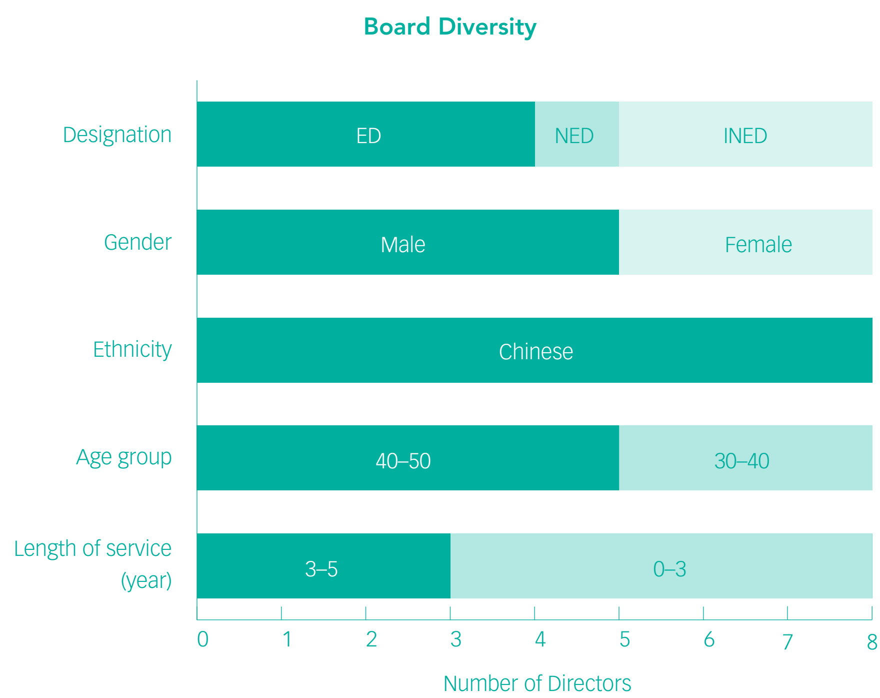
The Company adopted a board diversity policy (the "Board Diversity Policy") on 12 August 2013 in compliance with Paragraph A.5.6 of the Code. A summary of the Board Diversity Policy, together with the measurable objectives set for implementing this Board Diversity Policy, and the progress made towards achieving those objectives are disclosed as below.

Summary of the Board Diversity Policy

The Company recognised and embraced the benefits of having a diverse Board to enhance the quality of its performance. The Board Diversity Policy aims at setting out the approach to achieve diversity of the Board. In determining the Board's composition, difference in the skills, regional and industry experience, background, race, gender and other qualities of Directors will be taken into account. All Board appointments will be based on merit, and candidates will be considered against objective criteria, having due regards to the benefits of diversity of the Board.

Measurable objectives

For the purpose of implementing the Board Diversity Policy, the Board has adopted and the Company has achieved a range of measurable objectives set out below, including but not limited to gender, ethnicity, age and length of services. As at the date of this report, the Board's composition under major diversified perspectives was summarised as follows:



INED: Independent Non-Executive Director
NED: Non-Executive Director
ED: Executive Director

Implementation and monitoring

The Nomination Committee of the Board has reviewed the Board Diversity Policy to ensure its effectiveness and considered that the Group achieved the Board Diversity Policy since its adoption on 12 August 2013. The Nomination Committee will review the Board's composition under diversified perspectives, and monitor the implementation of the Board Diversity Policy annually.

BOARD MEETING, GENERAL MEETING AND PROCEDURES

For the year ended 31 December 2014, the Board convened a total of seven Board meetings. The following is the Directors' attendance record of the board meetings held by the Board and the general meeting of the Company:

	Number of attendance/ number of Board meeting	Number of attendance/ number of general meeting
Mr. Lin Pintong	7/7	0/1
Mr. Ruan Deqing	7/7	1/1
Mr. Han Wenqian	7/7	0/1
Mr. Wang Fuqing	7/7	0/1
Mr. Wang Jianqing	7/7	0/1
Mr. Gao Xingbo (resigned on 15 May 2014)	2/2	0/1
Mr. Chen Shaofeng	7/7	0/1
Ms. Tay Sheve Li	7/7	1/1
Mr. Su Naimin (appointed on 15 May 2014, resigned on 31 October 2014)	4/4	0/0
Mr. Teng Tai (appointed on 3 June 2014)	4/4	0/0

Board members were provided with complete, adequate and timely information to allow them to fulfill their duties properly.

Schedules for annual Board meeting and draft agenda of each Board meeting are sent to all Directors in advance. Notice of at least 14 days is given for a regular Board meeting. For other Board and committee meetings, reasonable notice is generally given. Board papers together with all appropriate, complete and reliable information are dispatched to all Directors at least three days before each regular Board meeting to ensure that the Directors have sufficient time to review the related documents and be adequately prepared for the meeting.

The Company Secretary is responsible to keep minutes of all Board meetings and committee meetings. Draft minutes are normally circulated to all Directors for comments within a reasonable time after each meeting and the final versions are open to Director for inspection. The Company's articles of association contains provisions requiring Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest.

CONTINUOUS PROFESSIONAL DEVELOPMENT

All Directors have been given relevant guideline materials regarding the duties and responsibilities of being a Director, the relevant laws and regulations applicable to the Directors, duty of disclosure of interest and business of the Group and such induction materials will also be provided to newly appointed Directors shortly upon their appointment as Directors of the Company. All Directors have been updated with the latest developments regarding the GEM Listing Rules and other applicable regulatory requirement to ensure compliance and enhance their awareness of good corporate governance practices. Continuing briefings and professional development to Directors will be arranged whenever necessary.

For the financial year ended 31 December 2014, all Directors had participated in continuous professional development in the following manner in compliance with Paragraph A.6.5 of the Code:

	Type of trainings
Mr. Lin Pintong	A, C
Mr. Ruan Deqing	A, C
Mr. Han Wenqian	A, C
Mr. Wang Fuqing	C
Mr. Wang Jianqing	C
Mr. Gao Xingbo	C
Mr. Chen Shaofeng	C
Ms. Tay Sheve Li	B, C
Mr. Su Naimin	C
Mr. Teng Tai	C

A: attending internal briefing session in relation to corporate governance
B: attending seminars/courses/conference to develop professional skills and knowledge
C: reading materials in relation to regulatory update

BOARD COMMITTEES

As at 31 December 2014, the Board has established three board committees, namely the audit committee (the "Audit Committee"), remuneration committee (the "Remuneration Committee") and nomination committee (the "Nomination Committee"), with written terms of reference which are available for viewing on the website of the Stock Exchange and the Company to assist them in the efficient implementation of their functions. Specific responsibilities have been delegated to the above committees.

AUDIT COMMITTEE

The Company established the Audit Committee on 17 December 2010 with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules and the Code. The primary duties of the Audit Committee are mainly to review the material investment, capital operation and material financial system of the Company; to review the accounting policy, financial position and financial reporting procedures of the Company; to communicate with external audit firms; to assess the performance of internal financial and audit personnel; to assess the internal control of the Company; and to perform the corporate governance functions under Paragraph D.3.1 of the Code.

As at 31 December 2014, the Audit Committee has three members comprising Ms. Tay Sheve Li (Chairperson), Mr. Chen Shaofeng and Mr. Teng Tai. During the year ended 31 December 2014, the Audit Committee had held five meetings to review the final results of the Group for 2013, the 2013 annual report of the Company, the 2014 interim results and report of the Company and the quarterly results and report for the periods ended 31 March 2014 and 30 September 2014, the Group's internal controls for the year and corporate governance of the Group, as well as to appoint Deloitte Touche Tohmatsu as auditor of the Group. The Group's final results for the year ended 31 December 2014 had been reviewed by the Audit Committee before submission to the Board for approval. Members of the Audit Committee were of the opinion that the preparation of such results complied with the applicable accounting standards, the GEM Listing Rules and that adequate disclosure have been made.

The attendance of each member of the Audit Committee is set out in the following table:

	Number of attendance/ number of meeting
Ms. Tay Sheve Li (Chairperson)	5/5
Mr. Gao Xingbo (resigned as member on 15 May 2014)	2/2
Mr. Chen Shaofeng	5/5
Mr. Su Naimin (appointed as member on 15 May 2014; resigned as member on 31 October 2014)	2/2
Mr. Teng Tai (appointed as member on 31 October 2014)	1/1

REMUNERATION COMMITTEE

The Company established the Remuneration Committee on 17 December 2010 with written terms of reference in compliance with the Code. The primary duties of the Remuneration Committee include mainly: (i) reviewing the terms of the remuneration package of each director and member of senior management, and making recommendations to the Board regarding any adjustment thereof; and (ii) reviewing and evaluating the performance of individual executive directors for determining the amount of bonus (if any) payable to them. No director shall participate in any discussion about his or her own remuneration.

As at 31 December 2014, the Remuneration Committee has three members comprising Mr. Teng Tai (Chairman), Mr. Ruan Deqing and Mr. Chen Shaofeng. The remuneration of the directors was determined with reference to their respective experience, responsibilities with the Group and general market conditions. During the year ended 31 December 2014, three meetings of the Remuneration Committee were held to review the remuneration package of the directors and senior management of the Group.

The attendance of each member of the Remuneration Committee is set out in the following table:

	Number of attendance/ number of meeting
Mr. Gao Xingbo (resigned as Chairman on 15 May 2014)	1/1
Mr. Su Naimin (appointed as Chairman on 15 May 2014; resigned as Chairman on 31 October 2014)	2/2
Mr. Teng Tai (Chairman) (appointed on 31 October 2014)	0/0
Mr. Ruan Deqing	3/3
Mr. Chen Shaofeng	3/3

NOMINATION COMMITTEE

The Company established the Nomination Committee on 17 December 2010 with written terms of reference in compliance with the Code. The written terms of reference of the Nomination Committee which have been revised on 12 August 2013 to incorporate duty of the Nomination Committee to promote diversity of the Board as required in new code provision of the Code with effect from 1 September 2013 has been posted on the GEM website and the Company's website. The primary duties of the Nomination Committee include the review of the structure, size and composition (including the skills, knowledge and experience) of the Board on at least annually and to make recommendations on any proposed change to the Board to complement the Company's corporate strategy, identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships, assess the independence of independent non-executive Directors and make recommendation to the Board on the policy concerning the diversity of Board members. In reviewing and recommending the appointment of new directors, the Nomination Committee would seek to identify the competencies required to enable the Board to fulfill its responsibilities. The resume or document of the nominee or candidate will be given to the Nomination Committee for consideration. The Nomination Committee has adopted a process for selection and appointment of new directors which provides the procedure for identification of potential candidates, evaluation of the suitability of the candidate based on his qualifications, skills, knowledge, business and related experience, commitment, ability to contribute to the Board and such qualities and attributes that may be required by the Board.

The Nomination Committee has three members comprising Mr. Chen Shaofeng (Chairman), Mr. Lin Pintong and Mr. Teng Tai. During the year ended 31 December 2014, three meetings of the Nomination Committee were held to review the structure, composition of the Board and the succession plan for the Board. Please refer to the paragraph headed "Board Diversity Policy" of this corporate governance report for details of the board diversity policy adopted by the Board and the progress on achieving the measurable objectives to implement the board diversity policy. All members of the Nomination Committee attended the meeting.

The attendance of each member of the Nomination Committee is set out in the following table:

	Number of attendance/ number of meeting
Mr. Chen Shaofeng (Chairman)	3/3
Mr. Lin Pintong	3/3
Mr. Gao Xingbo (resigned as member on 15 May 2014)	1/1
Mr. Su Naimin (appointed as member on 15 May 2014; resigned as member on 31 October 2014)	2/2
Mr. Teng Tai (appointed as member on 31 October 2014)	0/0

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Board acknowledges its responsibility to prepare the Company's financial statements for each financial year and to ensure that the financial statements are prepared in accordance with statutory requirements and applicable accounting standards. The statement by the auditors of the Company about their responsibilities for the financial statements is set out in the independent auditors' report contained in this annual report. The Board also ensures the timely publication of the financial statements. The Directors, having made appropriate enquiries, confirm that they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

INDEPENDENT AUDITOR'S REMUNERATION

The amount of fees charged by the auditors generally depends on the scope and volume of the auditors' work. During the year ended 31 December 2014, the remuneration paid or payable to the auditors of the Company in respect of the statutory audit services was approximately RMB1,272,000. No non-audit services provided by the auditors of the Company during the year.

INTERNAL CONTROL

The Board is responsible for maintaining an adequate internal control system to safeguard shareholder investments and Company assets. The internal control system of the Group aims to facilitate effective and efficient operations, to ensure reliability of financial reporting and compliance with applicable laws and regulations, to identify and manage potential risks and to safeguard assets of the Group. The senior management of the Group shall review and evaluate the control process and monitor any risk factors on a regular basis and report to the Audit Committee on any findings and measures to address the variances and identified risks.

The Board has conducted review of its internal control system to ensure an effective and adequate internal control system in place. The Directors consider that the Company has implemented a series of procedures for safeguarding the Company's assets against unauthorized use or misappropriation, maintaining accounting records properly and ensuring the reliability of financial information.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Company has established a range of communication channels between itself and its shareholders, and investors. These include answering questions through annual general meeting, publication of annual, interim and quarterly reports, notices, announcements and circulars, the Company's website at www.china33media.com and meetings with investors and analysts.

SHAREHOLDERS' RIGHT

As one of the measures to safeguard shareholder's interest and rights, separate resolutions can be proposed at shareholders' meetings on each substantial issue, including the election of individual directors, for shareholders' consideration and voting. All resolutions put forward at shareholders' meeting will be voted by poll pursuant to the GEM Listing Rules and the poll voting results will be posted on the GEM website and the Company's website after the relevant shareholders' meeting.

Procedures for shareholders to convene an extraordinary general meeting

Pursuant to article 64 of the articles of association of the Company, an extraordinary general meeting of the Company ("EGM") may be convened by the Board on requisition of one or more shareholders (the "Requisitionist(s)") holding at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meeting (the "Requisition"). Such Requisition shall be made in writing to the Directors or the Company Secretary and sent to the Company's principal place of business in Hong Kong (details of which are set out in the section headed "Corporate Information" of this annual report). For the purpose of requiring an EGM to be called by the Directors, such Requisition must state the object of business to be transacted at the meeting and must be signed by the Requisitionists. The EGM shall be held within two months after the deposition of such Requisition. If the Board fails to proceed to convene such EGM within 21 days of the deposit of such Requisition, the Requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the Requisitionist(s) as a result of the failure of the Board shall be reimbursed to the Requisitionist(s) by the Company.

Procedures for raising enquiries

Shareholders should direct their questions about their shareholdings, share transfer, registration and payment of dividend to the Company's Hong Kong share registrar (details of which are set out in the section headed "Corporate Information" of this annual report).

For putting forward any enquiries to the Board, shareholders may send written enquiries to the Company. Shareholders may send their enquiries or requests in respect of their rights to the Company's principal place of business in Hong Kong (details of which are set out in the section headed "Corporate Information" of this annual report).

Shareholders are reminded to lodge their questions together with their detailed contact information for the prompt response from the Company if it deems appropriate.

Procedures and contact details for putting forward proposals at shareholders' meetings

To put forward proposals at a general meeting of the Company, shareholder should lodge a written notice of his/her/its proposal (the "Proposal") with his/her/its detailed contact information to the Company's principal place of business in Hong Kong (details of which are set out in the section headed "Corporate Information" of this annual report).

The identity of such shareholder and his/her/its request will be verified with the Company's Hong Kong share registrar and upon confirmation by the Hong Kong share registrar that the request is proper and in order and made by a shareholder of the Company, the Board will determine in its sole discretion whether the Proposal may be included in the agenda for the general meeting to be set out in the notice of meeting.

The notice period to be given to all the shareholders of the Company for consideration of the Proposal raised by such shareholder concerned at the general meeting varies according to the nature of the Proposal as follows:

(1) Notice of not less than 21 clear days and not less than 20 clear business days in writing if the Proposal requires approval in an annual general meeting;

(2) Notice of not less than 21 clear days and not less than 10 clear business days in writing if the Proposal requires approval by way of a special resolution in an extraordinary general meeting; and

(3) Notice of not less than 14 clear days and not less than 10 clear business days in writing if the Proposal requires approval in an extraordinary general meeting other than by way of a special resolution of the Company.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Ruan Deqing (阮德清), aged 50, is the Chairman and an Executive Director and is responsible for the operating and financial matters of the Group. He also acts as the compliance officer of the Group. Mr. Ruan was appointed as a Director on 5 May 2010. Mr. Ruan graduated from the Zhengzhou Institute of Railway Mechanics (鄭州鐵路機械學校) in 1986 and obtained an Adult Education Diploma in Advertising from the Xiamen University (廈門大學) in July 2000. Mr. Ruan has more than ten years of experience in the advertising industry. Prior to co-founding the Group with Mr. Lin Pintong, Mr. Ruan worked as a technician of the locomotive depot in Fuzhou of Nanchang Railway Bureau (南昌鐵路局福州機務處) during the period from 1986 to 1997. During the period from 1997 to 1999, Mr. Ruan worked at Fujian Huashui Advertising and Decorating Company Limited (福建華税廣告裝潢有限公司). Mr. Ruan was the general manager of Fujian Annual Ring Advertisement Co., Ltd. (福州年輪廣告有限公司) during the period from 1999 to 2002. From August 2002 to April 2010, Mr. Ruan was the general manager of Fujian Ao Shen Media Advertising Co., Ltd. (福建省奧神傳媒廣告有限責任公司). In the three years preceding the date of this annual report, Mr. Ruan did not hold any directorship in other listed public companies in Hong Kong or overseas. Mr. Ruan is currently a director of Lizhong Limited and Joint Loyal Limited, which have an interest in such number of shares of the Company under Divisions 2 and 3 of Part XV of Securities and Futures Ordinance as disclosed in the section headed "Substantial shareholders' and other persons' interests and short positions in shares and underlying shares of the Company" in this annual report.

Mr. Lin Pintong (林品通), aged 49, is an Executive Director of the Company. He is responsible for the overall business operations of the Group and formulation of business development strategies. Mr. Lin was appointed as a Director on 5 May 2010. Mr. Lin graduated from the Fujian Agriculture and Forestry University (福建農林大學) (then known as Fujian Agriculture University (福建農學院)) with a bachelor's degree in agricultural mechanics in 1985. Mr. Lin was a teacher at Chengguan Middle School in Shou'ning County (壽寧縣城關中學) of Fujian Province during the period from August 1985 to August 1989, and a staff member of Economic Institution Reform Committee of Shou'ning County (壽寧縣經濟體制改革委員會) during the period from September 1989 to December 1989. Mr. Lin has 18 years of experience in the advertising and media industry and has an in-depth knowledge on the media/advertising industry in China. Prior to co-founding the Group with Mr. Ruan, Mr. Lin worked as a journalist for Mindong Newspaper Office (閩東報社) during the period from 1990 to 1992 and for Hong Kong Commercial Daily (香港商報) from 1992 to 1999. From 1999 to 2002, Mr. Lin was the Chairman of Fujian Annual Ring Advertisement Co., Ltd. (福州年輪廣告有限公司). Since 2002, Mr. Lin has participated in the management of Fujian Ao Shen Media Advertising Co. Ltd. (福建省奧神傳媒廣告有限責任公司) ("Fujian Aoshen") and Beijing Lvban Media Advertising Co., Ltd. (北京旅伴傳媒廣告有限公司) ("Beijing Lvban"). In the three years preceding the date of this annual report, Mr. Lin did not hold any directorship in other listed public companies in Hong Kong or overseas. Mr. Lin is currently a director of Lizhong Limited and Broad Win Limited, which have an interest in such number of shares of the Company under Divisions 2 and 3 of Part XV of Securities and Futures Ordinance as disclosed in the section headed "Substantial shareholders' and other persons' interests and short positions in shares and underlying shares of the Company" in this annual report.

Mr. Han Wenqian (韓文前), aged 46, was the Chief Executive Officer and an Executive Director and oversees the sales and marketing activities of the Group. Mr. Han was appointed as a Director on 17 December 2010 and resigned as Executive Director on 6 February 2015. He is responsible for overseeing the sales and marketing activities of the Group. Mr. Han graduated from Department of Chinese Language and Literature from Wuhan University (武漢大學) with a bachelor's degree in Chinese language and literature in1991. Prior to joining us in 2007, Mr. Han was a freelance worker during the period from 1991 to 1993. Mr. Han then joined Nanfang Advertising Company (南方廣告公司) in 1993. During the period from 1993 to 1996, Mr. Han worked at Yangcheng Evening News Jinyang Advertising Company Limited (羊城晚報金羊廣告公司) and from 1997 to 2000 at Guangdong Zhong Lian Advertising Company Limited (廣東中聯廣告公司). Mr. Han was a deputy general manager focusing on advertisement and distribution in Nanfang City News (南方都市報) and a general manager of the advertising department in Guangzhou during the period from 2001 to 2003. During the period from 2003 to 2007, Mr. Han was a member of executive committee and general manager of Beijing News (新京報社) and a director and general manager of Beijing News Media Co., Ltd. (北京新京報傳媒有限責任公司). In the three years preceding the date of this annual report, Mr. Han did not hold any directorship in other listed public companies in Hong Kong or overseas. Mr. Han is currently a director of Lizhong Limited, which has an interest in such number of shares of the Company under Divisions 2 and 3 of Part XV of Securities and Futures Ordinance as disclosed in the section headed "Substantial shareholders' and other persons' interests and short positions in shares and underlying shares of the Company" in this annual report.

Ms. Yang Kan (楊侃), aged 38, is an Executive Director appointed on 6 February 2015. Ms. Yang was graduated from the Huazhong University of Science and Technology, the People's Republic of China with a bachelor's degree in international economic and trade. She has over 10 years of experience in economics and business promotion. From 2003 to 2012, she worked in China Eastern Airlines as manager and was responsible for human resources management and corporate image promotions during which she gained extensive knowledge in corporate operations management. In the three years preceding the date of this annual report, Ms. Yang did not hold any directorship in other listed public companies in Hong Kong or overseas.

Mr. Peng Lichun (彭立春), aged 33, is an Executive Director appointed on 5 March 2015. Mr. Peng has over 12 years of working experience in financial industry and has solid experience in corporate fund raising and management in Hong Kong and the People's Republic of China (the "PRC"). Mr. Peng obtained a professional certificate of economic management and computer management from Xiangtan University (湘潭大學), PRC in 2002. He is currently a director in a wealth management company in Shenzhen which focusing securities investment and wealth management in the PRC. In the three years preceding the date of this annual report, Mr. Peng did not hold any directorship in other listed public companies in Hong Kong or overseas.

Non-Executive Directors

Mr. Wang Fuqing (王福清), aged 47, was appointed as a Non-Executive Director on 17 December 2010 and re-designated as Executive Director on 1 June 2012. On 19 July 2013, he was re-designated as a Non-Executive Director (details of which are set out in the announcement of the Company dated 19 July 2013). Mr. Wang obtained a bachelor's degree in agricultural economics and administration and a master degree in agricultural economics and administration in 1987 and 1992 respectively, from the Fujian Agriculture and Forestry University (福建農林大學) (then known as Fujian Agriculture University (福建農學院)). Mr. Wang worked at Fujian Agriculture General Development Co., Ltd. (福建省農業綜合開發公司) during the period from 1992 to 1994. Mr. Wang has nearly ten years of experience in the securities and brokerage industry. He worked at the investment banking department of Fujian Industrial Securities Co., Ltd. (福建興業證券公司) from 1994 to 1995 and worked for China Merchants Securities Co., Ltd. (招商證券股份有限公司) in China during the period from 1995 to 2004. During the period from 2004 to 2006, Mr. Wang was the Executive Director of Shenzhen Mindray Bio-medical Electronics Co., Ltd. (深圳邁瑞生物醫療電子股份有限公司) and was responsible for overseeing the capital market activities of the company. Since 2006, Mr. Wang is the general manager of Shenzhen Hui Jie Investment Company Ltd. (深圳市匯傑投資有限公司) and a director of Make Sense Group Limited. In the three years preceding the date of this annual report, Mr. Wang did not hold any directorship in other listed public companies in Hong Kong or overseas. Mr. Wang is currently a director of Make Sense Group Limited, which has an interest in such number of shares of the Company under Divisions 2 and 3 of Part XV of Securities and Futures Ordinance as disclosed in the section headed "Substantial shareholders' and other persons' interests and short positions in shares and underlying shares of the Company" in this annual report.

Mr. Wang Jianqing (王建青), aged 43, was appointed as a Non-Executive Director on 17 December 2010 and resigned on 5 March 2015. Mr. Wang studied industrial accounting at the Fujian Zhonghua Professional University (福建中華職業大學) during the period from 1990 to 1993 and is a qualified PRC accountant. During the period from 1993 to 1997, Mr. Wang was an accountant at the finance department of Fujian Aquatic Products Supply Co., Ltd. (福建省水產物資供應公司). Mr. Wang was the manager of finance department of Fujian Lianyun Huarong Co., Ltd. (福建省聯運華榮有限公司) during the period from 1997 to 2000, and was the deputy manager of finance department of Fujian Yangzhenghua 851 Bio-technology Co., Ltd. (福建楊振華851生物科技股份有限公司) during the period from 2000 to 2003. During the period from 2003 to 2007, Mr. Wang was the senior manager of the finance department of Fujian Wanglong Computer and Internet Information Technologies Co., Ltd. (福建網龍計算機網絡信息技術有限公司). Mr. Wang is the General Manager of the risk control department of Sequedge (Fujian) Information Technology Development Co., Ltd. (星際(福建)信息科技發展有限公司) since 2008. In the three years preceding the date of this annual report, Mr. Wang did not hold any directorship in other listed public companies in Hong Kong or overseas.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Independent Non-Executive Directors

Mr. Gao Xingbo (高興波), aged 51, was an Independent Non-Executive Director appointed on 17 December 2010 and resigned on 15 May 2014. Mr. Gao graduated from Liaoning Institute of Finance and Economics (遼寧財經學院) and obtained a bachelor's degree in economics in 1985 and obtained a master degree in economics from North East University of Finance and Economics (東北財經大學) in 1988. Mr. Gao also obtained a doctor degree in quantitative economics from Central University of Finance and Economics (中央財經大學) in 2009. Since 1988, Mr. Gao has been teaching economics, managerial economics and statistics at Central Institute of Finance (中央財政金融學院) (currently known as (中央財經大學)). In 2003, Mr. Gao became the vice president of the School of Economics of the Central University of Finance and Economics (中央財經大學) and is currently the vice president of the School of Statistics, professor and an analyst of the Securities and Futures Institute of the university. In the three years preceding the date of this annual report, Mr. Gao did not hold any directorship in other listed public companies in Hong Kong or overseas.

Mr. Chen Shaofeng (陳少峰), aged 50, was an Independent Non-Executive Director appointed on 17 December 2010 and resigned on 5 March 2015. Mr. Chen graduated from the Department of Political Education of Fujian Normal University (福建師範大學政治教育系) with a bachelor's degree in education in 1984 and obtained a master degree in philosophy from the Department of Philosophy of Nanjing University (南京大學哲學系) in 1987. Mr. Chen also obtained a doctor degree in philosophy from the Department of Philosophy of Peking University (北京大學) in 1991. Mr. Chen was a postdoctoral research fellow at the Institute of Sociology of Peking University (北京大學社會學研究所) during the period from 1991 to 1993. During 1993 to 2000, Mr. Chen was an assistant professor of the Department of Philosophy of Peking University (北京大學哲學系) and is one of the professors of the department since 2000. Mr. Chen is currently the vice president of the Institute for Culture Industries of Peking University (北京大學文化產業研究院). In the three years preceding the date of this annual report, Mr. Chen did not hold any directorship in other listed public companies in Hong Kong or overseas.

Ms. Tay Sheve Li (鄭雪莉), aged 42, is an Independent Non-Executive Director appointed on 30 September 2013. Ms. Tay graduated from the University of Strathclyde, United Kingdom, in July 1994 with a bachelor's degree in arts majoring in accounting and finance and received her master's degree in applied finance from University of Western Sydney in September 2004. Since 2002, Ms. Tay has been a certified public accountant of the Hong Kong Institute of Certified Public Accountants and a fellow member of Association of Chartered Certified Accountants. Ms. Tay has over 15 years of experience in accounting and auditing experience. From November 1997 to September 2007, she worked at Ernst & Young as a senior manager in audit assurance. From October 2007 to September 2010, Ms. Tay worked at Ernst & Young as a senior manager in the finance department. From October 2010 to June 2011, Ms. Tay was the president of finance and capital management department in Centron Telecom International Holding Ltd., a company listed on the Main Board of the Stock Exchange (stock code: 1155). From November 2011 to January 2014, Ms. Tay was an independent non-executive director of National United Resources Holdings Limited (formerly known as China Outdoor Media Group Limited), a company listed on the Main Board of the Stock Exchange (stock code: 254). Ms. Tay is currently an independent non-executive director of Grand Concord International Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 844). Ms. Tay is the Independent Non-Executive Director who has the qualifications and experience (as mentioned above) to meet the requirements under Rule 5.05(2) of the GEM Listing Rules. Save as disclosed herein, in the three years preceding the date of this annual report, Ms. Tay did not hold any directorship in other listed public companies in Hong Kong or overseas.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Teng Tai (滕泰), aged 40, is an Independent Non-Executive Director appointed on 3 June 2014. Mr. Teng graduated from Lanzhou University with a bachelor degree in economics in 1995. He received his master degree in economics from Fudan University in 1998. In 2003, he obtained his doctorate degree in economics from 上海社科院世界經濟研究所 (World Economics Institute of Shanghai Academy of Social Sciences). Mr. Teng has about 16 years of experience in economics and assets management. From July 1998 to June 2002, he worked as analyst and head of industry research department and institutional investors department of Haitong Securities. From July 2002 to April 2005, he worked as the general manager of assets management department and head of fund investment department of SooChow Securities. From April 2005 to May 2010, he worked as the chief economist, head of research institute and general manager of China Galaxy Securities. From May 2010 to June 2012, he worked as the vice-president and chief economist of Minsheng Securities. Starting from July 2012, he is the chairman of the board of directors of Winbro Asset Management Co., Ltd. and the head of Winbro Economic Research Institute. Starting from 2003, Mr. Teng has made various economics-related publications. In the three years preceding the date of this annual report, Mr. Teng did not hold any directorship in other listed public companies in Hong Kong or overseas.

Mr. Su Naimin (蘇乃民), aged 60, was an Independent Non-Executive Director appointed on 15 May 2014 and resigned on 31 October 2014. Mr. Su graduated from the Party School of the Central Committee of the Communist Party of China (中共中央黨校) in economic management in October 1996 and attended a postgraduate programme in accounting at Nanjing Audit University (南京審計學院) from March 1998 to April 2000. Mr. Su has over 27 years of experience in auditing. From March 1988 to November 2013, Mr. Su has worked as different positions (including director and other senior positions) in the headquarter and branches of the National Audit Office of the People's Republic of China (中華人民共和國審計署), including the Education Office, the Earthquake and Meteorology Audit Office, the Culture and Sports Audit Office and the Construction Audit Office. Since August 2002, he has become a qualified accountant in the People's Republic of China. In the three years preceding the date of this annual report, Mr. Su did not hold any directorship in other listed public companies in Hong Kong or overseas.

Ms. Yu Shun Yan Verda (余舜茵), aged 33, is an Independent Non-Executive Director appointed on 5 March 2015. Ms. Yu graduated from The Hong Kong Institute of Education with a bachelor's degree in Education in 2004. She has over 7 years of experience in business promotion, corporate communication and relationship management in different business sectors including public relation company and financial institutes. She is currently working in a public relation company as a marketing director and had worked in financial institutes for almost 7 years. In the three years preceding the date of this annual report, Ms. Yu did not hold any directorship in other listed public companies in Hong Kong or overseas.

SENIOR MANAGEMENT

Mr. Siu Shing Tak (蕭承德), aged 31, joined the Company in May 2013. He is currently the Chief Financial Officer and Company Secretary of the Company. Mr. Siu graduated from Walter A. Haas School of Business of the University of California, Berkeley, with a Bachelor degree in Science in Business Administration. He is a certified public accountant of American Institute of Certified Public Accountant and Hong Kong Institute of Certified Public Accountant. He has over ten years of experience in accounting, auditing and internal control. Before joining the Group as the group investor director and internal control director in May 2013, he held various senior management positions in United States and Hong Kong listed companies, in which he was responsible for the internal audit and daily financial operation and assist in their transactions and compliance with the applicable rules and regulations. He also worked in PriceWaterhouseCoopers in both United States and Hong Kong offices during which he engaged in auditing work of listed companies and initial public offering projects.

Mr. Lau Kwok Ki (劉國基), aged 55, is appointed as the Chief Operating Officer of 33 Financial Services Limited and is responsible for developing and managing payment product business. Mr. Lau holds a Diploma in Management Studies at Hong Kong Polytechnic University in 1989 and Professional Diploma in Quality Project and Service Management at ABRS Centre for Professional Development in 2009. Mr. Lau is a full member of the Hong Kong Computer Society. With over 30 years Information Technology, Cards and Bank Operations experiences including 25 years in managerial role, Mr. Lau was the Director of Technologies, Director of Management Services and Director of Interactive and Business Systems, Asia Pacific of American Express International Incorporation as well as American Express Bank Limited. Mr. Lau has extensive depth of experience in regional project management; business systems development; data center management; bank and cards operations. Mr. Lau later joined China Yinsheng Finance (Holding) Limited as Vice President-Operations to lead the Operations team to overall manage the launch and on-going support of the China UnionPay Prepaid Cards. Mr. Lau also helped China Yinsheng Finance to successfully apply for the MasterCard Credit and Prepaid Card licenses.

REPORT OF THE DIRECTORS

The Directors are pleased to present their report and the audited consolidated financial statements for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES

The principal business activity of the Company is investment holding. The principal activities and other particulars of the Company's principal subsidiaries are set out in note 36 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 December 2014 and the state of affairs of the Company and the Group at that date are set out in the consolidated financial statements on pages 39 to 111 of this annual report.

The Directors do not recommend the payment of any dividend for the year ended 31 December 2014 (2013: Nil).

CLOSURE OF THE REGISTER OF MEMBER

The register of members of the Company will be closed from 7 May 2015 to 8 May 2015, both dates inclusive, during which period no transfer of shares (the "Shares") of the Company could be registered for determination of entitlement of shareholders of the Company to the attendance at the forthcoming annual general meeting of the Company.

FIVE YEAR FINANCIAL SUMMARY

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the past five financial years, as extracted from the audited consolidated financial statements, is set out on page 112 of this annual report. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 27 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31 December 2014, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in pages 111 and 43 respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2014, the Company's reserves available for distribution, calculated in accordance with the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to approximately RMB65,363,000 (2013: RMB188,363,000).

MAJOR CUSTOMERS AND SUPPLIERS

Sales to the Group's five largest customers accounted for approximately 12.1% (2013: 17.4%) of the total sales for the year and sales to the largest customer included therein amounted to approximately 2.9% (2013: 6.2%) of the total sales for the year. Services supplied from the Group's five largest suppliers accounted for approximately 42.1% (2013: 53.6%) of the total cost of sales for the year and service supplied from the Group's largest supplier included therein amounted to approximately 14.5% (2013: 17.1%) of the total cost of sales for the year. None of the Directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers and suppliers.

SHARE OPTION SCHEME

Particulars of the share option scheme adopted by the Group are set out in note 28 to the consolidated financial statements.

DIRECTORS

The directors during the year and up to the date of this report were:

Executive Directors

Mr. Ruan Deqing *(Chairman)*
Mr. Lin Pintong
Mr. Han Wenqian *(Chief Executive Officer)* (resigned as Executive Director on 6 February 2015)
Ms. Yang Kan (appointed on 6 February 2015)
Mr. Peng Lichun (appointed on 5 March 2015)

Non-Executive Directors

Mr. Wang Fuqing
Mr. Wang Jianqing (resigned on 5 March 2015)

Independent Non-Executive Directors

Mr. Gao Xingbo (resigned on 15 May 2014)
Mr. Chen Shaofeng (resigned on 5 March 2015)
Ms. Tay Sheve Li
Mr. Su Naimin (appointed on 15 May 2014; resigned on 31 October 2014)
Mr. Teng Tai (appointed on 3 June 2014)
Ms. Yu Shun Yan Verda (appointed on 5 March 2015)

Pursuant to Article 105(A) of the Company's article of association, at each annual general meeting one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation and shall be eligible for re-election. Every Director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

By virtue of Article 105(A) of the articles of the association of the Company, Mr. Ruan Deqing and Ms. Tay Sheve Li will retire at the forthcoming annual general meeting, Mr. Ruan Deqing and Ms. Tay Sheve Li, being eligible, will offer themselves for re-election at the annual general meeting.

By virtue of Article 105(B) of the articles of the association of the Company, Mr. Lin Pintong will retire at the forthcoming annual general meeting and he will not offer himself for re-election.

By virtue of Article 109 of the articles of association of the Company, any person appointed by the Directors to fill a casual vacancy or as additional Director shall hold office until the next following general meeting of the Company and shall then be eligible for re-election at the meeting. Ms. Yang Kan and Mr. Peng Lichun who were appointed by the board of Director of the Company as Executive Directors pursuant to board resolutions with effect from 6 February 2015 and 5 March 2015, will retire at the forth coming annual general meeting. Ms. Yang Kan and Mr. Peng Lichun, being eligible, will offer themselves for re-election at the annual general meeting. Mr. Teng Tai and Ms. Yu Shun Yan Verda, who were appointed by the board of Directors of the Company as Independent Non-executive Directors pursuant to board resolution with effect from 3 June 2014 and 5 March 2015 will retire at the forthcoming annual general meeting. Mr. Teng Tai and Ms. Yu Shun Yan Verda, being eligible, will offer themselves for re-election at the annual general meeting.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of Directors and senior management of the Group are disclosed in the section headed "Biographical Details of Directors and Senior Management" on pages 20 to 25 of this annual report.

DIRECTORS' SERVICE AGREEMENTS

Each of Mr. Lin Pintong, Mr. Ruan Deqing and Mr. Han Wenqian (who resigned on 6 February 2015), all being the Executive Directors, has entered into a service contract and supplement service contract with the Company for an initial term of three years with effect from 17 December 2010 and 11 November 2013, respectively. Ms. Yang Kan, being an Executive Director, has entered into a service contract with the Company for an initial term of three years with effect from 6 February 2015. All service contracts shall be automatically renewed and extended for successive terms of one year unless and until terminated by not less than three months' prior notice in writing served by either party on the other or by payment of three months' fixed salary in lieu of such notice at the end of the initial term or at any time thereafter. Mr. Peng Lichun, being Executive Director, has no fixed term of service with the Company and he will hold office until he retires by rotation from the Board and will be eligible for re-election at the annual general meeting in accordance with the provisions of the bye-law.

Mr. Wang Jianqing (who resigned on 5 March 2015), being a Non-Executive Director and each of Mr. Gao Xingbo (who resigned on 15 May 2014) and Mr. Chen Shaofeng (who resigned on 5 March 2015), being Independent Non-Executive Directors has entered into an appointment letter with the Company for a term of one year commencing from 17 December 2010. Mr. Wang Fuqing, being Independent Non- Executive Director, has entered into an appointment letter with the Company for a term of one year commencing from 19 July 2013. Ms. Tay Sheve Li, being an Independent Non-Executive Director, has entered into an appointment letter with the Company for a term of one year commencing from 30 September 2013. Mr. Su Naimin (who resigned on 31 October 2014), being Independent Non-Executive Director, has entered into an appointment letter with the Company for a term of one year commencing from 15 May 2014 and Mr. Teng Tai, being Independent Non- Executive Director, has entered into an appointment letter with the Company for a term of one year commencing from 3 June 2014. The aforementioned appointment letter for each of the non-executive Directors and independent non-executive Directors is for a term of one year which shall be automatically renewed and extended for successive terms of one year and may be terminated after the initial term by either party by giving at least three months' written notice. The appointments are subject to the provisions of the articles of association with regard to vacation of office of directors, removal and retirement by rotation of directors. Ms. Yu Shun Yan Verda, being Independent Non-Executive Director, has no fixed term of service with the Company and she will hold office until she retires by rotation from the Board and will be eligible for re-election at the annual general meeting in accordance with the provisions of the bye-law.

Apart from the foregoing, no director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in note 10 to the financial statements of this annual report, none of the Directors had material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended 31 December 2014, the Directors were not aware of any business or interest of each of the Directors, controlling shareholders and their respective associates (as defined in the GEM Listing Rules) that competes or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group.

NON-COMPETE UNDERTAKING

On 17 December 2010, Mr. Lin Pintong, Mr. Ruan Deqing, Lizhong Limited, Broad Win Limited and Joint Loyal Limited (collectively, the "Controlling Shareholders"), have given an irrevocable non-compete undertaking (the "Non-compete Undertaking") in favour of the Group pursuant to which each of them irrevocably, unconditionally, jointly and severally undertaken, among other matters, not to, directly or indirectly, carry on, invest in or be engaged in any business which would or might compete with the business of the Group. Details of the Non-compete Undertaking have been set out in the section headed "Relationship with our Controlling Shareholders" of the Prospectus.

The Non-compete Undertaking has become effective from the Listing Date.

The Company has received the confirmation from the Controlling Shareholders in respect of their compliance with the terms of the Non-compete Undertaking from the Listing Date to the date of this report.

The Independent Non-Executive Directors had reviewed and confirmed that the Controlling Shareholders have complied with the Non-compete Undertaking and the Non-compete Undertaking has been enforced by the Company in accordance with its terms from the Listing Date to the date of this report.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As at 31 December 2014, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meanings of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange, pursuant to the required standard of dealings by directors of listed issuer referred to in Rule 5.46 of the GEM Listing Rules, were as follows:

Long positions in the ordinary Shares of the Company

Name of director	Nature of interest	Number of Shares held	Approximate percentage of shareholding (%)
Mr. Lin Pintong	Interest of a controlled corporation	265,500,000 ordinary Shares *(Note 1)*	44.25
Mr. Ruan Deqing	Interest of a controlled corporation	265,500,000 ordinary Shares *(Note 2)*	44.25
Mr. Han Wenqian	Interest of a controlled corporation	9,000,000 ordinary Shares *(Note 3)*	1.50
Mr. Wang Fuqing	Interest of a controlled corporation	45,738,000 ordinary Shares *(Note 4)*	7.62
	Beneficial owner	1,194,000 ordinary Shares	0.20

Notes:

(1) These Shares are registered in the name of Lizhong Limited ("Lizhong"), 47.46% of the entire issued share capital of which is owned by Broad Win Limited ("Broad Win"). The entire issued share capital of Broad Win is owned by Mr. Lin Pintong ("Mr. Lin"), an executive director. Mr. Lin is deemed to be interested in all the Shares in which Broad Win is interested by virtue of the SFO. Mr. Lin is the sole director of Broad Win.

(2) These Shares are registered in the name of Lizhong, 47.46% of the entire issued share capital of which is owned by Joint Loyal Limited ("Joint Loyal"). The entire issued share capital of Joint Loyal is owned by Mr. Ruan Deqing ("Mr. Ruan"), an executive director. Mr. Ruan is deemed to be interested in all the Shares in which Joint Loyal is interested by virtue of the SFO. Mr. Ruan is the sole director of Joint Loyal.

(3) These Shares are registered in the name of Long Sunny Trading Limited ("Long Sunny"), the entire issued share capital of which is owned by Mr. Han Wenqian ("Mr. Han"), an executive director. Mr. Han is deemed to be interested in all the Shares in which Long Sunny is interested by virtue of the SFO. Mr. Han is the sole director of Long Sunny.

(4) These Shares are registered in the name of Make Sense Group Limited ("Make Sense"), the entire issued share capital of which is owned by Mr. Wang Fuqing ("Mr. Wang"), an non-executive director. Mr. Wang is deemed to be interested in all the Shares in which Make Sense is interested by virtue of the SFO. Mr. Wang is the sole director of Make Sense.

Save as disclosed above, as at 31 December 2014, none of the Directors and chief executive of the Company had any other interests or short positions in any shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as is known to the Directors, as at 31 December 2014, the following persons (not being a Director or chief executive of the Company) had, or were deemed to have 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:

Long positions in Shares and underlying Shares of the Company

Name of shareholder	Nature of interest	Number of Shares held	Approximate percentage of shareholding (%)
Lizhong *(Note 1)*	Beneficial owner	265,500,000	44.25
Broad Win *(Note 1)*	Interest of a controlled corporation	265,500,000	44.25
Ms. Pan Xiaoying *(Note 2)*	Interest of spouse	265,500,000	44.25
Joint Loyal *(Note 1)*	Interest of a controlled corporation	265,000,000	44.25
Ms. Liu Sibin *(Note 3)*	Interest of spouse	265,500,000	44.25
Ms. Zhu Yan *(Note 4)*	Interest of spouse	46,932,000	7.82
Make Sense	Beneficial owner	45,738,000	7.62
Smartisian Holdings Company Ltd. *(Note 5)*	Beneficial owner	36,000,000	6.00
Ms. Chen Shuyu *(Note 5)*	Interest of a controlled corporation	36,000,000	6.00
Mr. Zhang Sheng *(Note 5)*	Interest of spouse	36,000,000	6.00
Mr. Kazunari Shirai *(Note 6)*	Interest of a controlled corporation	30,039,171	5.00
Ms. Junko Shirai *(Note 7)*	Interest of spouse	30,039,171	5.00

Notes:

(1) These Shares are registered in the name of and beneficially owned by Lizhong, 47.46% and 47.46% of the entire issued share capital of Lizhong is owned by Broad Win and Joint Loyal respectively. The entire issued share capital of Broad Win and Joint Loyal is owned by Mr. Lin and Mr. Ruan respectively. Under the SFO, each of Mr. Lin, Mr. Ruan, Broad Win and Joint Loyal is deemed to be interested in all the Shares held by Lizhong. The directors of Lizhong are Mr. Lin, Mr. Ruan and Mr. Han.

(2) Ms. Pan Xiaoying ("Ms. Pan") is the spouse of Mr. Lin. Therefore, Ms. Pan is deemed, or taken to be, interested in the 265,500,000 Shares which Mr. Lin is deemed, or taken to be interested in for the purposes of the SFO.

(3) Ms. Liu Sibin ("Ms. Liu") is the spouse of Mr. Ruan. Therefore, Ms. Liu is deemed, or taken to be, interested in the 265,500,000 Shares which Mr. Ruan is deemed, or taken to be interested in for the purposes of the SFO.

(4) Among these Shares, Make Sense is the beneficial owner of 45,738,000 Shares and Mr. Wang is the beneficial owner of 1,194,000 Shares. The entire issued share capital of Make Sense is owned by Mr. Wang. Ms. Zhu Yan ("Ms. Zhu") is the spouse of Mr. Wang. Therefore, Ms. Zhu is deemed, or taken to be, interested in all Shares which Mr. Wang is deemed, or taken to be interested in for the purposes of the SFO.

(5) These Shares are registered in the name of and beneficially owned by Smartisian Holdings Company Ltd. ("Smartisian Holdings"), the entire issued share capital of which is owned by Ms. Chen Shuyu ("Ms. Chen"). Ms. Chen is deemed to be interested in all the Shares in which Smartisian Holdings is interested by virtue of the SFO. Mr. Zhang Sheng ("Mr. Zhang") is the spouse of Ms. Chen. Mr. Zhang is deemed, or taken to be, interested in all Shares which Ms. Chen is deemed, or taken to be interested in for the purposes of the SFO.

(6) These Shares are registered in the name of and beneficially owned by Sequedge International Hong Kong ("Sequedge International"), the entire issued share capital of which is owned by Mr. Kazunari Shirai ("Mr. Kazunari"). Mr. Kazunari is deemed to be interested in all the Shares in which Sequedge International is interested by virtue of the SFO.

(7) Ms. Junko Shirai ("Ms. Junko") is the spouse of Mr. Kazunari. Therefore, Ms. Junko is deemed, or taken to be, interested in all Shares which Mr. Kazunari is deemed, or taken to be interested in for the purposes of the SFO.

Save as disclosed above, as at 31 December 2014, the Directors are not aware of any other persons (other than Directors or chief executive of the Company) 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 pursuant to Section 336 of the SFO.

CORPORATE GOVERNANCE

The Company is committed to maintaining the highest 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 10 to 19 of this annual report.

EMOLUMENT POLICY

The Remuneration Committee is responsible for making recommendations to the Board on Company's policy and structure for all Directors and senior management remuneration, having regard to market competitiveness, individual performance and achievement. The Company has adopted a share option scheme as an incentive to directors and eligible participants, details of the scheme is set out in note 28 to the consolidated financial statements.

The remuneration of the senior management of the Group by band for the year ended 31 December 2014 is set out below:

Remuneration bands	Number of senior management
HKD500,001 to HKD1,000,000	2

Further details of the Directors' remuneration and the five highest paid employees are set out in note 10 to the financial statements respectively.

RELATED PARTY TRANSACTIONS

Details of related party transactions of the Group during the year ended 31 December 2014 are set out in note 35 to the consolidated financial statements. Those related party transactions constitute continuing connected transactions exempted from the reporting, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules. The Company confirmed that it has complied with the disclosure requirements in accordance with Chapter 20 of the GEM Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

During the year under review, certain transactions entered into by the Group with the Connected Persons (as defined below) constituted non-exempt continuing connected transactions of the Company under the GEM Listing Rules.

Mr. Lin Pintong ("Mr. Lin") and Mr. Ruan Deqing ("Mr. Ruan") were Directors and controlling shareholders of the Company. Fujian Ao Shen Media Advertising Co. Ltd and Beijing Datisu Media Advertising Co., Ltd, (collectively the "Contracting Entities", each a "Contracting Entity") were owned as to 50% and 50% by Mr. Lin and Mr. Ruan and are associates of Mr. Lin and Mr. Ruan. By virtue of the GEM Listing Rules, Mr. Lin, Mr. Ruan and the Contracting Entities (collectively, the "Connected Persons") were regarded as connected persons of the Company.

For reason as disclosed in the section headed "Connected transactions" in the Prospectus, a series of contracts (the "Structure Agreements") were entered into by, among others, Aoshen Technology Service (Fuzhou) Co., Ltd. ("Aoshen Technology"), Hongkong Ao Shen Investment Co., Limited ("Aoshen Hong Kong"), Mr. Lin, Mr. Ruan and the Contracting Entities on 17 December 2010 which include:

(1) framework agreements (the "Framework Agreements") dated 17 December 2010 entered into between (i) Aoshen Technology; (ii) the Contracting Entities; and (iii) Mr. Lin and Mr. Ruan, whereby the Contracting Entities have undertaken, among others, not to enter into any material business transaction without the prior written consent of Aoshen Technology. The Contracting Entities shall appoint individuals as nominated by Aoshen Technology to be their directors and key management as and when Aoshen Technology sees fit. Furthermore, Aoshen Technology or its nominees is entitled to exercise their rights as if they were the shareholder of the Contracting Entities. Any dividend distributable reserve and/or other assets (including residual assets upon dissolution of the Contracting Entities) derived from the equity interests in the Contracting Entities shall also be paid to Aoshen Technology or to such other entities or otherwise deal with in such other manner as Aoshen Technology may direct. Each of the Framework Agreements has become effective when it was executed on 17 December 2010 and will remain effective for a perpetual term unless and until terminated by Aoshen Technology by the giving of a 30-day advance notice in writing; or pursuant to the terms under other agreements entered into by the relevant parties; and it will be automatically terminated upon dissolution of the relevant Contracting Entity;

(2) exclusivity agreements (the "Exclusivity Agreements") dated 17 December 2010 entered into between Aoshen Technology and the Contracting Entities whereby the Contracting Entities have engaged Aoshen Technology on an exclusive basis to provide consultation services in the management of assets, operation and liabilities, sales and marketing and other supporting services. In consideration of the provision of the aforementioned services by Aoshen Technology, the Contracting Entities have agreed to pay to Aoshen Technology (or such other entities as Aoshen Technology may direct) fees on an annual basis in arrears. Fees payable to Aoshen Technology by the Contracting Entities will be equivalent to the total revenue less all the related costs, expenses and taxes of the respective Contracting Entities, as audited by certified public accountants of the PRC. Each of the Exclusivity Agreements has become effective when it was executed on 17 December 2010 and will remain effective for a perpetual term unless and until terminated by Aoshen Technology by the giving of a 30-day advance notice in writing; and it will be automatically terminated upon dissolution of the relevant Contracting Entity;

(3) equity pledge agreements dated 17 December 2010 entered into between Aoshen Technology, Mr. Lin and Mr. Ruan, whereby Mr. Lin and Mr. Ruan have pledged their entire interests in each of the Contracting Entities to secure the payment of consultations services fees to Aoshen Technology under the Exclusivity Agreements. Aoshen Technology is entitled to exercise its rights to sell the pledged equity interests on occurrence of any non-payment of such fees. None of the equity interests in the Contracting Entities can be pledged or transferred unless otherwise with prior consent from Aoshen Technology. Furthermore, Aoshen Technology is entitled to all dividends derived from the pledged equity interests in the Contracting Entities. Each of the equity pledge agreements has become effective when it was executed on 17 December 2010 until all payments in each of the Exclusivity Agreements are settled by the relevant Contracting Entity, as well as upon which the relevant Contracting Entity is no longer responsible for the performance under the Exclusivity Agreements; and they will be automatically terminated upon dissolution of the relevant Contracting Entity;

(4) option agreements dated 17 December 2010 entered into between Aoshen Hong Kong, each of Mr. Lin and Mr. Ruan and each of the Contracting Entities whereby Aoshen Hong Kong has been granted options to acquire the entire equity interest in the Contracting Entities at nil consideration or the minimum amount as permitted by the applicable PRC laws. Subject to compliance with the PRC laws, such options may be exercised at any time and in any manner at the sole discretion of Aoshen Hong Kong. Prior to the exercise of such options, the respective registered capital or assets, business or revenues of the Contracting Entities shall not be reduced or disposed of unless with the prior consent from Aoshen Hong Kong or Aoshen Technology. Subject to the compliance with applicable laws and the constitutional documents of each of the Contracting Entities, any dividends, distributable reserve and/or other assets (including residual assets upon dissolution of the Contracting Entities) shall also be assigned or transferred to Aoshen Hong Kong, its subsidiaries in the PRC or to such other entities or otherwise deal with in such other manner as Aoshen Hong Kong may direct as soon as practicable but in any event no later than three days upon such receipt. Each of the option agreements has become effective when it was executed on 17 December 2010 and will only expire on the date on which all the equity interests in the Contracting Entities are transferred to Aoshen Hong Kong and/or its nominees, and the registrations of such equity transfers in the relevant Administration of Industry and Commerce in the PRC are completed; and it will be automatically terminated upon dissolution of the relevant Contracting Entity; and

(5) power of attorney dated 17 December 2010 entered into between Aoshen Technology, Mr. Lin and Mr. Ruan in respect of each of the Contracting Entities whereby the Group is authorised to exercise its rights in the Contracting Entities as if it were the ultimate beneficial owner of the Contracting Entities. Each of the power of attorney has become effective when it was executed on 17 December 2010 and will remain effective during the term of the Framework Agreements.

The purpose of the Structure Agreements is to provide the Group with effective control over the financial and operational policies of the Contracting Entities, Fuzhou Haidu Commercial Travel Media Co., Ltd, Beijing Zhong Shi Da Ye Advertising Media Co., Ltd and Beijing Luwang Culture Media Company Limited (collectively the "Operating Entities"), to obtain the economic benefits from the Operating Entities and acquire the equity interests in the Contracting Entities as and when permitted under the applicable PRC laws and to allow the Company to consolidate the assets, liabilities, equity, income and expenses of the Operating Entities into the Group's consolidated financial statements as if they were the Group's subsidiaries, and the economic benefit of their business flows to the Group.

Confirmation of Independent Non-Executive Directors:

The Independent Non-Executive Directors have reviewed the above continuing connected transactions and confirmed that these transactions have been entered into:

(1) in the ordinary and usual course of business of the Company;

(2) either on normal commercial terms or on terms no less favourable to the Company than terms available to or from (as appropriate) independent third parties;

(3) in accordance with the terms of the Structure Agreements that are fair and reasonable and in the interests of the shareholders of the Company as a whole and have been operated so that the revenue generated by the Contracting Entities has been substantially retained by Aoshen Technology; and

(4) no dividends or other distributions have been made by the Contracting Entities to the holders of their respective equity interests which are not otherwise subsequently assigned or transferred to the Group.

Confirmation of auditors of the Company:

Deloitte Touche Tohmatsu, the Company's auditors, were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and with reference to Practice Note 740 *Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules* issued by the Hong Kong Institute of Certified Public Accountants. Deloitte Touche Tohmatsu have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 20.54 of the GEM Listing Rules. A copy of the auditors' letter has been provided by the Company to the Hong Kong Stock Exchange.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained sufficient public float as at the latest practicable date prior to the issue of this annual report as required under the GEM Listing Rules.

EVENTS AFTER THE REPORTING PERIOD

The Group has no significant events after the reporting period.

AUDITORS

Deloitte Touche Tohmatsu will retire, and being eligible, offer themselves for re-appointment at the forthcoming annual general meeting. A resolution for their re-appointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

On Behalf of the Board
Ruan Deqing
Chairman

Hong Kong, 30 March 2015

Deloitte.
德勤

To The Members of China 33 Media Group Limited
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of China 33 Media Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 39 to 109, which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and 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 International Financial Reporting Standards 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 our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

INDEPENDENT AUDITORS' REPORT

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2014, and of the Group's loss and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

OTHER MATTER

The consolidated financial statements of the Company for year ended 31 December 2013 were audited by another auditor who expressed an unmodified opinion on those statements on 24 March 2014.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

30 March 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000 (re-presented)
Continuing operations			
Revenue	6	115,612	157,404
Cost of sales		(89,208)	(85,920)
Gross profit		26,404	71,484
Other income	7	6,419	4,785
Other gains and losses	8	(10,602)	(5,995)
Selling and distribution expenses		(38,750)	(48,467)
Administrative expenses		(39,861)	(42,644)
Share of results of associates		30	(64)
Share of results of a joint venture		16	977
Loss before taxation	9	(56,344)	(19,924)
Taxation	11	(3,423)	(7,712)
Loss for the year from continuing operations		(59,767)	(27,636)
Discontinued operation			
Profit (loss) for the year from discontinued operation	13	19	(1,488)
Loss for the year		(59,748)	(29,124)
Other comprehensive expense for the year			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		(871)	(133)
Total comprehensive expense for the year		(60,619)	(29,257)
(Loss) profit for the year attributable to owners of the Company:			
— from continuing operations		(59,142)	(24,536)
— from discontinued operation		19	(1,488)
		(59,123)	(26,024)
Loss for the year attributable to non-controlling interests from continuing operations		(625)	(3,100)
		(59,748)	(29,124)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

	Note	2014 RMB'000	2013 RMB'000 (re-presented)
Total comprehensive expense for the year attributable to:			
Owners of the Company		(59,994)	(26,157)
Non-controlling interests		(625)	(3,100)
		(60,619)	(29,257)
		RMB cents	RMB cents
Basic loss per share	14		
From continuing and discontinued operations		(9.85)	(4.34)
From continuing operations		(9.86)	(4.09)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
Non-current assets			
Property, plant and equipment	15	11,468	7,330
Intangible assets	16	–	384
Other non-current assets	17	7,510	19,251
Interest in a joint venture	18	1,566	1,550
Interests in associates	19	6,239	9,689
Available-for-sale investment	20	–	439
Prepayments and deposits	22	25,671	42,960
Loans receivables	21	8,810	–
Trade receivables	22	3,079	–
		64,343	81,603
Current assets			
Loans receivables	21	33,167	–
Trade and bills receivables	22	16,543	40,603
Prepayments, deposits and other receivables	22	29,558	34,376
Pledged bank deposits	23	14,952	–
Short-term bank deposits	23	10,350	10,350
Cash and cash equivalents	23	29,790	105,459
		134,360	190,788
Current liabilities			
Trade payables	24	26,519	31,896
Other payables and accruals	24	19,854	30,023
Amount due to an associate	25	3,000	2,950
Tax payable		2,043	1,844
		51,416	66,713
Net current assets		82,944	124,075
Total assets less current liabilities		147,287	205,678
Non-current liabilities			
Deferred taxation	26	–	72
Net assets		147,287	205,606

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
Capital and reserves			
Share capital	27	3,957	3,957
Reserves		137,943	197,937
Equity attributable to owners of the Company		141,900	201,894
Non-controlling interests		5,387	3,712
Total equity		147,287	205,606

The consolidated financial statements on pages 39 to 109 were approved and authorised for issue by the Board of Directors on 30 March 2015 and are signed on its behalf by:

Lin Pintong
DIRECTOR

Ruan Deqing
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	Attributable to owners of the Company									
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000 (Note i)	Statutory reserve RMB'000 (Note ii)	Share redemption reserve RMB'000	Exchange reserve RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2013	3,957	224,984	26,239	12,788	19	(5,545)	(34,391)	228,051	6,812	234,863
Loss for the year	–	–	–	–	–	–	(26,024)	(26,024)	(3,100)	(29,124)
Exchange differences on translation of foreign operations	–	–	–	–	–	(133)	–	(133)	–	(133)
Total comprehensive expense for the year	–	–	–	–	–	(133)	(26,024)	(26,157)	(3,100)	(29,257)
Transfer to statutory reserve	–	–	–	192	–	–	(192)	–	–	–
At 31 December 2013	3,957	224,984	26,239	12,980	19	(5,678)	(60,607)	201,894	3,712	205,606
Loss for the year	–	–	–	–	–	–	(59,123)	(59,123)	(625)	(59,748)
Exchange differences on translation of foreign operations	–	–	–	–	–	(871)	–	(871)	–	(871)
Total comprehensive expense for the year	–	–	–	–	–	(871)	(59,123)	(59,994)	(625)	(60,619)
Transfer to statutory reserve	–	–	–	194	–	–	(194)	–	–	–
Waiver of payable by a non-controlling shareholder of a subsidiary	–	–	–	–	–	–	–	–	2,300	2,300
At 31 December 2014	**3,957**	**224,984**	**26,239**	**13,174**	**19**	**(6,549)**	**(119,924)**	**141,900**	**5,387**	**147,287**

Notes:

(i) The capital reserve represents the aggregate of:

(1) the amount of fair value of the identifiable net assets of Fujian Ao Shen Media Advertising Co., Ltd ("Fujian Ao Shen"), Beijing Datisu Media Advertising Co. Ltd ("Beijing Datisu"), Beijing Lvban Media Advertising Co., Ltd, Shanghai Lvban Culture Transmission Co. Ltd, Jinan Lvban Advertising Co. Ltd and Guangzhou Lvban Advertising Co., Ltd of RMB23,797,000 acquired by the Group from Mr. Lin Pintong ("Mr. Lin") and Mr. Ruan Deqing ("Mr. Ruan"), executive directors and controlling shareholders of the Group, on 30 June 2008 at nil consideration; and

(2) the fair value of share options of Lizhong Limited ("Lizhong"), the immediate holding company of the Company, granted by Lizhong to employees of the Group amounted to RMB2,442,000 was recognised as share-based payment expense from year 2007 to year 2011 for the services provided by the employees to the Group.

(ii) As stipulated by the relevant regulations in the People's Republic of China (the "PRC"), the Company's subsidiaries established and operating in the PRC are required to appropriate 10% of their profit after tax as determined in accordance with the PRC accounting rules and regulations, to the statutory reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of a dividend to equity owners. The statutory reserve can be used to make good previous years' losses, if any, and may be converted into paid-up capital by issuing additional capital to the owners in proportion to the owners' existing equity holdings, provided that the balance after such conversion is not less than 25% of the registered capital.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	2014 RMB'000	2013 RMB'000
OPERATING ACTIVITIES		
(Loss) profit before taxation		
— continuing operations	(56,344)	(19,924)
— discontinued operation	19	(1,488)
Adjustments for:		
Depreciation of property, plant and equipment	1,290	1,655
Bank interest income	(1,740)	(1,106)
(Gain) loss on disposal of property, plant and equipment	(20)	551
Loss on disposal of a subsidiary	–	113
Loss on disposal of an associate	131	–
Amortisation of intangible assets	384	1,038
Amortisation of other non-current assets	6,224	5,086
Allowance for bad and doubtful debts, net	866	1,119
Impairment of intangible assets	–	929
Impairment loss of non-current deposits	8,984	3,369
Impairment loss of available-for-sale investment	439	–
Impairment loss of other non-current assets	6,236	–
Share of results of a joint venture	(16)	(977)
Share of results of associates	(30)	64
Imputed interest income on non-current deposits, net	(2,674)	(661)
Operating cash flows before movements in working capital	(36,251)	(10,232)
Increase in loans receivables	(41,977)	–
Decrease in trade and bills receivables	16,260	1,286
Decrease in prepayments, deposits and other receivables	18,590	1,359
(Decrease) increase in trade payables	(3,077)	1,682
Decrease in other payables and accruals	(10,169)	(12,042)
Decrease in amount due to an associate	–	1,296
Cash used in operations	(56,624)	(16,651)
PRC tax paid	(3,296)	(8,654)
NET CASH USED IN OPERATING ACTIVITIES	(59,920)	(25,305)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	Notes	**2014** **RMB'000**	2013 RMB'000
INVESTING ACTIVITIES			
Bank interest received		**1,740**	1,106
Deposits paid for acquisition of property, plant and equipment		**(3,736)**	–
Proceeds from disposal of property, plant and equipment		**130**	217
Additions to other non-current assets		**(719)**	(3,257)
Additions to prepayment and non-current deposits		**–**	(17,935)
Purchase of property, plant and equipment		**(1,683)**	(1,003)
Repayments from directors		**–**	3,260
Repayment from a shareholder		**–**	16,815
Capital contribution to an associate		**–**	(3,000)
Net cash outflow on disposal of a subsidiary	30	**–**	(493)
Settlement of consideration receivable from disposal of a subsidiary in previous year		**943**	–
Proceeds from disposal of an associate		**3,349**	–
Placement of pledged bank deposits		**(14,952)**	–
NET CASH USED IN INVESTING ACTIVITIES		**(14,928)**	(4,290)
CASH FROM FINANCING ACTIVITY			
Advanced from an associate		**50**	2,950
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(74,798)**	(26,645)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**105,459**	132,237
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**(871)**	(133)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	23	**29,790**	105,459

1. GENERAL

China 33 Media Group Limited ("the Company") was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and its shares are listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its immediate holding company is Lizhong (incorporated in the Cayman Islands). Lizhong is jointly controlled by Joint Loyal Limited and Broad Win Limited, companies incorporated in the Cayman Islands and are wholly-owned by Mr. Ruan and Mr. Lin respectively, the ultimate controlling parties and executive directors of the Company. The registered office address of the Company is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands and the principal place of business of the Company is Room 905–906, Tower 2, China Hong Kong City, 3 Canton Road, Tsimshatsui, Kowloon, Hong Kong.

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

The Company is an investment holding company. The principal activities of its subsidiaries, a joint venture and associates are set out in notes 36, 18 and 19 respectively.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

In the current year, the Group has applied the following amendments to IFRSs and a new interpretation issued by the International Accounting Standards Board ("IASB").

Amendments to IFRS 10, IFRS 12 and IAS 27	Investment entities
Amendments to IAS 32	Offsetting financial assets and financial liabilities
Amendments to IAS 36	Recoverable amount disclosures for non-financial assets
Amendments to IAS 39	Novation of derivatives and continuation of hedge accounting
IFRIC 21	Levies

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

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(continued)*

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

IFRS 9	Financial instruments[1]
IFRS 14	Regulatory deferral accounts[4]
IFRS 15	Revenue from contracts with customers[5]
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment entities: Applying the consolidation exception[4]
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture[5]
Amendments to IFRS 11	Accounting for acquisitions of interests in joint operations[4]
Amendments to IAS 1	Disclosure initiative[4]
Amendments to IAS 16 and IAS 38	Clarification of acceptable methods of depreciation and amortisation[4]
Amendments to IAS 16 and IAS 41	Agriculture: Bearer plants[4]
Amendments to IAS 19	Defined benefit plans: Employee contributions[2]
Amendments to IAS 27	Equity method in separate financial statements[4]
Amendments to IFRSs	Annual improvements to IFRSs 2010–2012 cycle[3]
Amendments to IFRSs	Annual improvements to IFRSs 2011–2013 cycle[2]
Amendments to IFRSs	Annual improvements to IFRSs 2012–2014 cycle[4]

1 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

2 Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.

3 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions. Earlier application is permitted.

4 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

5 Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(continued)*

IFRS 9 "Financial Instruments"

IFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' ("FVTOCI") measurement category for certain simple debt instruments.

Key requirements of IFRS 9 are described below:

- All recognised financial assets that are within the scope of IAS 39 "Financial Instruments: Recognition and Measurement" are 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. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 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.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that 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 of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Except for the potential early recognition of credit losses based on the expected loss model in relation to the Group's financial assets measured at amortised cost, the directors of the Company anticipate that the application of IFRS 9 in the future will not have other material impact on the Group's financial instruments based on the analysis of the Group's financial assets and liabilities as at 31 December 2014.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(continued)*

IFRS 15 "Revenue from Contracts with Customers"

In July 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 "Revenue", IAS 11 "Construction Contracts" and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

The directors of the Company anticipate that the application of IFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

The directors of the Company anticipate that the application of the other new and revised IFRSs will have no material impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the "GEM Listing Rules") and by the Hong Kong Companies Ordinance, which for this financial year and the prior year continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622).

The consolidated financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. Fair value under IFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- has exposure, or rights, to variable returns from its involvement with the investee; and
- has the ability to use its power over the investee to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries 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.

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

All inter-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.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). 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 IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments in associates and joint venture

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.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and joint venture are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and joint venture used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, investments in associates and joint venture are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates and joint venture. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), 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 the associate or joint venture.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 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 IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Upon disposal of an associate or joint venture, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with IAS 39. The difference between the previous carrying amount of the associate or joint venture attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it disposes associate or joint venture.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

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

Revenue from printed media and audio advertising is recognised based on the terms of the relevant agreements when the advertisements at various channels such as magazines and audio broadcasting are published or broadcasted.

Revenue from outdoor advertising is recognised on a time proportion basis over the terms of the relevant agreements when the advertisements at airport control towers, trains and railway stations are published.

When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction which generates revenue. The revenue is measured at the fair value of the goods or services received adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

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 revenue can be measured reliably. Interest income from a financial asset 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.

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.

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. Specifically, government grants where primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss over the useful lives of the related assets.

Government grants 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 on a systematic and rational basis in the period in which they become receivable.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation

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

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before taxation as reported in the consolidated statement of profit or loss and other comprehensive income 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

Deferred tax is recognised on temporary 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 generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those 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 arising from investments in subsidiaries, and interests in associates and a joint venture, 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.

The carrying amount of a deferred tax asset is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 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 translation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) 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, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the exchange reserve).

Retirement benefit costs

Payments to state-managed retirement benefit schemes and Mandatory Provident Fund Scheme ("MPF Scheme") are charged as an expense when employees have rendered service entitling them to the contributions.

Property, plant and equipment

Property, plant and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

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 the profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and 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. Alternatively, 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).

Gains or losses arising from derecognition of an intangible asset are measured at 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.

Other non-current assets

Other non-current assets are carried at cost less accumulated amortisation and any accumulated impairment losses.

Amortisation for other non-current assets is provided on a straight-line basis over their respective estimated useful lives, i.e. the term of the expected duration of outdoor advertising activities to be carried out by the Group. 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 other non-current assets are measured at 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.

Impairment losses on tangible and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives 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. When 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment losses on tangible and intangible assets *(continued)*

Recoverable amount is the higher of fair value less costs of disposal 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 as an expense 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, but so 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 (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

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 instruments. 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 and 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.

Financial assets

The Group's financial assets are classified as loans and receivables and available-for-sale investment. 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

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. Income is recognised on an effective interest basis for debt instruments.

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 loans receivables, trade and bills receivables, refundable deposits and other receivables, pledged bank deposits, short-term bank deposits and cash and cash equivalents) are carried at amortised cost using the effective interest method, less any identified impairment losses (see the accounting policy in respect of impairment of financial assets below.)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period (see the accounting policy in respect of impairment loss on financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Impairment of financial assets

Financial assets 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, the estimated future cash flows have been affected.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its costs is considered to be objective evidence of impairment.

For loans and receivables, 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.

For certain categories of loans and receivables, such as loans receivables and trade and bills receivables, amounts that are assessed not to be impaired individually are subsequently 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 and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised costs, the amount of impairment loss is 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.

For financial assets carried at cost, including available-for-sale equity investments, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity instruments

Debts 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 recorded 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 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.

Financial liabilities

Financial liabilities including trade payables, other payables and accruals and amount due to an associate are subsequently measured at amortised cost, using the effective interest method.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 original estimates, 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.

At the time 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 still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to accumulated profits.

4. CRITICAL ACCOUNTING JUDGEMENTS AND 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.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Critical accounting judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Note 36 describes that Fujian Ao Shen and Beijing Datisu (collectively the "Contracting Entities", each a "Contracting Entity") are subsidiaries of the Group although the Group does not have any equity interest in the registered capital of the Contracting Entities, each of which were established and owned as to 50% and 50% by Mr. Lin and Mr. Ruan, executive directors and controlling shareholders of the Group. The directors assessed whether or not the Group has control over the Contracting Entities based on whether the Group has the practical ability to direct the relevant activities of the Contracting Entities unilaterally. In making their judgment, the directors considered the Contractual Arrangements (see the details of the Contractual Arrangements below).

Control over the Contracting Entities

On 17 December 2010, Hong Kong Ao Shen Investment Co., Ltd ("Hong Kong Ao Shen", a wholly-owned subsidiary of the Company), Ao Shen Technology Service (Fuzhou) Co., Ltd ("Ao Shen Technology", a wholly-owned subsidiary of Hong Kong Ao Shen), each of the Contracting Entities and their respective equity participants, Mr. Lin and Mr. Ruan, entered into a series of agreements (the "Contractual Arrangements") with the following key provisions:

Framework agreements

The framework agreements dated 17 December 2010 entered into between (i) Ao Shen Technology; (ii) the Contracting Entities; and (iii) Mr. Lin and Mr. Ruan, whereby the Contracting Entities have undertaken, among others, not to enter into any material business transaction without the prior written consent of Ao Shen Technology. The Contracting Entities shall appoint individuals as nominated by Ao Shen Technology to be their directors and key management as and when Ao Shen Technology sees fit. Furthermore, Ao Shen Technology or its nominees is entitled to exercise their rights as if they were the shareholder of the Contracting Entities. Any dividend distributable reserve and/or other assets (including residual assets upon dissolution of the Contracting Entities) derived from the equity interests in the Contracting Entities shall also be paid to Ao Shen Technology or to such other entities or otherwise deal with in such other manner as Ao Shen Technology may direct. Each of the Framework Agreements has become effective when it was executed on 17 December 2010 and will remain effective for a perpetual term unless and until terminated by Ao Shen Technology by the giving of a 30-day advance notice in writing; or pursuant to the terms under other agreements entered into by the relevant parties; and it will be automatically terminated upon dissolution of the relevant Contracting Entity.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Option agreements

Hong Kong Ao Shen, each of Mr. Lin and Mr. Ruan and each of the Contracting Entities entered into exclusive option agreements (the "Option Agreements") whereby Hong Kong Ao Shen has been granted options to acquire the entire equity interest in the Contracting Entities at nil consideration or the minimum amount as permitted by the applicable PRC laws. Subject to compliance with the PRC laws, such options may be exercised at any time and in any manner at the sole discretion of Hong Kong Ao Shen. Pursuant to the Option Agreements, each of the Contracting Entities and/or Mr. Lin and Mr. Ruan has given undertakings that it shall perform certain acts or refrain from performing certain other acts unless with the prior written consent of Ao Shen Technology, including but not limited to the below matters:

(a) that each of the Contracting Entities shall not alter its constitutional documents or its registered capital unless with the prior consent from Ao Shen Technology;

(b) that any of the Contracting Entities and/or Mr. Lin and Mr. Ruan shall not incur any indebtedness or guarantee (other than those incurred in the ordinary course of business and disclosed to and approved by Ao Shen Technology in advance);

(c) that each of the Contracting Entities shall not provide any loan or guarantee to any third parties;

(d) that each of the Contracting Entities shall not dispose of or create encumbrances over any part of its assets, business or revenue and that Mr. Lin and Mr. Ruan shall not dispose of or create encumbrances over the equity interest held by them in each of the Contracting Entities, except the security created under the Equity Pledge Agreement (as defined below);

(e) that each of the Contracting Entities shall not enter into any material contracts over RMB1,000,000 other than those in its ordinary course of business;

(f) that each of the Contracting Entities shall not distribute any dividend (including any undistributed attributable profit payable to the entity's shareholders prior to the Option Agreements becoming effective) to its shareholders and that Mr. Lin and Mr. Ruan undertake that such undistributed profit shall be retained in each of the Contracting Entities as its capital and/or reserved fund and shall give up and assign or transfer to Ao Shen Technology any dividend declared and distributed thereafter and payable to them by virtue of their holding of the equity interest in each of the Contracting Entities;

(g) that each of the Contracting Entities shall not make investment or engage in any merger or acquisition transactions; and

(h) that at the request of Ao Shen Technology, Mr. Lin and Mr. Ruan shall appoint such persons nominated by Ao Shen Technology to act as the directors, supervisors and senior management members of each of the Contracting Entities.

Each of the Option Agreements has become effective when it was executed on 17 December 2010 and will only expire on the date on which all the equity interests in the Contracting Entities are transferred to Hong Kong Ao Shen and/or its nominees, and the registrations of such equity transfers in the relevant Administration of Industry and Commerce in the PRC are completed; and it will be automatically terminated upon dissolution of the relevant Contracting Entity.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Power of attorney

Ao Shen Technology and Mr. Lin and Mr. Ruan entered into power of attorney (the "Power of Attorney") pursuant to which Mr. Lin and Mr. Ruan have unconditionally and irrevocably undertaken to authorise such person(s) as designated by Ao Shen Technology (being PRC citizens) to exercise the shareholders' rights in relation to appointment of proxy and exercise of voting rights in each of the Contracting Entities under the articles of associate of the Contracting Entities and the applicable PRC laws. Such shareholders' rights include but are not limited to (i) calling and attending the shareholders' meetings of the Contracting Entities; (ii) exercising the voting rights on all matters requiring the consideration and approval of shareholders and those pursuant to articles of association of the Contracting Entities.

Before Ao Shen Technology acquires the equity interests from Mr. Lin and Mr. Ruan in each of the Contracting Entities contemplated under the Option Agreements, Ao Shen Technology can exercise the voting rights of shareholders of the Contracting Entities as if Ao Shen Technology and hence the Group was the ultimate beneficial owner of the Contracting Entities by virtue of the Power of Attorney.

The term of the Power of Attorney commenced on 17 December 2010 and will remain effective during the term of the Framework Agreements.

Exclusivity agreements

Ao Shen Technology and each of the Contracting Entities entered into exclusivity agreements (the "Exclusivity Agreements") pursuant to which the Contracting Entities will exclusively engage Ao Shen Technology to provide consultation services in the management of assets, operation and liabilities, sales and marketing and other supporting services.

In consideration of the provision of the aforementioned services by Ao Shen Technology, each of the Contracting Entities agrees to pay to Ao Shen Technology (or such other entities as Ao Shen Technology may direct) fees on an annual basis in arrears. Fees payable to Ao Shen Technology by each of the Contracting Entities will be equivalent to the total revenue less all the related costs, expenses and taxes of the respective Contracting Entities, as audited by certified public accountants of the PRC.

Pursuant to the Exclusivity Agreements, each of the Contracting Entities shall not without the prior written consent of Ao Shen Technology to dispose of or pledge its material assets, operation rights and/or business; alter its registered capital; alter its scope of business; declare dividends; and/or remove any of its directors and senior management members.

The term of the Exclusivity Agreements commenced from 17 December 2010 and will remain effective for a perpetual term unless and until terminated by Ao Shen Technology by the giving of a 30-day advance notice in writing; and it will be automatically terminated upon dissolution of the relevant Contracting Entity.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Equity pledge agreements

Ao Shen Technology and Mr. Lin and Mr. Ruan entered into equity pledge agreements (the "Equity Pledge Agreements"), whereby Mr. Lin and Mr. Ruan have pledged their entire interests in each of the Contracting Entities to secure the payment of consultations services fees to Ao Shen Technology under the Exclusivity Agreements.

Pursuant to the Equity Pledge Agreements, without the prior written consent of Ao Shen Technology, the Contracting Entities shall not alter its current shareholding structure and/or its nature or scope of business, Mr. Lin and Mr. Ruan shall not allow the Contracting Entities to transfer or dispose of its assets and pledge or transfer their respective equity interests in the Contracting Entities in favour of or to other third parties. Ao Shen Technology is entitled to receive all dividends derived from the pledged equity interests. Ao Shen Technology is entitled to demand repayment of the secured indebtedness and/or to exercise its rights to sell the pledged equity interests on occurrence of certain events of default including but not limited to non-performance or breach of any of the Exclusivity Agreements, the Option Agreements and the Power of Attorney; or failure to repay other debts when due by the Contracting Entities or Mr. Lin and Mr. Ruan (as the case may be).

The Equity Pledge Agreements became effective when they were executed on 17 December 2010 until all payments in each of the Exclusivity Agreements are settled by the relevant Contracting Entity, as well as upon which the relevant Contracting Entity is no longer responsible for the performance under the Exclusivity Agreements; and they will be automatically terminated upon dissolution of the relevant Contracting Entity.

In the opinion of the directors, all the terms of the Contractual Arrangements are valid, binding and legally enforceable on all parties under the applicable laws in the PRC. Pursuant to the Contractual Agreements, Mr. Lin and Mr. Ruan assigned all the shareholder's rights of the Contracting Entities and to assign the power to appoint and remove all the members of the board of directors and to govern the financial and operating policies of the Contracting Entities to the Group. The directors of the Company considered such agreements give the Group the current ability to direct the relevant activities of the Contracting Entities. With the power over the Contracting Entities and the ability to use the power over the Contracting Entities to affect the amount of the Group's return, the Group treats the Contracting Entities as wholly-owned subsidiaries of the Company under IFRS 10 and the Contracting Entities' results, assets and liabilities are consolidated with those of the Group. The total assets, total liabilities and the loss for the year of the Contracting Entities and their subsidiaries are RMB62,741,000, RMB40,745,000 and RMB8,645,000 (2013: RMB87,144,000, RMB58,803,000 and RMB17,501,000) respectively.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Key sources of estimation uncertainty

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.

Impairment of property, plant and equipment, intangible assets and other non-current assets

Determining whether an impairment is required requires an estimation of recoverable amounts of the property, plant and equipment, intangible assets, other non-current assets or the respective cash generating units ("CGU") in which the property, plant and equipment, intangible assets and other non-current assets belong, which is the higher of value in use and fair value less costs of disposal. If there is any indication that an asset may be impaired, recoverable amount shall be estimated for individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the Group shall determine the recoverable amount of the CGU to which the asset belongs. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the assets or CGUs and a suitable discount rate in order to calculate the present value. The discount rate represents a rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted. Where the actual future cash flows or the revision of estimated future cash flows are less than original estimated future cash flow, a material impairment loss may arise. As at 31 December 2014, the carrying amounts of property, plant and equipment, intangible assets and other non-current assets are RMB11,468,000, nil and RMB7,510,000 (2013: RMB7,330,000, RMB384,000 and RMB19,251,000) respectively.

Impairment of interests in associates

Determining whether interests in associates are impaired requires an estimation of the recoverable amount of the associates which is higher of value in use and fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the associates, suitable discount rates and the proceeds on ultimate disposal of the associates. Where the actual future cash flows are less than or more than expected or upon the management's revision of estimated cash flows due to change in conditions, facts and circumstances, a material impairment loss or reversal of impairment loss may arise. As at 31 December 2014, the carrying amount of interests in associates is RMB6,239,000 (2013: RMB9,689,000).

Allowance for bad and doubtful debts and refundable deposits and other receivables

The policy for allowance for bad and doubtful debts of the Group is based on the evaluation of collectability, ageing analysis of accounts, the values of underlying collateral and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of those borrowers and customers in default of settlement. If the financial conditions of counterparties and their ability to make payments worsen, additional allowance may be required. As at 31 December 2014, the aggregate carrying amount of loans receivables, trade receivables and refundable deposits and other receivables, net of allowance for bad and doubtful debts, are RMB41,977,000, RMB19,058,000 and RMB28,612,000 (2013: nil, RMB40,603,000 and RMB37,859,000) respectively.

5. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2014 RMB'000	2013 RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	146,601	210,009
Financial liabilities		
Amortised cost	38,719	58,127

Financial risk management objectives and policies

The Group's major financial instruments include loans receivables, trade and bills receivables, refundable deposits and other receivables, pledged bank deposits, short-term bank deposits, cash and cash equivalents, trade payables, other payables and accruals and amount due to an associate. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk 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 on a timely and effective manner.

Market risk

Currency risk

The Group collects most of its revenue in RMB and incurs most of the expenditures as well as capital expenditures in RMB, while the Group still has certain foreign currency denominated monetary assets, which expose the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

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

	RMB		US$		HK$	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Prepayments, deposits and other receivables	–	–	–	–	9,852	–
Pledged bank deposits	12,652	–	–	–	–	–
Cash and cash equivalents	–	–	375	33,913	2,511	308

5. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Market risk *(continued)*

Currency risk *(continued)*

Sensitivity analysis

The following table details the Group's sensitivity to a 5% (2013: 5%) increase and decrease in the functional currency of the respective group entities against relevant foreign currencies and all other variables were held constant. 5% (2013: 5%) is the sensitivity rate used by management in the assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% (2013: 5%) change in foreign currency rates. The negative numbers below indicate decrease in post-tax loss for the year ended 31 December 2014 where the functional currency of the respective group entities strengthens 5% against the relevant foreign currencies. For a 5% (2013: 5%) weakening of the functional currency of the respective group entities against the relevant foreign currencies, there would be an equal and opposite impact on the result for the year.

	RMB		US$		HK$	
	2014	2013	**2014**	2013	**2014**	2013
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Profit or loss	**(474)**	–	**(14)**	(1,272)	**(464)**	(12)

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate loans receivables (note 21). The Group is also exposed to cash flow interest rate risk in relation to pledged bank deposits, short-term bank deposits and cash and cash equivalents. The Group currently does not have interest rate hedging policy. However, the management of the Group will consider hedging significant interest rate exposure should the need arise.

The management considers that the Group's exposure to cash flow interest rate risk on variable-rate pledged bank deposits, short-term bank deposits and cash and cash equivalents as a result of the change of market interest rate is insignificant due to its short-term maturity and thus no sensitivity analysis is prepared for interest rate risk.

Credit risk

The Group's credit risk is primarily attributable to loans receivables, trade and bills receivables, pledged bank deposits, short-term bank deposits and cash and cash equivalents.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for 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 Group reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

5. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Credit risk *(continued)*

The Group has concentration of credit risks with exposure limited to certain customers. For printed media business and outdoor advertising business, the trade receivables (after impairment) from the five largest debtors at 31 December 2014 represented 27% (2013: 47%) of the total trade receivables (after impairment), while 10% (2013: 24%) of the total trade receivables (after impairment) were due from the largest debtor which is a private company engaged in property development in the PRC (2013: a private company engaged in sales of automobiles in the PRC). The management closely monitors the subsequent settlement of the customers. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has concentration of credit risk as 41% (2013: 36%) of the total refundable deposits for the advertising agency rights were placed to an independent third party for the exclusive rights to sell the advertising spaces on the Towers (as defined in note 17) (2013: for the designated outdoor advertising spaces in railway stations in the PRC) as at 31 December 2014. The directors of the Company consider that the credit risks of total deposits for advertising agency rights placed are low after considering the good business relationship with this independent third party and the long history of business development of this independent third party.

The Group has concentration of credit risk as 16% (2013: nil) of the loans receivables was advanced to the Group's largest borrower from money lending business as at 31 December 2014. The management closely monitors the subsequent settlement of the borrowers. In this regard, the directors of the Company consider that the credit risks of loans receivables are significantly reduced.

The Group's bank balances are deposited with banks in Hong Kong and the PRC and the Group has limited the exposure to any single financial institution. The credit risk on liquid funds is limited because the counterparties are banks with good credit-rating.

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. The Group relies on internal fundings as a significant source of liquidity.

The directors consider that liquidity risk is limited after considering the future cash flows of the Group in the foreseeable future the short-term liabilities are required to be repaid within three months from the end of the reporting period. The Group manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Fair value measurements of financial instruments

Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis

The management of the Group estimates the fair value of the Group's financial assets and financial liabilities measured at amortised cost using the discounted cash flows analysis.

The management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated statement of financial position approximate their fair values.

6. REVENUE AND SEGMENT INFORMATION

Revenue

	2014 RMB'000	2013 RMB'000 (re-presented)
An analysis of the Group's revenue for the year from continuing operations is as follows:		
Printed media advertising income	**89,839**	110,891
Outdoor advertising income	**24,791**	46,513
Money lending interest income	**982**	–
Total	**115,612**	157,404

Included in revenue from outdoor advertising income is an amount of RMB2,418,000 (2013: RMB1,061,000) in respect of advertising services provided whereby the Group received or will receive residential properties situated in the PRC. Revenue is determined based on the fair value of advertising services provided which approximated the fair value of the properties determined with reference to the market value of similar properties in the same location.

Segment information

The Group determines its operating segments and measurement of segment profits based on the internal reports to the executive directors, the Group's chief operating decision makers, for the purposes of resource allocation and performance assessment. The Group's reportable and operating segments are as follows:

(a) printed media advertising: sale of advertising spaces in magazines distributed in certain train services in the PRC;

(b) outdoor advertising: sale of outdoor advertising spaces, mainly in the form of light boxes, at certain airport towers and certain railway stations in the PRC; and

(c) money lending: provision of mortgage loans and short-term loans in Hong Kong.

During the year ended 31 December 2014, the Group started a new operating segment, money lending business in Hong Kong.

During the year ended 31 December 2014, management of the Group decided to concentrate the resources of the Group on the business of printed media advertising, outdoor advertising and money lending and determined to discontinue the operation of audio advertising through audio broadcasting during train transmission. Accordingly, the Group did not renew the audio advertising contracts with the customers upon expiry of contracts during the year. The Group's audio advertising operation is treated as discontinued operation.

The segment information reported below does not include any amounts for the discontinued operation, which are disclosed in note 13.

6. REVENUE AND SEGMENT INFORMATION *(continued)*

Segment information *(continued)*

Segment revenue and results

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

For the year ended 31 December 2014

	Printed media advertising *RMB'000*	Outdoor advertising *RMB'000*	Money lending *RMB'000*	Consolidated *RMB'000*
Continuing operations				
Revenue — external customers	**89,839**	**24,791**	**982**	**115,612**
Segment profit (loss)	**29,167**	**(11,387)**	**39**	**17,819**
Bank interest income				**1,740**
Unallocated other income, other gains and losses, net				**1,253**
Share of results of a joint venture				**16**
Share of results of associates				**30**
Corporate and other unallocated expenses				**(77,202)**
Loss before taxation				**(56,344)**

For the year ended 31 December 2013 (re-presented)

	Printed media advertising *RMB'000*	Outdoor advertising *RMB'000*	Consolidated *RMB'000*
Continuing operations			
Revenue — external customers	110,891	46,513	157,404
Segment profit	54,300	13,357	67,657
Bank interest income			1,106
Unallocated other income, other gains and losses, net			2,483
Share of results of a joint venture			977
Share of results of associates			(64)
Corporate and other unallocated expenses			(92,083)
Loss before taxation			(19,924)

6. REVENUE AND SEGMENT INFORMATION *(continued)*

Segment information *(continued)*

Segment revenue and results *(continued)*

The accounting policies of the reportable and operating segments are the same as the Group's accounting policies described in note 3. Segment result represents the profit earned or loss incurred by each segment without allocation of bank interest income, certain other income and other gains and losses, loss on disposal of an associate and a subsidiary, impairment loss of property, plant and equipment, impairment loss of an available-for-sale investment, (gain) loss on disposal of property, plant and equipment, share of results of a joint venture and associates and corporate and other unallocated expenses. Corporate and other unallocated expenses included selling and distribution expenses, administrative expenses and other operating expenses except for staff costs for the money lending business. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

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

At 31 December 2014

	Printed media advertising *RMB'000*	Outdoor advertising *RMB'000*	Money lending *RMB'000*	Consolidated *RMB'000*
Segment assets	30,082	28,276	41,977	100,335
Interest in a joint venture				1,566
Interests in associates				6,239
Corporate and other unallocated assets				35,471
Pledged bank deposits				14,952
Short-term bank deposits				10,350
Cash and cash equivalents				29,790
Consolidated assets				198,703
Segment liabilities	17,444	17,652	195	35,291
Corporate and other unallocated liabilities				16,125
Consolidated liabilities				51,416

6. REVENUE AND SEGMENT INFORMATION *(continued)*

Segment information *(continued)*

Segment assets and liabilities *(continued)*

As at 31 December 2013

	Printed media advertising *RMB'000*	Outdoor advertising *RMB'000*	Consolidated *RMB'000*
Segment assets	25,617	81,320	106,937
Available-for-sale investment			439
Interest in a joint venture			1,550
Interests in associates			9,689
Corporate and other unallocated assets			37,967
Short-term bank deposits			10,350
Cash and cash equivalents			105,459
Consolidated assets			272,391
Segment liabilities	21,922	16,716	38,638
Corporate and other unallocated liabilities			28,147
Consolidated liabilities			66,785

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

- all assets are allocated to operating and reportable segments other than property, plant and equipment, available-for-sale investment, interests in associates and a joint venture, certain prepayments, deposits and other receivables, pledged bank deposits, short-term bank deposits and cash and cash equivalents; and

- all liabilities are allocated to operating and reportable segments other than certain other payables, amount due to an associate and tax payable.

6. REVENUE AND SEGMENT INFORMATION *(continued)*

Segment information *(continued)*

Other segment information

For the year ended 31 December 2014

	Printed media advertising RMB'000	Outdoor advertising RMB'000	Money lending RMB'000	Consolidated RMB'000
Amounts included in the measure of segment results or segment assets from continuing operations:				
Amortisation of intangible assets	–	384	–	384
Amortisation of other non-current assets	–	6,224	–	6,224
Allowance for (reversal of) bad and doubtful debts, net	1,066	(200)	–	866
Impairment loss of other non-current assets	–	6,236	–	6,236
Impairment loss of non-current deposits	–	8,984	–	8,984
Imputed interest income on non-current deposits, net	–	2,674	–	2,674
Additions to other non-current assets	–	719	–	719
Advertising agency fee expense	30,893	20,894	–	51,787

For the year ended 31 December 2013 (re-presented)

	Printed media advertising RMB'000	Outdoor advertising RMB'000	Consolidated RMB'000
Amounts included in the measure of segment results or segment assets from continuing operations:			
Amortisation of intangible assets	–	109	109
Amortisation of other non-current assets	–	5,086	5,086
Allowance for bad and doubtful debts, net	687	432	1,119
Impairment loss of non-current deposits	–	3,369	3,369
Imputed interest income on non-current deposits, net	–	661	661
Additions to other non-current assets	–	3,257	3,257
Advertising agency fee expense	29,861	21,983	51,844

6. REVENUE AND SEGMENT INFORMATION *(continued)*

Segment information *(continued)*

Geographical information

The Group's money lending business is carried out in Hong Kong. All other segment revenues are derived from operations carried out in the PRC.

Information about the Group's revenue from external customers presented based on the locations of customers, and information about the Group's non-current assets presented based on the geographical location of the assets and the business carried out by associates and a joint venture are summarised below.

	Revenue from external customers		Non-current assets	
	2014	2013	**2014**	2013
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
		(re-presented)		(re-presented)
Hong Kong	**982**	–	**282**	–
The PRC	**114,630**	157,404	**35,237**	48,204
	115,612	157,404	**35,519**	48,204

Note: Non-current assets excluded financial assets.

Information about major customers

For the years ended 31 December 2014 and 2013, no revenue is derived from a single customer of the Group which accounted for over 10% of the Group's total revenue from continuing operations.

7. OTHER INCOME

	2014	2013
	RMB'000	*RMB'000*
		(re-presented)
Continuing operations		
Bank interest income	**1,740**	1,106
Imputed interest income on non-current deposits, net *(note 22(iii))*	**2,674**	661
Government grants *(Note)*	**289**	872
Others	**1,716**	2,146
	6,419	4,785

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

8. OTHER GAINS AND LOSSES

	2014 RMB'000	2013 RMB'000 (re-presented)
Continuing operations		
Allowance for bad and doubtful debts, net	866	1,119
Impairment loss of non-current deposits	8,984	3,369
Impairment loss of available-for-sale investment	439	–
Loss on disposal of a subsidiary *(note 30)*	–	113
Loss on disposal of an associate	131	–
(Gain) loss on disposal of property, plant and equipment	(20)	551
Net exchange loss	69	972
Others	133	(129)
	10,602	5,995

9. LOSS BEFORE TAXATION FROM CONTINUING OPERATIONS

	2014 RMB'000	2013 RMB'000 (re-presented)
Loss before taxation from continuing operations has been arrived at after charging:		
Auditor's remuneration	1,272	1,685
Depreciation of property, plant and equipment	1,290	1,655
Advertising agency fees for printed media and outdoor advertising (included in cost of sales) *(Note)*	51,787	51,844
Amortisation of intangible assets (included in cost of sales)	384	109
Amortisation of other non-current assets (included in cost of sales)	6,224	5,086
Impairment loss of other non-current assets (included in cost of sales)	6,236	–
Impairment loss of prepayment for broadcasting system	–	2,430
Minimum lease payments under operating leases on buildings	5,741	5,509
Employee benefit expense (including directors' remuneration *(see note 10)*):		
Salaries	34,488	45,844
Contributions to retirement benefits schemes	7,469	10,732
Total employee benefit expenses	41,957	56,576
Net exchange loss	69	972

Note: The advertising agency fees represent the monthly fixed agency fees paid under the advertising agency agreements.

10. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' REMUNERATION

Directors' and chief executive's remuneration

	For the year ended 31 December 2014				
	Directors' fees *RMB'000*	Salaries and allowances *RMB'000*	Bonus *RMB'000* *(Note e)*	Retirement benefits scheme contributions *RMB'000*	Total emoluments *RMB'000*
Executive directors					
Mr. Lin	–	795	–	14	809
Mr. Ruan	–	795	14	22	831
Mr. Han Wenqian *(Note a)*	–	795	–	15	810
Non-executive directors					
Mr. Wang Jianqing	–	–	–	–	–
Mr. Wang Fuqing	286	–	–	–	286
Independent non-executive directors					
Mr. Chen Shaofeng	143	–	–	–	143
Mr. Gao Xingbo *(Note b)*	54	–	–	–	54
Mr. Su Naimin *(Note c)*	54	–	–	–	54
Ms. Tay Sheve Li	143	–	–	–	143
Mr. Teng Tai *(Note d)*	84	–	–	–	84
Total emoluments	764	2,385	14	51	3,214

Notes:

(a) Mr. Han Wenqian is also the Chief Executive of the Group.

(b) Mr. Gao Xingbo retired as an independent non-executive director on 15 May 2014.

(c) Mr. Su Naimin was appointed as an independent non-executive director on 15 May 2014 and resigned as an independent non-executive director on 31 October 2014.

(d) Mr. Teng Tai was appointed as an independent non-executive director on 3 June 2014.

(e) Incentive performance bonus for the year ended 31 December 2014 was determined by the remuneration committee having regard to the performance and duties of directors and the Group's operating results.

10. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' REMUNERATION *(continued)*

Directors' and chief executive's remuneration *(continued)*

	For the year ended 31 December 2013			
	Directors' fees *RMB'000*	Salaries and allowances *RMB'000*	Retirement benefits scheme contributions *RMB'000*	Total emoluments *RMB'000*
Executive directors				
Mr. Lin	–	472	12	484
Mr. Ruan	–	472	12	484
Mr. Han Wenqian *(Note a)*	–	472	15	487
Non-executive directors				
Mr. Wang Jianqing	–	–	–	–
Mr. Wang Fuqing *(Note b)*	338	–	–	338
Independent non-executive directors				
Mr. Chen Shaofeng	142	–	–	142
Mr. Gao Xingbo	142	–	–	142
Mr. Feng Bing *(Note c)*	59	–	–	59
Ms. Tay Sheve Li *(Note d)*	35	–	–	35
Mr. Xing Zhibin *(Note e)*	47	–	–	47
Total emoluments	763	1,416	39	2,218

Notes:

(a) Mr. Han Wenqian is also the Chief Executive of the Group.

(b) Mr. Wang Fuqing was re-designated as a non-executive director from an executive director on 19 July 2013.

(c) Mr. Feng Bing resigned as an independent non-executive director on 30 June 2013.

(d) Ms. Tay Sheve Li was appointed as an independent non-executive director on 30 September 2013.

(e) Mr. Xing Zhibin resigned as an independent non-executive director on 5 March 2013.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2013: nil).

10. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' REMUNERATION *(continued)*

Employees' emoluments

Of the five individuals with the highest emoluments of the Group, three (2013: none) were directors of the Company. The emoluments of the remaining two (2013: five) individuals are set out as follows:

	2014 ***RMB'000***	2013 *RMB'000*
Salaries, bonuses and other benefits	**1,420**	3,396
Contributions to retirement benefits schemes	**19**	42
	1,439	3,438

Their emoluments are within the following band:

	2014 **Number of employees**	2013 Number of employees
HK$500,001 to HK$1,000,000	**2**	4
HK$1,000,001 to HK$1,500,000	**–**	1
	2	5

During the years ended 31 December 2014 and 2013, no emoluments were paid by the Group to the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived or agreed to waive any emoluments during both years.

11. TAXATION

	2014 ***RMB'000***	2013 *RMB'000* (re-presented)
Continuing operations		
Taxation for the year comprises:		
PRC Enterprise Income Tax	**3,495**	8,204
Deferred tax credit *(note 26)*	**(72)**	(492)
	3,423	7,712

11. TAXATION *(continued)*

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group has no assessable profit in Hong Kong for both years.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

Taxation for the year can be reconciled to the loss before taxation from continuing operations per the consolidated statement of profit or loss and other comprehensive income as follows:

	2014 ***RMB'000***	2013 *RMB'000* (re-presented)
Loss before taxation from continuing operations	**(56,344)**	(19,924)
Tax credit at applicable tax rate of 25% (2013: 25%)	**(14,086)**	(4,981)
Tax effect of expenses not deductible for tax purpose	**5,833**	9,192
Tax effect of income not taxable for tax purpose	**(2,453)**	(3,454)
Tax effect of tax losses not recognised	**9,927**	4,260
Tax effect of share of results of a joint venture	**(4)**	(244)
Tax effect of share of results of associates	**(8)**	16
Tax effect of deductible temporary differences not recognised	**4,022**	3,344
Utilisation of tax losses previously not recognised	**(169)**	–
Others	**361**	(421)
Taxation from continuing operations for the year	**3,423**	7,712

12. DIVIDENDS

No dividends were paid, declared or proposed for both years.

The directors do not recommend the payment of a dividend in respect of the year ended 31 December 2014 (2013: nil).

13. DISCONTINUED OPERATION

During the year ended 31 December 2014, management of the Group decided to concentrate the resources of the Group on the business of printed media advertising, outdoor advertising and money lending and determined to discontinue the operation of audio advertising through audio broadcasting during train transmission. Accordingly, the Group did not renew the audio advertising contracts with the customers upon expiry of contracts during the year. The Group's audio advertising operation is treated as discontinued operation.

The results from the discontinued operation for the years ended 31 December 2014 and 2013 are analysed as follows:

	2014 ***RMB'000***	2013 *RMB'000*
Revenue	**19**	370
Amortisation of intangible assets	**–**	(929)
Impairment loss of intangible assets	**–**	(929)
Profit (loss) before taxation	**19**	(1,488)
Taxation	**–**	–
Profit (loss) for the year from discontinued operation	**19**	(1,488)

During the year ended 31 December 2014, the audio advertising operations contributed RMB19,000 (2013: RMB370,000) in respect of the Group's net operating cash flows.

14. LOSS PER SHARE

For continuing and discontinued operations

The calculation of the basic loss per share attributable to the owners of the Company is based on the following data:

	2014 ***RMB'000***	2013 *RMB'000* (re-presented)
Loss for the purpose of basic loss per share for the year attributable to owners of the Company	**(59,123)**	(26,024)

	Number of shares **2014**	 2013
Number of ordinary shares for the purpose of basic loss per share	**600,000,000**	600,000,000

No separate diluted loss per share information has been presented as there were no potential ordinary shares outstanding for both years.

14. LOSS PER SHARE *(continued)*

From continuing operations

The calculation of the basic per share from continuing operations attributable to owners of the Company is based on the following data:

	2014 RMB'000	2013 RMB'000 (re-presented)
Loss is calculated as follows:		
Loss for the year attributable to the owners of the Company	**(59,123)**	(26,024)
Less: Profit (loss) for the year from discontinued operation *(note 13)*	**(19)**	1,488
Loss for the purpose of basic loss per share from continuing operations	**(59,142)**	(24,536)

The denominators used are the same as those detailed above for basic loss per share.

From discontinued operation

Basic earnings per share from discontinued operation is RMB0.01 cent per share (2013: basic loss per share of RMB0.25 cent per share), is based on the profit for the year from discontinued operation of RMB19,000 (2013: loss for the year of RMB1,488,000) and the denominators detailed above for basic loss per share.

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvement RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Total RMB'000
COST					
At 1 January 2013	–	2,469	6,397	3,879	12,745
Additions	509	105	723	67	1,404
Disposal/written off	–	(502)	(639)	(1,298)	(2,439)
At 31 December 2013	509	2,072	6,481	2,648	11,710
Additions	3,855	1,220	57	406	5,538
Disposals/written off	–	(1,907)	(100)	(541)	(2,548)
At 31 December 2014	4,364	1,385	6,438	2,513	14,700
ACCUMULATED DEPRECIATION					
At 1 January 2013	–	1,904	577	1,915	4,396
Provided for the year	6	448	599	602	1,655
Eliminated on disposals/ written-off	–	(480)	(225)	(966)	(1,671)
At 31 December 2013	6	1,872	951	1,551	4,380
Provided for the year	84	193	687	326	1,290
Eliminated on disposals/ written off	–	(1,907)	(19)	(512)	(2,438)
At 31 December 2014	**90**	**158**	**1,619**	**1,365**	**3,232**
CARRYING VALUES					
At 31 December 2014	**4,274**	**1,227**	**4,819**	**1,148**	**11,468**
At 31 December 2013	**503**	**200**	**5,530**	**1,097**	**7,330**

The above items of property, plant and equipment are depreciated on a straight-line basis to their residual values as follows:

Buildings	Over the shorter of lease terms and 20 years
Leasehold improvement	Over shorter of lease terms and 5 years
Office equipment	5 years
Motor vehicles	10 years

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

As at 31 December 2013, motor vehicles with net carrying amounts of RMB3,401,000 were frozen by the court in the PRC as a result of the litigation as disclosed in note 34. The frozen motor vehicles were released during the year ended 31 December 2014 upon settlement of the litigation.

As at 31 December 2014, the Group is in the process of obtaining the title deeds from relevant government authorities for residential properties in the PRC received by the Group in consideration for advertising services rendered, amounting to RMB3,287,000 (2013: nil). In the opinion of the directors, the Group is not required to incur additional cost in obtaining the title deeds for its buildings in the PRC.

16. INTANGIBLE ASSETS

	Contractual advertising rights *RMB'000*	**Customer relationship** *RMB'000*	**Total** *RMB'000*
COST			
At 1 January 2013, 31 December 2013 and 31 December 2014	40,120	1,627	41,747
ACCUMULATED AMORTISATION AND IMPAIRMENT			
At 1 January 2013	37,769	1,627	39,396
Provided for the year	1,038	–	1,038
Impairment loss recognised in profit or loss	929	–	929
At 31 December 2013	39,736	1,627	41,363
Provided for the year	384	–	384
At 31 December 2014	40,120	1,627	41,747
CARRYING VALUES			
At 31 December 2014	–	–	–
At 31 December 2013	384	–	384

During the year ended 31 December 2013, the audio advertising business was loss-making as a result of the adverse audio advertisement market in the PRC. The directors of the Company considered that the net carrying amount of the contractual advertising right of RMB929,000 in relation to the audio advertising should be fully impaired as at 31 December 2013 since the Group could unlikely generate any future economic benefits from the intangible assets in relation to the audio advertising. Accordingly, the impairment of the related intangible assets of RMB929,000 has been recognised in profit or loss for the year ended 31 December 2013.

17. OTHER NON-CURRENT ASSETS

	2014 RMB'000	2013 RMB'000
COST		
At the beginning of the year	29,045	25,788
Additions	719	3,257
At the end of the year	29,764	29,045
ACCUMULATED AMORTISATION AND IMPAIRMENT		
At the beginning of the year	9,794	4,708
Provided for the year	6,224	5,086
Impairment loss recognised in profit or loss	6,236	–
At the end of the year	22,254	9,794
CARRYING VALUES	7,510	19,251

Other non-current assets comprise the upfront payments upon entering into agreements paid to:

(a) an independent third party for the costs of installation and construction of the necessary ancillary infrastructure at 29 airports' air traffic control towers (the "Towers") in the PRC, for the purpose of displaying the outdoor advertisements. These costs are being amortised over the expected duration of outdoor advertising activities on the Towers to be carried out by the Group of 9 years until 2017; and

(b) independent third parties for the costs of installation and construction of the necessary ancillary infrastructure for outdoor advertising spaces at various railway stations in 23 cities in the PRC, for the purpose of displaying the outdoor advertisements. These costs are being amortised over the expected duration of outdoor advertising activities at these advertising spaces to be carried out by the Group ranged from 3 to 5.5 years until 2016 to 2018.

17. OTHER NON-CURRENT ASSETS *(continued)*

The Group also paid the non-current refundable deposits as set out in note 22(iii) and monthly fixed agency fees to the local PRC airport authorities and local PRC railway authorities recognised as cost of sales.

During the year ended 31 December 2014, the Group failed to secure new customers after the expiry of contracts with the existing customers and therefore the Group early terminated all the advertising agency agreements with the local PRC airport authorities for the Towers in relation to the monthly fixed advertising agency fee payment. Accordingly, full impairment of RMB4,236,000 (2013: nil) was recognised in profit or loss for the other non-current assets that relate to the Towers.

For the purpose of impairment testing of the remaining other non-current assets, the carrying amount of other non-current asset in relation to various railway stations in 23 cities in the PRC was compared with their recoverable amounts. The recoverable amount of each other non-current asset had been determined based on a value in use calculation. The calculation uses cash flow projections based on financial budgets of respective outdoor advertising railway stations covering their unexpired contract periods and discount rate of 15%. The key assumption of the value in use calculation of each other non-current asset was based on the budgeted cash inflows/outflows that each asset will be earned or expenses incurred through services rendered, such estimations are based on past performance. During the year ended 31 December 2014, impairment loss of RMB2,000,000 (2013: nil) is recognised in profit or loss.

18. INTEREST IN A JOINT VENTURE

	2014 RMB'000	2013 RMB'000
Cost of investment in an unlisted joint venture	1,470	1,470
Share of post-acquisition profits and other comprehensive income	96	80
	1,566	1,550

Particulars of the Group's joint venture are as follow:

Name	Place of establishment and operation	Paid-up capital	Percentage of equity attributable to the Group 2014	Percentage of equity attributable to the Group 2013	Principal activities
北京國鐵天通文化發展有限公司 Beijing Guo Tie Tian Tong Cultural Development Co., Ltd. ("Guo Tie Tian Tong")	PRC	RMB3,000,000	49%	49%	Sale of magazines, newspapers and other electronic reading materials

Summarised financial information of joint venture

Summarised financial information in respect of the Group's joint venture is set out below. The summarised financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with IFRSs.

18. INTEREST IN A JOINT VENTURE *(continued)*

The joint venture has been accounted for using the equity method in these consolidated financial statements.

	2014 **RMB'000**	2013 RMB'000
Current assets	**3,843**	3,473
Non-current assets	**41**	45
Current liabilities	**(688)**	(355)
Net assets	**3,196**	3,163
Revenue	**9,776**	9,730
Profit and total comprehensive income for the year	**33**	1,994
Group's share of profit and total comprehensive income of joint venture for the year	**16**	977

Reconciliation of the above summarised financial information to the carrying amount of the interest in Guo Tie Tian Tong recognised in the consolidated financial statements.

	2014 **RMB'000**	2013 RMB'000
Net assets of Guo Tie Tian Tong	**3,196**	3,163
Proportion of the Group's ownership interest in Guo Tie Tian Tong	**49%**	49%
Carrying amount of the Group's interest in Guo Tie Tian Tong	**1,566**	1,550

19. INTERESTS IN ASSOCIATES

	2014 **RMB'000**	2013 RMB'000
Cost of investment in unlisted associates	**6,200**	10,700
Share of post-acquisition results and other comprehensive income (expense)	**39**	(1,011)
	6,239	9,689
Amount due to an associate *(note 25)*	**(3,000)**	(2,950)

19. INTERESTS IN ASSOCIATES *(continued)*

As at 31 December 2014, the Group had interests in the following associates:

Name of entity	Place of establishment/ operation	Paid-up capital	Proportion of nominal value of registered capital held by the Group		Proportion of voting power held		Principal activities
			2014	2013	**2014**	2013	
北京鳳凰金龍文化傳媒有限公司 Beijing Phoenix Dragon Culture Media Company Limited	PRC	RMB1,000,000	**20%**	20%	**20%**	20%	Inactive (2013: Provision of consulting and marketing services)
北京紫雲府文化傳播有限公司 Beijing Zi Yun Fu Culture Media Co., Ltd. ("Zi Yun Fu") *(Note (i))*	PRC	RMB15,000,000	**–**	30%	**–**	30%	Provision of advertising agency services
北京中視新科傳媒廣告有限公司 Beijing Zhong Shi Xin Ke Media Advertising Co., Ltd. ("Zhong Shi Xin Ke") *(Note (ii))*	PRC	RMB10,000,000	**60%**	60%	**49%**	49%	Provision of advertising agency services

Notes:

(i) During the year ended 31 December 2014, the Company disposed of its 30% equity interest of Zi Yun Fu to an independent third party at a consideration of RMB3,349,000.

(ii) The directors consider that Zhong Shi Xin Ke is an associate of the Group as at 31 December 2014 and 2013 because the Group (i) does not have the right to appoint the majority of directors of Zhong Shi Xin Ke; and (ii) does not have unilateral or joint control over Zhong Shi Xin Ke.

19. INTERESTS IN ASSOCIATES *(continued)*

Summarised consolidated financial information of a material associate

Summarised financial information in respect of the Group's material associate is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with IFRSs.

The associates are accounted for using the equity method in these consolidated financial statements.

Zhong Shi Xin Ke

	2014 **RMB'000**	2013 RMB'000
Current assets	**7,215**	8,815
Non-current assets	**3,808**	4,013
Current liabilities	**(624)**	(2,479)
Net assets	**10,399**	10,349
Revenue	**12,678**	4,867
Profit and total comprehensive income for the year	**50**	347
Group's share of profit and total comprehensive income for the year	**30**	208

Reconciliation of the above summarised financial information to the carrying amount of the interest in Zhong Shi Xin Ke recognised in the consolidated financial statements.

	2014 **RMB'000**	2013 RMB'000
Net assets of Zhong Shi Xin Ke	**10,399**	10,349
Proportion of the Group's ownership interest in Zhong Shi Xin Ke	**60%**	60%
Carrying amount of the Group's interest in Zhong Shi Xin Ke	**6,239**	6,209

Information of associates that are not individually material

	2014 **RMB'000**	2013 RMB'000
Group's share of loss and total comprehensive expense for the year	**–**	(272)
Carrying amount of the Group's interests in these associates	**–**	3,480

20. AVAILABLE-FOR-SALE INVESTMENTS

	2014 RMB'000	2013 RMB'000
Unlisted equity investments, at cost	1,277	1,277
Less: Impairment	(1,277)	(838)
	–	439

The unlisted available-for-sale equity investment is measured at cost less impairment because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that its fair value cannot be measured reliably.

During the year ended 31 December 2014, impairment loss of RMB439,000 (2013: nil) for the unlisted available-for-sale equity investment was recognised in profit or loss due to the recurring loss and insolvent financial position of the investee.

21. LOANS RECEIVABLES

	2014 RMB'000	2013 RMB'000
Unsecured fixed-rate loans receivables	13,624	–
Secured fixed-rate loans receivables	28,353	–
	41,977	–
Analysed as:		
Current	33,167	–
Non-current	8,810	–
	41,977	–

The exposure of the Group's fixed-rate loans receivables to interest rate risks and their contractual maturity dates are as follows:

	2014 RMB'000	2013 RMB'000
Fixed-rate loans receivables*:		
Within one year	33,167	–
In more than one year, but not exceeding two years	485	–
In more than two years, but not exceeding five years	1,684	–
In more than five years	6,641	–
	41,977	–

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

21. LOANS RECEIVABLES *(continued)*

The Group seeks to apply strict control over its outstanding loans receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. Loans receivables are neither past due nor individually impaired as at 31 December 2014.

As at 31 December 2014, all the loans receivables contain a repayment on demand clause. In the opinion of the directors of the Company, the Group will not exercise this clause as the management is not aware of any material adverse changes on the financial position of the borrowers and accordingly, an amount of RMB8,810,000 is classified as non-current assets.

As at 31 December 2014, secured loans receivables are secured by the residential properties pledged. Unsecured loans receivables are guaranteed by personal guarantees.

The ranges of effective interest rates (which are equal to contractual interest rates) on the Group's loans receivables are as follows:

	2014	2013
Effective interest rate (per annum):		
Fixed-rate loans receivables	10.0% – 36.0%	N/A

22. TRADE AND BILLS RECEIVABLES/PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Trade and bills receivables

	2014 ***RMB'000***	2013 *RMB'000*
Trade and bills receivables	**48,759**	68,874
Less: Accumulated allowances	**(29,137)**	(28,271)
	19,622	40,603
Analysed as:		
Current	**16,543**	40,603
Non-current *(Note)*	**3,079**	–
	19,622	40,603

Note: The Group provided advertising services to certain property developers. The consideration for such advertising services being recognised as non-current trade receivables as at 31 December 2014 amounting to RMB3,079,000 (2013: nil) has been agreed to be settled by certain residential properties in the PRC. The Group has not obtained physical possession of these properties as at 31 December 2014.

22. TRADE AND BILLS RECEIVABLES/PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(continued)*

Trade and bills receivables *(continued)*

The Group's credit terms with its customers generally range from 30 days to 180 days. A longer credit period of 180 days to 1 year is granted to a few customers who are engaged in property development in the PRC. The Group seeks to apply strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest bearing. As at the end of the reporting period, an aged analysis of the trade receivables, net of allowance for bad and doubtful debts presented based on the respective dates on which revenue was recognised, and aged analysis of bills receivable presented based on the date of issuance of bills, are as follows:

	2014 ***RMB'000***	2013 *RMB'000*
Trade receivables:		
Within 90 days	**9,782**	24,189
91 – 180 days	**2,620**	3,717
181 – 365 days	**2,347**	3,776
Over 1 year	**4,309**	8,921
	19,058	40,603
Bills receivables:		
Within 90 days	**282**	–
91 – 180 days	**252**	–
181 – 365 days	**30**	–
	564	–
	19,622	40,603

The movements in the allowance for bad and doubtful debts are as follows:

	2014 ***RMB'000***	2013 *RMB'000*
At the beginning of the year	**28,271**	37,836
Impairment losses recognised	**3,184**	4,647
Amounts recovered during the year	**(2,318)**	(3,528)
Amounts written off as uncollectible	**–**	(10,684)
At the end of the year	**29,137**	28,271

22. TRADE AND BILLS RECEIVABLES/PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(continued)*

Trade and bills receivables *(continued)*

Included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB12,432,000 (2013: RMB17,673,000, which are past due at the reporting date for which the Group has not provided for impairment loss because they were either subsequently settled as at the date of issuance of these consolidated financial statements or there was continuous settlements by the respective customers. The Group does not hold any collateral over these balances. The average age of these receivables is 232 days (2013: 300 days).

The aged analysis of the trade receivables that are past due but not impaired:

	2014 RMB'000	2013 RMB'000
Within 90 days	4,907	4,122
91 – 180 days	2,347	4,663
181 – 365 days	1,582	1,374
Over 1 year	3,596	7,514
	12,432	17,673

Prepayments, deposits and other receivables

	2014 RMB'000	2013 RMB'000
Current:		
Other receivables *(Note (i))*	11,677	4,899
Prepayments for agency fees for printed media and outdoor advertising and other	5,559	13,739
Rental, utility and other deposits	2,123	3,735
Staff advances	347	12,003
Deposits paid for advertising agency rights *(Note (ii))*	9,852	–
	29,558	34,376
Non-current:		
Refundable deposits *(Note (iii))*	16,935	32,960
Deposits paid for acquisition of property, plant and equipment	3,736	–
Prepayment *(Note (iv))*	5,000	10,000
	25,671	42,960
	55,229	77,336

22. TRADE AND BILLS RECEIVABLES/PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(continued)*

Prepayments, deposits and other receivables *(continued)*

Notes:

(i) As at 31 December 2014, included in other receivables are receivables for refund of deposit paid for the advertising agency rights and film investment cost (see (iv)) of RMB2,000,000 (2013: nil) and RMB5,000,000 (2013: nil) respectively.

(ii) Subsequent to 31 December 2014, the Group terminated the co-operation agreements with two independent third parties pursuant to which the deposits paid for advertising agency rights with an aggregate amount of RMB9,852,000 shall be refunded to the Group before 28 March 2015. Up to the date of issuance of these consolidated financial statements, the deposits were fully refunded to the Group.

(iii) The balances include a deposit of RMB6,940,000 (2013: RMB6,554,000) paid to an independent third party (see note 17) in 2008 in relation to the selling of advertising spaces on the Towers in the PRC for a period of 9 years till 2017, deposits of RMB544,000 (2013: RMB4,143,000) paid for the outdoor advertising spaces in various railway stations in 23 cities in the PRC with the expiry dates ranging from 2016 to 2018 and deposits of RMB9,451,000 (2013: RMB10,348,000) paid to the PRC railway authorities for placing magazines inside the trains with the expiry dates ranging from 2015 to 2018. The deposits are fully repayable to the Group upon their respective expiry date of the agreements and are carried at amortised cost in the Group's consolidated statement of financial position using effective interest rates ranging from 4.75% to 5.85% (2013: 4.75% to 5.85%) per annum, resulting in imputed interest income of RMB2,674,000 (2013: RMB1,493,000) by assessing the amortised costs of the deposits paid at the end of the reporting period and imputed interest adjustment of RMB832,000 in 2013 upon initial recognition of the deposits paid. The above interest income and expenses are included in "Imputed interest income on non-current deposits, net" under "Other income" in the consolidated statement of profit or loss and other comprehensive income.

As set out in note 17, although the Group has terminated all the advertising agency agreements with the PRC airport authorities for Towers in relation to the monthly fixed advertising agency fee payment, the agreement entered into with an independent third party that relates to the Towers as set out in note 17(a) remains valid until 2017 and accordingly, no impairment loss was recognised for the non-current refundable deposits paid of RMB6,940,000 (2013: RMB6,554,000).

In January 2012, the Group entered into a contract with an independent third party pursuant to which the independent third party would procure the Group for obtaining exclusive advertising rights on outdoor advertising spaces at certain railway stations in the PRC and the Group paid a refundable deposit of RMB19,500,000 for the arrangement. If the independent third party cannot obtain the exclusive advertising rights for the Group before 1 October 2012, the independent third party is required to repay 50% of the refundable deposit before April 2013 and the remaining to be repaid before April 2014. Since the independent third party failed to obtain the exclusive advertising rights for the Group, the independent third party is required to repay the refundable deposit in accordance with the terms set out in the contract. During the year ended 31 December 2014, the independent third party repaid deposit of RMB3,096,000. The directors consider that the outstanding non-current deposits paid to the independent third party for outdoor advertising spaces in certain railway stations in the PRC should be fully impaired as at 31 December 2014 since the independent third party failed to repay in accordance with the contract terms. Accordingly, impairment loss of RMB8,984,000 (2013: impairment loss of RMB3,369,000) was recognised during the year ended 31 December 2014 to fully impair the deposit balance (2013: impairment allowance of RMB4,869,000).

(iv) On 22 March 2013, the Group entered into a film cooperative agreement (the "Agreement") with an independent third party (the "Third Party") pursuant to which the Group will contribute a total investment cost of RMB30,000,000 for production of a film and shall be entitled to 50% return from this film investment. Up to 31 December 2013, an amount of RMB10,000,000 was paid by the Group and the investment cost has been classified as non-current assets as the film was expected to be released in year 2016. On 31 December 2014, the Group further entered into a supplementary agreement (the "Revised Agreement") with the Third Party pursuant to which the Group reduced its film investment cost from RMB30,000,000 to RMB5,000,000 and its share of box office from such film investment will be reduced to 3%. As such, RMB5,000,000 of the RMB10,000,000 paid shall be refunded by the Third Party to the Group before 15 March 2015 in accordance with the Revised Agreement. Accordingly, the amount of RMB5,000,000 to be refunded is classified as other receivables under current assets. This amount was fully refunded to the Group subsequently in March 2015.

23. PLEDGED BANK DEPOSITS/SHORT-TERM BANK DEPOSITS/CASH AND CASH EQUIVALENTS

	2014 ***RMB'000***	2013 *RMB'000*
Cash and bank balances	**28,676**	30,252
Bank deposits	**11,464**	85,557
	40,140	115,809
Less: Non-pledged bank deposits with original maturity of more than three months	**(10,350)**	(10,350)
Cash and cash equivalents	**29,790**	105,459
Cash and bank balances and bank deposits are denominated in foreign currencies of respective group entities:		
United States dollars ("US$")	**375**	33,913
Hong Kong dollars ("HKD")	**2,511**	308

The cash and bank balances and bank deposits of RMB33,307,000 (2013: RMB26,898,000), denominated in RMB, are not freely convertible into other currencies. However, under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term bank deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

Pledged bank deposits represent deposits pledged to banks to secure short-term banking facilities granted to the Group. As at 31 December 2014, an amount of RMB12,652,000 (2013: nil) is denominated in RMB.

24. TRADE PAYABLES/OTHER PAYABLES AND ACCRUALS

Trade payables

The normal credit period on trade payables is 30 days.

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2014	2013
	RMB'000	*RMB'000*
Within 90 days	**785**	14,987
91 – 180 days	**3,946**	3,033
Over 180 days	**21,788**	13,876
	26,519	31,896

As at 31 December 2013, included in the trade payables were trade payables of RMB2,300,000, RMB400,000 and RMB333,000 due to the non-controlling shareholder of a subsidiary, an associate, and a joint venture, respectively, which were repayable within 30 days. During the year ended 31 December 2014, trade payables of RMB2,300,000 due to the non-controlling shareholder of a subsidiary was waived and accounted for as an equity transaction in the consolidated statement of changes in equity. The amounts of RMB400,000 and RMB333,000 due to an associate and a joint venture respectively were fully settled in 2014.

Other payables and accruals

	2014	2013
	RMB'000	*RMB'000*
Receipts in advance from customers	**8,577**	6,742
Accrued salaries and staff welfare	**6,908**	14,640
Other accruals *(Note)*	**2,292**	8,641
Other tax payable	**2,077**	–
	19,854	30,023

Note: As at 31 December 2013, included in other accruals was the unsettled litigation fee of RMB4,000,000 (2014: nil) as set out in note 34.

25. AMOUNT DUE TO AN ASSOCIATE

The amount is non-trade in nature, unsecured, non-interest bearing and repayable on demand.

26. DEFERRED TAX LIABILITIES

	Fair value adjustments arising from acquisition of subsidiaries *RMB'000*
At 1 January 2013	564
Credited to the profit or loss during the year *(note 11)*	(492)
At 31 December 2013	72
Credited to the profit or loss during the year *(note 11)*	(72)
At 31 December 2014	–

As at 31 December 2014, the Group had estimated unused tax losses of RMB87,870,000 (2013: RMB48,838,000) available for offset against future profits. Included in unrecognised tax losses are losses of RMB82,394,000 (2013: RMB48,838,000) that can be carried forward for five years from the year in which the losses arose for offsetting against future taxable profits of the companies in which the losses arose. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams.

At the end of the reporting period, the Group has deductible temporary differences of RMB29,462,000 (31 December 2013: RMB13,376,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to RMB40,664,000 (2013: RMB20,364,000) 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.

27. SHARE CAPITAL

	Number of shares	Share capital US$'000
Ordinary shares of US$0.001 each		
Authorised:		
At 1 January 2013, 31 December 2013 and 31 December 2014	40,000,000,000	40,000
Issued and fully paid:		
At 1 January 2013, 31 December 2013 and 31 December 2014	600,000,000	600

	RMB'000
Shown in the consolidated financial statements as	3,957

There was no movement in the Company's share capital for both years.

28. EQUITY-SETTLED SHARE-BASED TRANSACTIONS

The share option scheme was adopted by the Company pursuant to a resolution in writing passed by the then shareholders of the Company on 17 December 2010 (the "Share Option Scheme").

The purpose of the Share Option Scheme is to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group. The directors consider the Share Option Scheme, with its broadened basis of participation, will enable the Group to reward the employees, the directors and other selected participants for their contributions to the Group.

The participants of the Share Option Scheme include (i) any employee of the Company, any of the subsidiaries or any entity (the "Invested Entity") in which any member of the Group holds an equity interest; (ii) any non-executive directors of the Company, any of the subsidiaries of the Company or any Invested Entity; (iii) any supplier of goods or services to any member of the Group or any Invested Entity; (iv) any advertising customer of any member of the Group or any Invested Entity; (v) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity; (vi) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity; (vii) any adviser or consultant to any area of business or business development of any member of the Group or any Invested Entity; (viii) any other group or class of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group.

The maximum number of the shares that may be allotted and issued upon the exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of the Group) under the Share Option Scheme and any other share option scheme of the Group shall not exceed 10% of the number of shares in issue on the Listing Date (the "General Scheme Limit") i.e., on 28 February 2011. The Company may seek approval of the shareholders in a general meeting to refresh the General Scheme Limit provided that the total number of shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of the Group shall not exceed 10% of the number of shares in issue as at the date of approval of the limit.

The total number of shares issued and which may fall to be issued upon the exercise of the options granted under the Share Option Scheme and any other share option scheme of the Group (including both exercised or outstanding options) to each grantee in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being (the "Individual Limit"). Any further grant of options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant must be separately approved by the shareholders in a general meeting of the Company with such grantee and his associates abstaining from voting. The number and terms (including the exercise price) of options to be further granted must be fixed before the approval of the shareholders and the date of the board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the exercise price under note (1) to Rule 23.03(9) of the GEM Listing Rules.

An option may be accepted by a participant within 21 days from the date of the offer of grant of the option. An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the directors to each grantee, which period may commence from the date of offer for the grant of options is made, but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination thereof.

28. EQUITY-SETTLED SHARE-BASED TRANSACTIONS *(continued)*

Unless otherwise determined by the directors and stated in the offer for the grant of options to a grantee, there is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised.

A nominal consideration of HK$1 is payable on acceptance of the grant of an option. The exercise price for the shares under the Share Option Scheme shall be a price determined by the directors, but shall not be less than the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of the shares on the date of offer for the grant, which must be a business day; (ii) the average closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of offer for the grant; and (iii) the nominal value of a share.

The Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Share Option Scheme is adopted (i.e., 17 December 2010).

The total number of shares available for issue under the Share Option Scheme is 60,000,000 shares, representing approximately 10% of the issued share capital of the Company as at the date of issuance of these consolidated financial statements.

No share options have been granted since the adoption of the Share Option Scheme.

29. RETIREMENT BENEFIT SCHEMES

The Group operates a MPF 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 the employees shall make contributions based on a percentage of the employee's basic salary with a cap of HK$1,500 per month starting from 1 June 2014 (prior to 1 June 2014: HK$1,250 per month) and recognised in profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the plan are held separately from those of the Group in funds under the control of trustees.

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% (2013: 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 RMB7,469,000 (2013: RMB10,732,000).

30. DISPOSAL OF A SUBSIDIARY

During the year ended 31 December 2013, the Group disposed of the entire equity interest in Hong Kong 33 Group US Inc. to an independent third party at a consideration of RMB943,000.

	RMB'000
Net assets disposal of:	
Cash and bank balances	493
Other receivables	564
Other payables	(1)
	1,056
Loss on disposal of a subsidiary *(note 8)*	(113)
	943
Satisfied by:	
Other receivables	943

An analysis of the net outflow of cash and cash equivalent in respect of the disposal of a subsidiary is as follows:

	RMB'000
Cash and bank balances disposed of and net outflow of cash and cash equivalents in respect of the disposal of a subsidiary	(493)

The consideration receivable had been fully settled in 2014.

31. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to owners through the optimisation of the debt and equity balance.

The capital structure of the Group consists of equity attributable to owners of the Company, comprising share capital and reserves.

The management of the Group reviews the capital structure on a continuous basis taking into account the cost of capital and the risk associated with the capital. The Group will balance its overall capital structure through new share issues or the dividend payment to shareholders.

The Group's overall strategy remains unchanged for both years.

32. OPERATING LEASE ARRANGEMENT

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

	2014 ***RMB'000***	2013 *RMB'000*
Within one year	**4,058**	5,329
In the second to fifth year inclusive	**4,222**	6,240
	8,280	11,569

Leases are negotiated for terms of one to three years (2013: one to three years).

33. COMMITMENTS

In addition to the operating lease commitments detailed in note 32 above, the Group had the following commitments at the end of the reporting period:

	2014 ***RMB'000***	2013 *RMB'000*
Contracted, but not provided for:		
Agency fees for printed media and outdoor advertising	**69,225**	83,436
Investment in a film *(Note)*	**–**	20,000
	69,225	103,436

Note: In accordance with the Revised Agreement as set out in note 22 (iv), the Group has no further commitment in the film investment at 31 December 2014.

34. LITIGATION

As detailed in the Company's announcement made on 13 December 2012, there were some contractual disputes between Beijing Aoshen (as defined in note 36) and Guangzhou Railway Group Culture Advertising Company (the "Plaintiff") regarding two agreements (the "Advertising Agreements") entered into between Beijing Aoshen and the Plaintiff dated 15 November 2011 and 16 November 2011. The Advertising Agreements were in relation to the grant of an exclusive right of operation by the Plaintiff to Beijing Aoshen for advertising on the "Haikou-Sanya" and "Guangzhou-Shenzhen" routes of the China Railway High Speed trains.

In the course of implementing the Advertising Agreements, there were disputes between Beijing Aoshen and the Plaintiff such that Beijing Aoshen gave notice to the Plaintiff on 30 May 2012 to terminate the Advertising Agreements. Subsequently, Beijing Aoshen received two writs in the PRC issued by the Plaintiff alleging that Beijing Aoshen was in breach of the Advertising Agreements. As stated in the writs, the Plaintiff was seeking for the following orders from the court: (1) that the Plaintiff and Beijing Aoshen shall continue to perform the Advertising Agreements in accordance with their respective terms; (2) that Beijing Aoshen shall pay to the Plaintiff the total outstanding amount of approximately RMB15.3 million and damages of approximately RMB4.7 million in accordance with the terms of the Advertising Agreements; and (3) that Beijing Aoshen shall be responsible for all the legal costs involved in the legal proceedings.

34. LITIGATION *(continued)*

Orders (the "First Order") were made from 廣州鐵路運輸中級法院 (the "Court") on 8 March 2013. The First Order stated that (i) the Advertising Agreements were terminated on 31 May 2012 pursuant to the termination notice served by Beijing Aoshen to the Plaintiff on 30 May 2012; (ii) Beijing Aoshen shall pay to the Plaintiff (I) the total outstanding amount under the Advertising Agreements; and (II) damages, (collectively the "Sums") of approximately RMB2.4 million and RMB5.5 million, respectively; and (iii) the legal costs of approximately RMB63,000 for the First Order shall be borne by Beijing Aoshen.

On 14 March 2013, Beijing Aoshen issued a writ to the Court against the Plaintiff for the Plaintiff's breach of the Advertising Agreements (the "Counterclaim"), and the first hearing of which was held on 8 May 2013. The Counterclaim was rejected by the Court on 29 May 2013.

Subsequently, both Beijing Aoshen and the Plaintiff filed their appeals in year 2013 on the results of the First Order in 廣東省高級人民法院 (the "High Court"). On 8 August 2013, orders (the "Second Order") were made by the High Court. The Second Order upheld the First Order and that the legal costs of approximately RMB81,000 for the Second Order shall be borne by Beijing Aoshen. Details of the Second Order and the Counterclaim were set out in the Company's announcement dated 18 September 2013.

Since Beijing Aoshen has not paid to the Plaintiff in accordance with the Second Order, the Plaintiff filed an application to the Court to freeze certain bank accounts (the "Bank Accounts"), motor vehicles (the "Motor Vehicles") and the equity interest in 北京愛締文化發展有限公司 Beijing Oi Ai Culture Development Co. Ltd ("Beijing Oi Ai") held by Beijing Aoshen (the "Equity Interest") on 28 October 2013.

After a series of negotiations between the Group and the Plaintiff, on 27 November 2013, a settlement agreement was entered into between Beijing Aoshen and the Plaintiff under the supervision of the Court, pursuant to which:

(a) The Sums shall be reduced to RMB7,500,000 (the "Revised Sums");

(b) The Plaintiff shall apply to the Court to unfreeze the Bank Accounts upon the date of the settlement agreement (of which such application has been made and the Bank Accounts were unfrozen before 31 December 2013);

(c) The Plaintiff shall apply to the Court to unfreeze the Motor Vehicles and the Equity Interest upon the full settlement of RMB7,500,000 by Beijing Aoshen; and

(d) The Revised Sums shall be fully settled by way of: (i) a first installment of RMB2,000,000 upon unfreezing the Bank Accounts; (ii) a second installment of RMB1,500,000 within 30 days from the date of the first installment; and (iii) the remaining of RMB4,000,000 by eight installments, each not less than RMB500,000, before 30 October 2014.

The directors of the Company made the full provision of RMB7,500,000 during the year ended 31 December 2012. Up to 31 December 2013, Beijing Aoshen has already settled the first installment and the second installment in aggregate of RMB3,500,000 to the Plaintiff. The remaining installments in aggregate of RMB4,000,000 were settled during the year ended 31 December 2014.

35. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, the Group had the following material related party transactions during the year:

Related party transactions

	Notes	2014 RMB'000	2013 RMB'000
Advertising agency fee to an associate	*(i)*	–	377
Advertising agency fee to a joint venture	*(ii)*	167	833
Rental expenses paid to Mr. Lin and Mr. Ruan, executive directors of the Company		158	127
Waiver of payable to non-controlling shareholder of a subsidiary recognised as deemed contribution		2,300	–

Notes:

(i) The advertising agency fees were paid/payable to associates, for the exclusive advertising agency rights of magazines operated by the associates.

(ii) The advertising agency fee was paid/payable to a joint venture for the exclusive advertising rights of a magazine.

The above transactions are charged at a pre-determined rate mutually agreed by the parties. The directors are of the opinion that these related party transactions were conducted in the ordinary course of business.

Key management personnel compensation

Remuneration for key management personnel of the Group, including amounts paid/payable to the Company's directors and certain of the highest paid employees as disclosed in note 10, is as follows:

	2014 RMB'000	2013 RMB'000
Short term employee benefits	3,819	4,812
Post-employment benefits	70	81
	3,889	4,893

36. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31 December 2014 and 2013 are as follows:

Name of subsidiary	Place of incorporation/ establishment and operation	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company 2014	2013	Principal activities
Directly owned					
香港奧神投資有限公司 Hong Kong Ao Shen	Hong Kong	HK$100	**100%**	100%	Provision of management services
三七三金融集團有限公司 373 Finance Group Limited (formerly known as 香港奧神製作有限公司 Hong Kong Ao Shen Production Limited)	British Virgin Islands	US$100	**100%**	–	Investment holding
Indirectly owned					
三三金融服務有限公司 33 Financial Services Limited	Hong Kong	HK$100,000,000	**100%**	–	Provisions of management services
三三顧問服務有限公司 33 Consultants Services Limited	Hong Kong	HK$1,000,000	**100%**	–	Money lending
三三服務有限公司 33 Services Limited (formerly known as 三三信貸有限公司 33 Credit Services Limited)	Hong Kong	HK$10,000	**100%**	–	Inactive
奧神技術服務（福州）有限公司[1] Ao Shen Technology	PRC	US$15,000,000 (2013: US$20,000,000)[4]	**100%**	100%	Provision of consulting services
福建省奧神傳媒廣告有限責任公司[2,3] Fujian Ao Shen	PRC	RMB31,630,000	**–**	–	Provision of advertising services
北京大提速傳媒廣告有限公司[2,3] Beijing Datisu	PRC	RMB27,000,000	**–**	–	Provision of advertising services
福州海都商旅傳媒有限公司[3] Fuzhou Haidu Commercial Travel Media Co., Ltd. ("Fuzhou Haidu")	PRC	RMB1,000,000	**–**	–	Provision of advertising services
北京路網文化傳媒有限公司[2, 3] Beijing Luwang Culture Media Co., Ltd. ("Beijing Luwang")	PRC	RMB1,000,000	**–**	–	Inactive (2013: Provision of advertising services)

36. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

Name of subsidiary	Place of incorporation/ establishment and operation	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company 2014	2013	Principal activities
北京奥神傳媒廣告有限公司[3] Beijing Aoshen Media Advertising Co., Ltd. ("Beijing Aoshen")	PRC	RMB20,000,000	**100%**	100%	Provision of advertising services
成都三三廣告有限公司[3] Chengdu Sansan Advertising Co., Ltd.	PRC	RMB2,000,000	**100%**	100%	Provision of advertising services
上海山山傳媒廣告有限公司[3] Shanghai Shanshan Media Advertising Co., Ltd.	PRC	RMB2,000,000	**100%**	100%	Provision of advertising services
廣州奥神廣告有限公司[3] Guangzhou Aoshen Advertising Co., Ltd.	PRC	RMB2,000,000	**100%**	100%	Provision of advertising services
濟南奥神廣告傳媒有限公司[3] Jinan Aoshen Advertising Media Co., Ltd.	PRC	RMB2,010,000	**100%**	100%	Provision of advertising services
瀋陽奥神傳媒廣告有限公司[3] Shenyang Aoshen Media Advertising Co., Ltd.	PRC	RMB2,000,000	**85%**	85%	Provision of advertising services

Notes:

1 The entity is registered as a wholly-foreign-owned enterprise under PRC law.

2 The Group does not have any equity interest in the registered capital of the Contracting Entities as they are established and owned as to 50% and 50% by Mr. Lin and Mr. Ruan. Pursuant to the Contractual Arrangements as disclosed in note 4, the registered shareholders of the Contracting Entities agreed to assign all the shareholders' rights of the Contracting Entities and to assign the power to appoint and remove all the members of the board of directors and to govern the financial and operating policies of the Contracting Entities to the Group. The directors of the Company consider that such agreements give the Group the current ability to direct the relevant activities of the Contracting Entities. In the opinion of the directors of the Company, all the terms of these agreements are valid, binding and legally enforceable on all parties under the applicable laws in the PRC. With the power over the Contracting Entities and the ability to use the power over the Contracting Entities to affect the amount of the Group's return, the Group treats the Contracting Entities as wholly-owned subsidiaries of the Company under IFRS 10 and the Contracting Entities' results, assets and liabilities are consolidated with those of the Group.

Fujian Ao Shen holds 70% equity interests of Fuzhou Haidu and Beijing Datisu holds 80% equity interests of Beijing Zhong Shi Da Ye Advertising Media Co., Ltd ("Beijing Zhong Shi") and 60% equity interests of Beijing Luwang. Pursuant to the respective Memorandum and Articles of Association of Fuzhou Haidu and Beijing Luwang, the daily operating and financial affairs are decided by board of directors with simple majority of votes. Fujian Ao Shen controls two-thirds of the voting powers in the board of directors of Fuzhou Haidu and Beijing Datisu controls over 50% of the voting powers in the board of directors of Beijing Luwang which give the Group the current ability to direct the relevant activities of these entities. Pursuant to the Memorandum and Articles of Association of Beijing Zhong Shi, the daily operating and financial affairs are decided by board of directors with two-thirds of votes. Beijing Datisu controls 100% of the voting powers in the board of directors of Beijing Zhong Shi which give the Group the current ability to direct the relevant activities of this entity. Accordingly, Fuzhou Haidu, Beijing Zhong Shi and Beijing Luwang are treated as subsidiaries of the Company under IFRS 10 and their results, assets and liabilities are consolidated with those of the Group.

3 These entities are registered as limited liability companies under the applicable PRC's laws.

4 During the year ended 31 December 2014, the registered capital of Ao Shen Technology was reduced from US$20,000,000 to US$15,000,000.

36. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results of the year or formed a substantial portion of the net assets 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.

The table below shows details of a non-wholly-owned subsidiary of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests held by non-controlling interests		Proportion of voting rights in board of directors' meeting held by non-controlling interests		Profit (loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		2014	2013	**2014**	2013	**2014**	2013	**2014**	2013
						RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Beijing Luwang	PRC	**40%**	40%	**40%**	40%	**503**	(1,027)	**7,099**	4,296
Individually immaterial subsidiaries with non-controlling interests						**(1,128)**	(2,073)	**(1,712)**	(584)
						(625)	(3,100)	**5,387**	3,712

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

Beijing Luwang

	2014	2013
	RMB'000	*RMB'000*
Current assets	**26,488**	26,207
Current liabilities	**(13,613)**	(16,710)
Equity attributable to owners of the Company	**5,776**	5,201
Non-controlling interests	**7,099**	4,296

36. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

Beijing Luwang *(continued)*

	Year ended 31.12.2014 ***RMB'000***	Year ended 31.12.2013 *RMB'000*
Revenue	**–**	2,909
Other income, gains and losses, net	**1,282**	652
Expenses	**(24)**	(6,129)
Profit (loss) and total comprehensive income (expense) for the year	**1,258**	(2,568)
Profit and total comprehensive income (expense) attributable to		
Owners of the Company	**755**	(1,541)
Non-controlling interests	**503**	(1,027)
	1,258	(2,568)
Net cash inflow (outflow) from operating activities	**667**	(3,607)
Net cash outflow from investing activities	**(331)**	(952)
Net cash outflow from financing activities	**(389)**	(16)
Net cash outflow	**(53)**	(4,575)

37. MAJOR NON-CASH TRANSACTION

During the year ended 31 December 2014, trade receivables amounted to RMB3,855,000 (2013: RMB401,000) were settled by certain residential properties in the PRC.

STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2014 *RMB'000*	2013 *RMB'000*
Non-current assets		
Investments in subsidiaries	–	–
Prepayment	5,000	10,000
	5,000	10,000
Current assets		
Prepayment, deposits and other receivables	15,443	–
Amounts due from subsidiaries *(Note (i))*	58,659	190,078
Cash and cash equivalents	2,486	3,456
	76,588	193,534
Current liabilities		
Accruals	1,355	1,774
Amount due to a subsidiary *(Note (ii))*	10,894	9,421
	12,249	11,195
Net current assets	64,339	182,339
Total assets less total liabilities	69,339	192,339
Capital and reserves		
Share capital	3,957	3,957
Reserves *(Note (iii))*	65,382	188,382
	69,339	192,339

Notes:

(i) Amounts due from subsidiaries are unsecured, non-interest bearing and repayable on demand.

(ii) Amount due to a subsidiary is unsecured, non-interest bearing and repayable on demand.

(ii) Reserves of the Company

	Share premium *RMB'000*	Share redemption reserve *RMB'000*	Exchange reserve *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*
At 1 January 2013	224,984	19	(14,743)	(14,772)	195,488
Loss for the year	–	–	–	(8,110)	(8,110)
Exchange differences on translation	–	–	1,004	–	1,004
Total comprehensive income (expense) for the year	–	–	1,004	(8,110)	(7,106)
At 31 December 2013	224,984	19	(13,739)	(22,882)	188,382
Loss for the year	–	–	–	(117,854)	(117,854)
Exchange differences on translation	–	–	(5,146)	–	(5,146)
Total comprehensive expense for the year	–	–	(5,146)	(117,854)	(123,000)
At 31 December 2014	224,984	19	(18,885)	(140,736)	65,382

FIVE YEAR FINANCIAL SUMMARY

RESULTS

	2014	2013	2012	2011	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	**115,631**	157,774	226,353	216,841	208,910
(Loss)/profit before taxation	**(56,325)**	(21,412)	(99,959)	26,408	95,407
Taxation	**(3,423)**	(7,712)	(7,621)	(11,974)	(24,537)
(Loss)/profit for the year	**(59,748)**	(29,124)	(107,580)	14,434	70,870
Attributable to:					
Owners of the Company	**(59,123)**	(26,024)	(107,109)	14,923	70,669
Non-controlling interests	**(655)**	(3,100)	(471)	(489)	201
	(59,748)	(29,124)	(107,580)	14,434	70,870

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	2014	2013	2012	2011	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Total assets	**198,703**	272,391	310,001	398,654	228,244
Total liabilities	**(51,416)**	(66,785)	(75,138)	(54,779)	(115,155)
Non-controlling interests	**(5,387)**	(3,712)	(6,812)	(6,983)	(2,972)
	141,900	201,894	228,051	336,892	110,117

The summary above does not form part of the audited consolidated financial statements.