品牌中国
BRANDING CHINA

品牌中國集團有限公司
BRANDING CHINA GROUP LIMITED

(Incorporated in the Cayman Islands with Limited liability)

Stock Code: 8219

2012 Annual Report

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This report will remain on the "Latest Company Announcements" page of the Stock Exchange website at www.hkexnews.hk for 7 days from the date of its posting. This report will also be posted on the Company's website at www.brandingchinagroup.com.

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Corporate Information

Branding China Group Limited (品牌中國集團有限公司)

Stock Code : 8219 (Growth Enterprise Market of The Stock Exchange of Hong Kong Limited)

Registered office	Clifton House 75 Fort Street, PO Box 1350 Grand Cayman KY1-1108 Cayman Islands
Headquarters in the PRC	No.54 Shaoxing Road Huangpu District Postal Code- 200020 Shanghai, China
Principal place of business in Hong Kong	Suites 2001-2005 20th Floor, Jardine House 1 Connaught Place Central, Hong Kong
Authorised representatives	Song Yijun (宋義俊) Tam Tak Kei, Raymond (譚德機), *CPA*
Company secretary	Tam Tak Kei, Raymond (譚德機), *CPA*
Compliance officer	Song Yijun (宋義俊)
Audit Committee	Hsu Wai Man, Helen (徐慧敏) *(chairlady)* Lin Zhiming (林志明) Zhou Ruijin (周瑞金)
Remuneration Committee	Zhou Ruijin (周瑞金) *(chairman)* Hsu Wai Man, Helen (徐慧敏) Lin Zhiming (林志明)
Nomination Committee	Zhou Ruijin (周瑞金) *(chairman)* Lin Zhiming (林志明) Hsu Wai Man, Helen (徐慧敏)

Principal share registrar and transfer office	Appleby Trust (Cayman) Ltd. Clifton House, 75 Fort Street PO Box 1350, Grand Cayman KY1-1108 Cayman Islands
Hong Kong branch share registrar and transfer office	Tricor Investor Services Limited 26th Floor, Tesbury Centre 28 Queen's Road East Wanchai Hong Kong
Principal bankers	Industrial and Commercial Bank of China Limited Ruijin Er Road Branch No. 118 Ruijin Er Road Shanghai City China Bank of Shanghai Fumin Branch No.250 Jiangxi Middle Road Shanghai City China
Legal adviser as to Hong Kong laws	Loong & Yeung Suites 2001-2005 20th Floor, Jardine House 1 Connaught Place Central, Hong Kong
Auditor	BDO Limited 25th Floor, Wing On Centre 111 Connaught Road Central Hong Kong
Compliance adviser	Anglo Chinese Corporate Finance, Limited 40th Floor, Two Exchange Square 8 Connaught Place Central, Hong Kong
Website of the Company	www.brandingchinagroup.com

Chairman's Statement

Executive Director, Chairman and General Manager
Mr. Fang Bin

To the Shareholders:

On behalf of the board (the "Board") of directors (the "Directors") of Branding China Group Limited (the "Company"), I am pleased to present the audited consolidated results of the Company and its subsidiaries (together, the "Group") for the year ended 31 December 2012.

BUSINESS REVIEW

The Group is a provider of value-added branding services with a unique business model, focusing on serving brands in the high value consumer goods sector. The Group provides one-stop integrated marketing communications services including advertising communications, PR communications and event marketing to clients in the PRC. We focus on serving clients' needs and are supported by diversified media networks and service resources, including various media such as newspapers, magazines, the Internet, mobile phones and outdoor media as well as various event venues. We place particular emphasis on integrating our digital media business with advertising, PR and event marketing businesses, creating a new value-added branding service model.

Operating performance of many industries in China was disappointing amid global and domestic economic downturn. The Group posted a 11.30% increase in revenue for the year ended 31 December 2012, with electronic public relations communications and events marketing standing out with a growth rate of 175.27% and 70.31% respectively, highlighting the Group's competitive strengths in diversified branding services and integrated marketing communications.

FINANCIAL PERFORMANCE IN THE FOURTH QUARTER OF 2012

For the latest three months ended 31 December 2012, the Group recorded revenue of RMB48,490,880. The total gross profit of the Group was RMB15,129,160 for the three months ended 31 December 2012. The gross profit margin was 31.20% for the period. The net profit of the Group for the three months ended 31 December 2012 was RMB8,551,060. The net profit margin of the Group for the three months ended 31 December 2012 was 17.63%. Earnings per share of the Group for the three months ended 31 December 2012 was RMB4.28 cents.

FINANCIAL PERFORMANCE IN THE YEAR ENDED 31 DECEMBER 2012

For the year ended 31 December 2012, the Group recorded revenue of approximately RMB146,939,781. The total gross profit of the Group was approximately RMB57,949,470 and the gross profit margin was 39.44% for the period under review. The net profit (excluding listing expenses) of the Group for the period under review was approximately RMB36,886,220; taking into account the listing expenses, the net profit for the year ended 31 December 2012 was approximately RMB32,356,395. The net profit margin (excluding listing expenses) of the Group for the year ended 31 December 2012 was 25.10%; taking into account the listing expenses, the net profit margin for the year ended 31 December 2012 was 22.02%. Earnings per share of the Group for the year ended 31 December 2012 was approximately RMB17.58 cents.

LISTING ON THE HONG KONG STOCK EXCHANGE

The year of 2012 was a major milestone in the history of the Group, as the Company successfully listed on 27 April 2012. We are very glad that our placing was met with enthusiasm in the capital market. I would like to once again express my heartfelt gratitude for the efforts taken by the professionals from all communities and our management team for our successful listing.

FUTURE PROSPECTS

We will continue to serve our existing clients and generate more revenues, further expand and optimise our clients in the automobile and home fashion sectors and proactively develop new clients in other sectors in order to tap more business opportunities. The Group will also continue to expand media resources and digital marketing business, and endeavour to create higher returns for shareholders during the process.

We have entered the next phase of growth and embark on new ventures to attract new capital and investors. As stated in the Prospectus, we will continue to leverage the resources of the Company to expand network coverage and create new platforms and opportunities for our clients.

ACKNOWLEDGEMENT

Finally, I would like to take this opportunity to extend my sincere appreciation to all our Directors, management and employees for their firm devotion and contribution for the development of the Group. Furthermore, I would also like to thank all the shareholders, partners and clients for their support and trust in the Group during 2012.

Branding China Group Limited
Fang Bin
Executive Director, Chairman and General Manager

Management Discussion and Analysis

FINANCIAL OVERVIEW

For the year ended 31 December 2012, the Group recorded revenue of approximately RMB146,939,781, representing an increase of approximately 11.30% or RMB14,913,278 as compared with RMB132,026,503 for the year ended 31 December 2011. The total gross profit of the Group was RMB57,949,470 for the year ended 31 December 2012, representing a slight decrease of approximately 1.61% or RMB951,102 as compared with RMB58,900,572 for the year ended 31 December 2011. The gross profit margin decreased to approximately 39.44% for the current year from 44.61% for last year. The net profit (excluding listing expenses) of the Group for the year ended 31 December 2012 decreased by 7.89% to RMB36,886,220 from 40,043,720 for the same period last year. Taking into account the listing expenses, the net profit for the year ended 31 December 2012 decreased to RMB32,356,395 by 6.09% from the year ended 31 December 2011. The net profit margin (excluding listing expenses) of the Group for the year ended 31 December 2012 decreased to 25.10% from 30.33% for last year. Taking into account the listing expenses, the net profit margin for the year ended 31 December 2012 decreased to 22.02% from 26.10% for last year. Earnings per share of the Group for the year ended 31 December 2012 was RMB17.58 cents.

BUSINESS REVIEW

The Group is a provider of value-added branding services with a unique business model, focusing on serving brands in the high value consumer goods sector. The Group provides one-stop integrated marketing communications services to clients, including advertising communications, public relations ("PR") communications and event marketing. Currently, our clients include brands in the automobile, home fashion and financial service sectors. The Group focuses on serving clients' needs and is supported by diversified media networks and service resources, including various media such as newspapers, magazines, the Internet, mobile phones and outdoor media as well as various event venues. The Group places particular emphasis on integrating its digital media business with advertising, PR and event marketing businesses, creating a new value-added branding service model. During 2012, the Group optimised its existing professional teams, further consolidated media resources, strengthened capabilities for diversified services and vigorously developed business partners. At the same time, the Group kept diversifying the sectors of clients served by it, and set about developing clients in the travel, financial, commercial property and retail sectors.

The Group's principal business activities include advertising communications, PR communications and event marketing. The Group attaches great importance to the development of digital marketing business and continues to expand its digital marketing platform and enhance abilities for digital marketing services.

ADVERTISING COMMUNICATIONS

As part of the customised branding and marketing services, the Group provides professional and well-targeted advertising communications services to our clients through the SMU Publications, *www.cnnauto.com*, our self-operated website, and other media. The Group provides various forms of media for clients to place advertisements, ranging from newspapers, magazines, the Internet to mobile phones and outdoor media. The Group's own media resources are the SMU Publications which include *Auto 007, Auto Report, I home, Shanghai Today, Shanghai Scene* and our self-operated website, CN 汽車網 (*www.cnnauto.com*) (collectively, the "SMU Publications"). The advertising media in which the Company operates in cooperation with external partners cover the mainstream media of Shanghai and China at large, including outdoor billboards located at the prime sites of Shanghai.

Part of the Group's advertising income was generated from SMU Publications. The advertising income derived from the self-operated SMU publications for the year ended 31 December 2012 amounted to RMB39,153,831, representing an decrease of approximately 24.06% from the same period last year. During 2012, the Group's self-operated website, *www.cnnauto.com*, attracted far more hits than it did during the same period last year benefiting from the Group's increase in investment in upgrading of the website. During the year ended 31 December 2012, *www.cnnauto.com* generated an advertising income of RMB4,156,431, representing an increase of approximately 12.65% over the same period last year. By leveraging its advantages in media resources, the Group placed advertisements for its clients on China's mainstream media and generated income from its advertising agency business. Main advertising media partners of the Group include *Jiefang Daily* (解放日報), *Shanghai Morning Post* (新聞晨報), *Xinmin Evening* (新民晚報), *Shanghai Business Daily* (上海商報), *Orient Morning Post* (東方早報) and operators of outdoor billboards located at prime sites of Shanghai.

The Group aggressively expanded the advertising client resources to generate more advertising income. On one hand, the Group continued to explore clients in the automobile and home fashion sectors, and successfully secured certain clients in these sectors in the first half of the year. On the other hand, the Group actively developed clients in other sectors, and secured certain clients in the financial services industry during 2012.

The income from the advertising communications business for the year ended 31 December 2012 was RMB73,205,900, representing a decrease of approximately 17.85% or RMB15,910,094 as compared with RMB89,115,994 for the year ended 31 December 2011. The increase was mainly due to the fact that certain clients of the Group had changed their orders for our integrated marketing communications advertising communications to orders for our event marketing services as a result of adjustments to their brand promotion plans during the review period.

PR COMMUNICATIONS

PR communications services are an integral part of our one-stop branding services, which are focused on providing the clients with tailored PR strategies as well as well-targeted and effective communications solutions, usually including PR consultation, PR communications and media coverage and monitoring. This business can also be divided into traditional PR and electronic public relations ("EPR") depending on the type of media channels.

In providing marketing and communications services to brand owners via the digital media, the Group has accumulated extensive digital media resources, including mainstream websites and leading wireless media in China, which allows the Group to offer brand owners faster, more far-reaching and interactive EPR services (portal-based PR communications, Internet-community-based word-of-mouth communications and the emerging microblog marketing, etc.). Among the Group's EPR clients, the number of clients in the home fashion industry increased during 2012. In addition, the microblog marketing project the Company undertook for a renowned brand owner in the automobile industry ranked first on the "List of 2012 Most Influential Microblogs for the Auto Industry on Sina Microblog" (2012年新浪微博年度汽車行業微博影響力排行榜) published at the official website of Sina.com in December 2012.

For the year ended 31 December 2012, the PR communications income was RMB24,953,455, representing a slight decrease of 14.87% or RMB3,230,879 as compared with RMB21,722,576 for the year ended 31 December 2011. Such an increase was mainly attributable to the Group's increasing focus on its digital marketing business as a key sector for business development. During 2012, by accelerating the development of its digital marketing professional team and continuously amassing digital media communications resources to gain higher market shares, the Group achieved substantial increase in the income from the EPR business and thus boosted the overall income from the Group's PR communications business. During the review period, the EPR income was RMB16,162,370 representing a significant increase of 175.27% or RMB10,290,880 as compared to the same period last year.

EVENT MARKETING

The Group organises and implements event marketing projects for clients from time to time, which usually includes press conferences, new products road shows, conventions, exhibitions, forums and celebration activities. As an important part of the Company's integrated marketing communications services, the Group organises marketing and promotional campaigns in accordance with the specific requirements of its clients with a view to enhancing the brand awareness amongst the potential end users. Below-the-line (BTL) marketing has become an indispensable part of brand marketing. Our event marketing division plans and implements customised marketing events for our clients with a view to increasing public awareness of their brands and products and enabling the end users to have direct experience and form an impression of the products so as to achieve a deeper understanding of such products, or even prompting them to buy the products instantly.

The income from multiple event marketing projects undertaken by the Group in 2012 amounted to RMB50,978,609, representing a significant increase of approximately 70.31% or RMB21,044,960 as compared with RMB29,933,649 as at 31 December 2011. Such huge increase was mainly due to clients' increasing satisfaction with the communication effects of the Group's event marketing services as a result of innovative event marketing methods and enhanced strategies, which in turn led to a substantial growth in the quantity of orders for Company's event marketing services.

OTHER INCOME AND GAINS

Other income and gains increased from RMB502,022 for the year ended 31 December 2011 to RMB2,722,498 for the year ended 31 December 2012, which mainly represented distribution income, interest income and subsidy income. The subsidy income represented subsidies granted by the government to enterprises which have to pay more taxes due to the reclassification of sales tax to value-added tax under the recent tax reform.

COST OF SALES AND GROSS PROFIT

For the year ended 31 December 2012, the key components of the Group's cost of sales comprised content production, printing and distribution costs of the SMU Publications, operating costs of *www.cnnauto.com*, expenses for procuring advertising and / or text advertisements space as well as event organising and production costs. The Group's cost of sales for the year ended 31 December 2012 amounted to RMB88,990,311, representing an increase of approximately 21.69% or RMB15,864,380 as compared with RMB73,125,931 for the year ended 31 December 2011. Such increase was due to the increase in relevant costs associated with the growing volume of the Group's advertising agency communications services.

For the year ended 31 December 2012, the Group achieved a gross profit of RMB57,949,470, representing a slight decrease of approximately 1.61% or RMB951,102 as compared with RMB58,900,572 for the year ended 31 December 2011. The Group's gross profit margin decreased from 44.61% for the year ended 31 December 2011 to 39.44% for the year ended 31 December 2012. The decrease in our gross profit margin was primarily due to higher costs as a result of the increase in tax costs arising from the reclassification of sales tax to value-added tax and the increase in labor costs as a result of the expansion of the Company's professional teams in the same year.

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses for the period amounted to RMB1,368,188, representing a decrease of approximately 22.01% as compared with RMB1,754,277 for the year ended 31 December 2011. The decrease was mainly due to the fact that the Group's selling and distribution expenses for 2011 primarily represented travelling expenses, entertainment expenses and salaries of certain sales staff while the selling and distribution expenses for 2012 mainly represented travelling expenses and entertainment expenses only as the salaries of certain sales staff were reclassified to cost of sales during the review period.

ADMINISTRATIVE AND OTHER EXPENSES

Administrative and other expenses for the year ended 31 December 2012 increased to RMB14,521,242 by RMB4,664,459 or 47.32% as compared with the year ended 31 December 2011. The increase was primarily due to the facts that (i) the consolidated statement of the Group's comprehensive income included listing expenses of RMB4,529,825 of the Group which was expensed during the review period; (ii) the Group expanded its professional team and established new departments, which had resulted in increases in labor costs; and (iii) increased business volume of the Group led to corresponding rises in the administrative and other expenses.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2012, the Group's cash and cash equivalents, comprising bank deposits and cash on hand, amounted to RMB96,215,275, representing a net increase of RMB43,304,576 as compared with the balance as at 31 December 2011. As at 31 December 2012, our current ratio was 4.22 (31 December 2011: 3.71). The Group mainly used internal cash flows from operating activities to satisfy its working capital requirements.

PLEDGE OF ASSETS

As at 31 December 2012, the Group had no assets pledged for bank borrowings or for other purposes (31 December 2011: Nil).

CONTINGENT LIABILITIES

As at 31 December 2012, the Group did not have any significant contingent liabilities.

FOREIGN EXCHANGE RISK

The Group mainly operates in the PRC with most of its transactions settled in Renminbi. Some of the Group's bank deposits are denominated in Hong Kong Dollars. The directors are of the opinion that the Group's exposure to foreign exchange risk is insignificant. During the review period, the Group did not hedge any exposure to foreign exchange risk.

HUMAN RESOURCES

As at 31 December 2012, the Group had approximately 152 employees in total in the PRC. The Group's remuneration policy is formulated based on industry practices and the performance of individual employees. During the Review Period, the Group's total staff cost was approximately RMB9,736,341 (for the year ended 31 December 2011: RMB7,592,979). The rise in human resources costs was due to higher labor costs as compared with last year due to the expansion of its professional team by the Group.

TRANSFER OF BUSINESSES

The business of Shanghai SumZone Media Investment Management Company Limited ("SMU") involves Restricted Businesses (as defined in the Prospectus of the Company dated 17 April 2012 (the "Prospectus")) and this prevents SMU from being included in the Group directly. On the basis of the Structured Contracts and having consulted our PRC lawyers, the Group is of the view that the operation of the SMU Publications and *www.cnnauto.com*, the Group's relevant advertising business relating to content design and production as well as its PR (including EPR) business are Restricted Businesses and they should continue to be operated by SMU after the listing. On the other hand, the Group's advertising agency business arising from the SMU Publications, *www.cnnauto.com* and other advertising media channels and event marketing business are Unrestricted Businesses and they are being and will be transferred to Shanghai SumZone Advertising Company Limited ("SumZone Advertising") and Shanghai SumZone Marketing Company Limited ("SumZone Marketing") in pursuance of the Group's long-term strategic plans. As part of the business transfer process which has commenced in early September 2011, SumZone Advertising and SumZone Marketing have entered into business contracts with all our newly developed clients relating to our Unrestricted Businesses.

As at 31 December 2012, the Group has not completed the transfer of the relevant trademarks and the completion of such transfer is currently expected to be in about August 2013. Save for this, the Group has completed the transfer of all the Unrestricted Businesses of SMU to SumZone Advertising and SumZone Marketing.

USE OF NET PROCEEDS FROM THE PLACING

The shares of the Group were listed on the GEM of the Stock Exchange on 27 April 2012 (the "Listing Date"), and the net proceeds from the Placing (as defined in the prospectus of the Company dated 17 April 2012) were approximately RMB75,300,500.

According to the future plans of the Group set out in the section "Future plans and use of proceeds" of the Prospectus, the Group's actual business progress and use of proceeds as at 31 December 2012 were as follows:

	Business targets for the period from the Latest Practicable Date as defined in the Prospectus to 31 December 2012	Actual business progress as at 31 December 2012	Use of proceeds
Introduction of new media covering new industries	• To launch a new media covering the travel Industry.	• The Group has not yet developed this new media business.	Planned investment: HK$700,000 Actual investment: 0 The proceeds which have not been used as planned will be applied for future business development of the Company.
Expansion of professional team	• To continue to serve the existing clients and generate more revenue. • To secure at least one new client from automobile industry contributing more than RMB one million in revenue to our Group annually. • To secure at least ten new clients from the home fashion industry. • To secure at least one new client from the financial industry, and secure one new client from the travel industry.	• In 2012, the Group recruited 30 employees as planned. • The Group developed 17 new clients from the home fashion industry and 1 new client from the financial industry in 2012.	Planned investment: HK$1,050,000 Actual investment: RMB909,960 (approximately HK$1,120,500)

Expansion of digital marketing platform	• To revamp *www.cnnauto.com* to enhance its influence. • To start the research and development of database marketing on the platform of E-Times Club. • To start the strategic cooperation with at least one major internet portal company. • To introduce new digital marketing services for clients in the automobile, home fashion, financial services and travel industries targeting users in online social communities including microblogs. • To research and develop mobile phone version of the SMU Publications. • To explore more Internet advertising business and continue to expand our EPR operation and generate more revenue from digital marketing	• In 2012, the Group optimised its self-operated website *www.cnnauto.com*, with advertising income from *www.cnnauto.com* amounting to RMB4,156,430, up 12.65% from the same period last year. • Based on the existing platform of E-Times Club, the Group embarked on the research and development of the database marketing management system and combined this system with the existing media channels to provide more value-added and effective marketing communications services for brands and products. • The Group intends to cooperate with certain major internet portals and may enter into strategic cooperations with them in the second half of the year. • The Group increased its EPR clients and provided more extensive EPR services through its self-operated website, major news portals, automobile industry portals, finance portals and popular web communities.	Planned investment: HK$1,750,000 Actual investment: RMB519,010 (approximately HK$639,100).
Expansion of geographic coverage	• To establish Nanjing office. • To establish Tianjin office.	• The Nanjing office and Tianjin office have yet to be set up as the Group is still identifying the suitable team for prudence sake and will establish the offices when appropriate.	Planned investment: HK$1,050,000 Actual investment: 0 The proceeds which have not been used as planned will be applied for future business development of the Company.
Mergers and acquisitions	• To acquire a company complimentary to our integrated marketing communications services subject to favourable market conditions.	• The Group has not yet acquired any company.	Planned investment: HK$21,000,000 Actual investment: 0 The proceeds which have not been used as planned will be applied for future business development of the Company.

FUTURE PROSPECTS

With the development of domestic economy and the continuous progress of urbanisation, the Group will benefit from the rapid development of the domestic consumer market in China as well as the favourable government policies to support to new service industries and cultural industries. The Group is optimistic about the future development prospects of its existing businesses. By taking advantage of the general trend of growing domestic consumption in China, the Group will continue to provide professional one-stop value-added branding services to clients.

Going forward, the Group will further expand and optimise its clients in the automobile and home fashion sectors and proactively develop new clients in other sectors in order to tap more business opportunities. The Group will also continue to expand its media resources and digital marketing business. Meanwhile, to further optimise its business model and expand business scale, the Group will acquire companies that can complement its existing businesses under favorable market conditions.

Digital marketing business is one of the key driving forces for the Group's business expansion. The Group will continue to improve its existing digital marketing tools, further research on and develop new digital media platforms and products, and introduce digital marketing services to clients in the automobile, home fashion and travel sectors. The microblog marketing project the Company undertook for a renowned brand-name client in the automobile industry ranked first on the "List of 2012 Most Influential Microblogs for the Auto Industry on Sina Microblog" (2012年新浪微博年度汽車行業微博影響力排行榜) published at the official website of Sina.com in December 2012, which boosted our confidence in our digital marketing business for 2013.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Fang Bin (方彬先生), aged 42, studied Economics and Management (經濟管理專業) at the Nanjing Political College (南京政治學院). He is the chairman and general manager of our Company responsible for formulating overall business development strategies and management policies for our Group.

With over 18 years' of managerial experience in the media and advertising industry, Mr. Fang has extensive experience in business management and operation of advertising and publishing businesses, in particular, in relation to the development of marketing and communications strategies and integration of media resources.

Before founding our Group, Mr. Fang was the chief operation officer of the advertising department of Modern Market Economic Weekly (現代市場經濟週刊) between 1993 and 1995, where he was responsible for the development of customer relationship and business operation of the relevant department in relation to various large to medium state-owned enterprises, planning and coordination of the special column in relation to corporate image. From August 1995 to January 1996, he worked as the general manager of Shanghai Shenhai Advertisement Co. Ltd. (上海申海廣告有限公司). Between February 1996 and December 1998, he became an officer of the special issue department in relation to the "Journal on famous people along the coast" (沿海經濟名人專刊), a special issue of Market Economic Times (市場經濟時報), where he was responsible for leading the day-to-day operation of the journal. Between January 1999 and February 2002, Mr. Fang became the chief operating officer of Auto Weekly (汽車週刊) of Jiefang Daily (解放日報), where he was responsible for leading the day-to-day operation of the magazine. He was mainly responsible for operation of advertisements, operation and promotion of events, organisation and planning of special issue. He was also involved in the planning of publication articles and operation strategies.

Mr. Fang founded 上海三眾華納傳煤投資管理有限公司 (Shanghai SumZone Media Investment management Company Limited) in 2003 and became the chairman and general manager. Since then, he has been leading us to develop integrated marketing communications services on automobile brands, including the establishment and acquisition of new media platforms, which formed an important part of our Group's integrated marketing communications services for brand owners. Under Mr. Fang's leadership, in August 2004, we took over the operation of Auto Report which was founded in August 2002. Since 2004, Mr. Fang has led our operation of automobile media, including Auto 007, an automobile newspaper. As we extended our integrated marketing communications services to home fashion brands, we founded another magazine, I home, in 2009 under Mr. Fang's leadership.

Mr. Fang is a prominent person in the media and advertising industry in Shanghai. In June 2005, Mr. Fang was appointed as a deputy secretary general by the Shanghai Consumer Rights Protection Committee (上海市消費者權益保護委員會). In September 2006, Mr. Fang was appointed as a secretary general by the AJAS of the Shanghai Journalist Association (上海市新聞工作者協會).

Mr. Fang wholly owns Lapta International Limited and is one of its directors. The company is incorporated in the BVI and holds 56.25% of the issued shares of the Company.

Ms. He Weiqi (賀維琪小姐), aged 42, graduated from Wuhan University of Technology in business administrationin 2008. She has been our deputy general manager since she joined us in April 2007. Ms. He has 19 years' of experience in finance and is now responsible for formulating financial and taxation policies, accounting and operation procedures, cost control policies, and administration and human resources matters of our Group.

Before joining us, Ms. He worked in Shanghai Shenyan Advertising Co. Ltd (上海申燕廣告有限公司), the wholly-own subsidiary of Shanghai Machine Tool Works Trading Co. Ltd (上海機床工具貿易集團有限公司) as the finance officer between November 1992 to July 2001, monitoring day-to-day financial matters and was responsible for cost control and financial matters. Between July 2001 and April 2007, Ms. He became the general manager of Shanghai Aojing Printing Company Limited (上海奧敬印務有限公司), where she focused on day-to-day management and business operation.

Mr. Song Yijun (宋義俊先生), aged 40, graduated from Shanghai Jiao Tong University with a bachelor degree in biological and medical engineering and equipment. He further obtained a master degree in business administration from Fudan University in 2008.

Mr. Song has over 16 years' of experience in strategic operation and marketing management. He joined us in March 2011 and is currently our deputy general manager. He is in charge of business operation and planning, and the development and furtherance of business strategies.

Before joining us, Mr. Song was the general manager and deputy general manager of various companies of Haier Electrical Appliances Co., Ltd. between 1995 and 2000, where he was responsible for various matters regarding the subsidiaries of the Haier group. Mr. Song was the general manager of various companies between 2001 to 2005, including Qingdao Yishang Trading Company Limited (青島億商貿易有限公司), Foshan Haishenglong Electrical Company Limited (佛山市海盛隆電器有限公司), and Oulida Electrical Company Limited (佛山市歐利達電器有限公司), where he was responsible for operation management and business development.

Mr. Song subsequently worked in Shanghai Xinhua Media Co. Ltd. (上海新華傳媒股份有限公司) for almost 6 years between June 2005 to February 2011, during which, he was the general manager of the sales department from June 2005 to June 2006, responsible for development of sales system and operation, planning and management of sales activities of the chain stores, and promotion and media marketing of brands; general manager of the wholesale department from July 2006 to March 2009, responsible for the day-to-day operation of the wholesale department; deputy chief officer and chief operation officer of the strategic and development department from April 2009 to March 2010, responsible for preparing market analysis, analysis on target control and operation, integration of resources, sales management, brand operation. He was also the deputy chief officer of the strategic management department from April 2010 to February 2011, where he assisted the board of directors and the team of the chief executive officer to formulate overall strategic plans.

NON-EXECUTIVE DIRECTORS

Mr. Lin Kaiwen (林凱文先生), aged 46, was appointed as a Director of our Company on 25 May 2011 and redesignated as a non-executive Director on 10 April 2012. Mr. Lin completed the continuing education course in economics (business administration) organised by the Shanghai Academy of Social Sciences in 2001.

Mr. Lin has over 20 years' of experience in manufacturing of equipment. Mr. Lin founded Shanghai Kaiquan Pump (Group) Co., Ltd (上海凱泉泵業(集團)有限公司) and was the chairman and chief executive from 1999 to present. Shanghai Kaiquan Pump (Group) Co., Ltd is engaged in manufacturing and sale of pumps, and water supply and pump control equipment, and according to the China Machinery Industry Yearbook (中國通用機械工業年鑑), its revenue ranked first in China's pump industry in 2009.

Mr. Lin holds various social positions in the PRC. He is a member of the 11th Chinese People's Political Consultative Conference of Shanghai (上海市第十一屆政協委員), member of the standing committee of the 10th Shanghai Youth Federation (上海市青年聯合會), deputy president of Shanghai Youth Entrepreneurs Association (上海市青年企業家協會) and The Zhejiang Chamber of Commerce, Shanghai (上海浙江商會), member of the standing committee of Shanghai Federation of Industry and Commerce, as well as deputy president of the 4th Shanghai Private Enterprises Association (上海市私營企業協會) and the 3rd Shanghai Society for Promotion of Guangcai Programme (上海市光彩事業促進會). Furthermore, he was selected as one of the "National Private Entrepreneurs Caring for Employees" (全國關愛員工民營企業家), "Top Ten Outstanding Youths of Shanghai" ("上海市十大杰出青年"), "New Long March Models of Shanghai" (上海市新長征突擊手), "Shanghai Quality Golden Prize Individuals" (上海市質量金獎個人), "Remarkable Builders of Socialism Undertakings with Chinese Characteristics in Shanghai" (上海市優秀中國特色社會主義事業建設者) and "Shanghai Shining Star" (上海市光彩之星).

Mr. Lin wholly owns Jolly Win Management Limited ("Jolly Win"), a company incorporated in the BVI, and is one of its directors. Jolly Win holds 9% of the issued shares of the Company.

Mr. Fan Youyuan (范幼元先生), aged 52, was appointed as a Director of our Company on 25 May 2011 and redesignated as a non-executive Director on 10 April 2012. Mr. Fan graduated from Fudan University with a bachelor's degree in Philosophy in 1983. He further obtained a master in business administration (international programme) from the University of Hong Kong in 2004.

Mr. Fan has over 25 years' of experience in media and advertising industries in the PRC. He joined Jiefang Daily (解放日報) as an editor in January 1985. Between 1996 and 2007, Mr. Fan held various positions in Jiefang Press Group, including general manager of Shanghai Jiefang Advertising Limited (上海解放廣告有限公司), and supervisor of the advertising department. He was also the officer of the advertising department, research department and business development department of Jiefang Press Group (解放日報報業集團), and the deputy general manager of Shanghai Jiefang Media Investment Company Limited (上海解放傳媒投資有限公司). During this period, Mr. Fan was responsible for overall operation and management of advertisements of Jiefang Press Group (解放日報報業集團). Between May 2005 to August 2007, Mr. Fan was the director of the Jiefang Press Group (解放日報報業集團) where he managed the day-to-day business operation. He held senior positions in various entities of the group. In 2007, Mr. Fan became a director and the chief executive of Shanghai Xinhua Media Co. Ltd. (上海新華傳媒股份有限公司) (600825.SH) until May 2011.

Between 2002 and 2003, Mr. Fan was selected as an Outstanding Operator and Manager of the National Newspaper Industry of the Year (年度全國報業先進經營管理工作者) by the General Administration of Press and Publication of the PRC (中華人民共和國新聞出版總署) and the Newspaper Association of the PRC (中國報業協會) and an Outstanding Operator and Manager of the Shanghai Newspaper Industry of the Year (年度上海市報業先進經營管理工作者) by Shanghai Press & Publication (上海市新聞出版局) and Shanghai Municipal Newspaper Association (上海市報紙行業協會).

Mr. Fan wholly owns Whales Capital Holdings Limited ("Whales Capital") through his wholly owned Taocent International Holding Limited ("Taocent International"), and Whales Capital holds 9.75% of the issued shares of the Company. Mr. Fan is a director of Taocent International and Whales Capital.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Zhou Ruijin (周瑞金先生), aged 73, was appointed as an independent non-executive Director on 10 April 2012. Mr. Zhou has nearly 40 years of experience in the media industry in the PRC. Mr. Zhou graduated from Fudan University in journalism in 1962. Upon graduation, he served as a journalist, editor and commentator of Jiefang Daily (解放日報). From 1979, he was the deputy officer, officer, member of the edit committee, assistant to editor-in-chief and deputy editor-in-chief of the commentary department of Jiefang Daily (解放日報). Mr. Zhou became the deputy editor-in-chief of People's Daily (人民日報) in 1993.

Mr. Zhou was a member of the standing committee of the Shanghai Journalism Association (上海市新聞學會) and the part-time professor of the Department of Journalism of Fudan University, the Department of Journalism and Human Sciences of Shanghai University of Technology and the Beijing Broadcasting Institute. In 1991, Mr. Zhou was in charge of writing around four commentary articles titled "Reform and Liberalization Need New Thinkings" (《改革開放要有新思路》), in the name of "Huangfu Ping", which had positive influence on the society.

In 1987, Mr. Zhou was selected as the senior editor by the National Journalism Senior Professional Duties Qualification Selection Committee (全國新聞高級專業職務資格評審委員會). In 1992, Mr. Zhou was selected by the State Council as an expert scholar with outstanding contribution being entitled to special subsidy from the government.

In January 2001, Mr. Zhou was elected as the president of Shanghai Association of Productivity Science (上海生產力學會) and deputy president of the 13th Chinese Association of Productivity Science (全國生產力學會). Between June 2000 and December 2009, Mr. Zhou was an independent director of China Eastern Airlines Corporation Limited (中國東方航空股份有限公司) (600115.SH).

Mr. Lin Zhiming (林志明先生), aged 54, was appointed as an independent non-executive Director on 10 April 2012.

Mr. Lin has more than 19 years of experience in marketing and corporate image building and communications. Mr. Lin completed the study of Library Science at College of Liberal Arts Shanghai University (上海大學文學院) (formerly known as the branch school of Fudan University (復旦大學分校)) in 1983. He is currently the deputy director of Sunage Sports Communications Research Institute, Shanghai University (上海大學三傑體育傳播研究所) responsible for spearheading research and development programmes in the operational model of sports club (體育俱樂部) and comparative analyses in the metropolitan mass sports development (城市大眾體育發展). He is also a visiting professor of School of Film and Television Arts and Technology, Shanghai University (上海大學影視藝術技術學院) and a tutor in sports communications for masters degree students at the graduate school of the university.

Since 2005, Mr. Lin has been the chief executive officer of Shanghai Sunage Advertising Company Limited (上海三傑廣告有限公司) where he is primarily in charge of strategic planning and execution of sports events and related projects.

Between 1992 and 2004, Mr. Lin was the general manager of Shanghai Idea CIS Design and Consulting Company (上海艾迪企業形象設計顧問公司) where he was responsible for assisting clients in corporate image design and planning, providing them with research and advisory services in, amongst other things, PR communications strategies as well as the daily operations and administration of the company.

Ms. Hsu Wai Man, Helen (徐慧敏小姐), aged 43, was appointed as an independent non-executive Director on 10 April 2012. Ms. Hsu graduated from The Chinese University of Hong Kong with a bachelor's degree in business administration in 1992.

As a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of the American Institute of Certified Public Accountants, Ms. Hsu has over 18 years' of experience in accounting. She joined Ernst & Young in July 1992 and became a partner of Ernst & Young in 2005 until she left in February 2011. Ms. Hsu is also a member of the advisory board of the School of Accountancy of The Chinese University of Hong Kong.

Ms. Hsu was appointed as an independent non-executive director of China Forestry Holdings Co. Ltd., a company listed on the Stock Exchange, on 5 July 2011. Ms. Hsu was further appointed as an independent non-executive director of Perfect Shape (PRC) Holdings Limited, a company listed on the Stock Exchange, on 5 December 2011.

SENIOR MANAGEMENT

Mr. Cai Shibin (蔡仕彬先生), aged 39, our deputy general manager responsible for the operation and management of our public relations and event marketing.

Mr. Cai joined us in 2003 and had since then held various positions including manager of key customers, chief officer of advertising operation and chief officer of public relations and event marketing. Mr. Cai has 13 years of experience, including his 9 years' experience with us, in advertising and managing customer relationship. He is experienced in providing strategic, marketing and communications services to brands so as to maximise the effect of brand management and business objectives, and to achieve the operation and profit targets of our Company.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining a high standard of corporate governance. The Company has complied 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") from the Listing Date (as defined below) up to 31 December 2012.

The directors (the "Directors") of the Company consider that since the listing of the shares of the Company on the GEM of the Stock Exchange on 27 April 2012 (the "Listing Date"), the Company has complied with the Code from the Listing Date up to the end of the reporting period. The Company will continue to review its corporate governance practices in order to enhance its corporate governance standard, comply with regulatory requirements and meet the growing expectations of shareholders and investors.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules.

Having made specific enquiry with the Directors, all the Directors confirmed that they have complied with the required standard of dealings concerning securities transactions by the Directors from the Listing Date and up to 31 December 2012.

BOARD OF DIRECTORS

The Company is governed by the board of Directors (the "Board") which has the responsibility for leadership and monitoring of the Company. The Directors are collectively responsible for promoting the success of the Group by directing and supervising the Group's affairs. As at the date of this report, the Board comprises eight Directors of which three are executive Directors, two are non-executive Directors and three are independent non-executive Directors.

The Board sets strategies and directions for the Group's activities with a view to developing its business and enhancing shareholders' value. The Board has delegated the daily operation and day-to-day management of the Group as well as the implementation of the Board's policies and strategies to the executive Directors and management of the Group.

All the Directors carry out their duties in good faith and in compliance with applicable laws and regulations, making 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) between members of the Board and the Chairman and the General Manager of the Company.

The Company organised one formal training session conducted by Messrs. Loong & Yeung for the Directors prior to its listing. The training session covered topics including the GEM Listing Rules, the Code, the disclosure of price sensitive information and establishment of an internal control system. The Group has also provided reading materials including the new Code, the Inside Information Provision (as defined under the GEM Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) to all Directors to develop and refresh the Directors' knowledge and skills. The Group, together with its compliance adviser and legal advisers, continuously updates the Directors on the latest developments regarding the GEM Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practices.

The Board's present composition is as follows:

Executive Directors

Fang Bin (方彬) *(Chairman and general manager)*
He Weiqi (賀維琪) *(Deputy general manager)*
Song Yijun (宋義俊) *(Deputy general manager)*

Non-executive Directors

Lin Kaiwen (林凱文)
Fan Youyuan (范幼元)

Independent non-executive Directors

Zhou Ruijin (周瑞金)
Lin Zhiming (林志明)
Hsu Wai Man, Helen (徐慧敏)

APPOINTMENT AND RE-ELECTION OF THE DIRECTORS

Each of the executive Directors and independent non-executive Directors has entered into a service contract with the Company for an initial term of three years commencing from 27 April 2012 subject to termination. The service contracts will continue thereafter until terminated by not less than three months' written notice served by either party on the other and in certain circumstances, terms and conditions as stipulated in the relevant service contracts. In compliance with the code provision in A.4.2 of the Code, all Directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. By virtue of article 112 of the articles of association of the Company, the Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an addition Director but so that the number of Directors so appointed shall not exceed the maximum number determined from time to time by the shareholders in general meeting. Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of shareholders after his appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

In compliance with the code provision in A.4.2 of the Code, all Directors are subject to retirement by rotation at least once every three years. Furthermore, pursuant to article 108(a) of the articles of association of the Company, 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 be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election. The Company at the general meeting at which a Director retires may fill the vacated office.

Mr. Fang Bin, Ms. He Weiqi, Mr. Song Yijun, Mr. Lin Kaiwen, Mr. Fan Youyuan, Mr. Zhou Ruijin, Mr. Lin Zhiming and Ms. Hsu Wai Man, Helen will retire from office as Directors at the forthcoming annual general meeting, and being eligible, offer themselves for re-election.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The independent non-executive Directors are persons with academic and professional qualifications. They advise the Company on strategic development, which enables the Board to maintain high standards of compliance of financial and other mandatory requirements.

Prior to their respective appointment, each of the independent non-executive Directors has submitted a written statement to the Stock Exchange confirming their independence. The Board considers that all the independent non-executive Directors to be independent and meet the requirements set out in Rule 5.09 of the GEM Listing Rules.

BOARD MEETING AND PROCEDURES

The Directors can attend meetings in person or by means of such telephone, electronic or other communication facilities as permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously, and participation in such meeting shall constitute presence in person at such meetings in accordance with article 133 of the Company's articles of association. Generally, at least 14 days' notice will be given for the regular Board meetings by the Company. The Directors will receive details of agenda items at least 3 days before each regular meeting to ensure the Directors are able to make informed decisions regarding the matters to be discussed in the meetings. All Directors will also be provided with sufficient resources to perform their duties, and upon reasonable request, the Directors will be able to seek independent professional advice in appropriate circumstances, at the Company's expense. All minutes of Board meetings will be recorded in sufficient details, including matters considered and decisions reached by the Board. The Company's articles of association contain 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.

From the Listing Date to the date of this report, 6 meetings were held during the reporting period. The attendance of each Director is contained in the following table:

	Number of attendance/number of meeting
Executive Directors	
Mr. Fang Bin (方彬) *(Chairman and general manager)*	6/6
Ms. He Weiqi (賀維琪) *(Deputy general manager)*	6/6
Mr. Song Yijin (宋義俊) *(Deputy general manager)*	6/6
Non-executive Directors	
Mr. Lin Kaiwen (林凱文)	5/6
Mr. Fan Youyuan (范幼元)	6/6
Independent Non-executive Directors	
Mr. Zhou Ruijin (周瑞金)	5/6
Mr. Lin Zhiming (林志明)	6/6
Ms. Hsu Wai Man, Helen (徐慧敏)	6/6

CHAIRMAN AND CHIEF EXECUTIVE

According to the code provision A.2.1 of the Code, the roles of the chairman and the chief executive should be separate and should not be performed by the same individual. According to the current organization structure of the Company, Mr. Fang Bin is both the chairman of the Board and the general manager of the Company. Ms. He Weiqi and Mr. Song Yijun are the deputy general managers of the Company. The Company has not appointed chief executive.

AUDIT COMMITTEE

The Audit Committee was established on 10 April 2012 and has 3 members, comprising Ms. Hsu Wai Man, Helen, Mr.Lin Zhiming and Mr. Zhou Ruijin (all independent non-executive Directors). This committee is chaired by Ms. Hsu Wai Man, Helen.

The terms of reference of the Audit Committee have been determined with reference to the GEM Listing Rules and the Code and are available on the websites of the Company and the Stock Exchange.

The primary duties of the Audit Committee are, amongst other things, to make recommendations to the Board on the appointment, reappointment and removal of external auditors; to review the financial statements and provide material advice in respect of financial reporting; and to oversee internal control procedures of our Company.

During the year ended 31 December 2012, the Audit Committee had held 3 meetings to review the first quarterly results and report, the interim results and report and the third quarterly results and report of the Group for the periods ended 31 March 2012, 30 June 2012 and 30 September 2012 respectively. The final results of the Group for the year ended 31 December 2012 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 has been made. The Audit Committee also reviewed the internal control and risk management systems, scope of work and appointment of external auditors and arrangements for employees to raise concerns about possible improprieties.

The following table sets out the attendance record of the Audit Committee meetings:

	Number of attendance/number of meeting
Mr. Zhou Ruijin (周瑞金)	3/3
Mr. Lin Zhiming (林志明)	3/3
Ms. Hsu Wai Man, Helen (徐慧敏)	3/3

REMUNERATION COMMITTEE

The Remuneration Committee was established on 10 April 2012 and has 3 members, comprising Mr. Zhou Ruijin, Ms. Hsu Wai Man, Helen and Mr. Lin Zhiming (all independent non-executive Directors). This committee is chaired by Mr.Zhou Ruijin.

The terms of reference of the Remuneration Committee have been determined with reference to the GEM Listing Rules and the Code and are available on the websites of the Company and the Stock Exchange. As the Company was listed on 27 April 2012 and the first review of the remuneration policies of the Directors and senior management by the Remuneration Committee was scheduled to be carried out in 2013, the Remuneration Committee did not convene meeting during the period from the Listing Date to 31 December 2012.

The primary duties of the Remuneration Committee are to make recommendations to the Board on the overall remuneration policy and structure relating to all Directors and senior management of our Group; to review performance-based remuneration and to ensure none of the Directors determine their own remuneration.

The primary goal of the remuneration on executive remuneration packages is to enable the Group to motivate executive Directors and senior management by linking their remuneration with reference to the Group's operation results, with reference to individual performances and comparable market statistics.

NOMINATION COMMITTEE

The Nomination Committee was established on 10 April 2012 and has 3 members, comprising Mr. Zhou Ruijin, Mr. Lin Zhiming and Ms. Hsu Wai Man, Helen (all independent non-executive Directors). This committee is chaired by Mr. Zhou Ruijin.

The terms of reference of the Nomination Committee have been determined with reference to the GEM Listing Rules and the Code and are available on the websites of the Company and the Stock Exchange. As the Company was listed on 27 April 2012 and the first review of the appointment of Directors by the Nomination Committee was scheduled to be carried out in 2013, the Nomination Committee did not convene meeting during the period from the Listing Date to 31 December 2012.

The primary function of the Nomination Committee is to make recommendations to the Board regarding the appointment of Directors and candidates to fill vacancies on the Board.

FINANCIAL REPORTING

The Directors acknowledge their responsibility for preparing the accounts of the Company. As at 31 December 2012, the Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern. Accordingly, the Directors have prepared the financial statements of the Company on a going-concern basis.

The responsibilities of the external auditors about their financial reporting are set out in the independent auditor's report attached to the Company's financial statements for the year ended 31 December 2012.

INTERNAL CONTROLS

The Board conducts regular review and evaluation of the ongoing effectiveness and adequacy of the Group's internal control system covering all controls, including financial, operational, compliance and risk management controls. The review also covered the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company in respect of accounting and financial reporting function. Appropriate measures and actions have been taken during the year ended 31 December 2012 on areas where rooms for improvement were identified.

AUDITOR'S REMUNERATION

For the year ended 31 December 2012, the fees paid/payable to the Group's external auditor, BDO Limited, for the audit service and non audit services are set out as follows:

Services rendered	**Fees paid/payable** *(RMB)*
Audit services	678,573
As reporting accountants for the Company's placing	1,755,976
	2,434,549

COMPANY SECRETARY

Mr. Tam Tak Kei, Raymond, CPA, an external service provider, has been engaged by the Company as its Company Secretary. His primary contact person at the Company is Mr. Song Yijun, executive Director of the Company.

SHAREHOLDER'S RIGHTS

Convening of extraordinary general meeting

Extraordinary general meetings shall be convened on the requisition of one or more shareholders 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 meetings. Such requisition shall be made in writing to the Board or the Company Secretary of the Company for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, 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.

Proposals and enquiries to the board

Shareholders may send written enquiries and proposals to the Board of the Company.

Contact detail:
Address: No.54, Shaoxing Road, Huangpu District, Shanghai, China
(For the attention of the Mr. Song Yijun, executive Director of the Company)
Email: enquiry@brandingchinagroup.com

INVESTORS AND SHAREHOLDERS RELATIONS

The Company endeavours to develop and maintain continuing relationships and effective communications with its shareholders of the Company and investors. The Company has established a range of communication channels between itself and its shareholders, and investors. These include publication of annual, interim and quarterly reports, notices, announcements and circulars, and the Company's website at wwww.brandingchinagroup.com. During the reporting period, there was no significant change in the memorandum of association and the articles of association of the Company.

The Board maintains an on-going dialogue with shareholders and the investment community, and will regularly review this policy to ensure its effectiveness. Information is communicated to shareholders and the investment community mainly through the Company's financial reports, annual general meetings and other general meetings that may be convened, as well as by making available all the disclosures submitted to the Stock Exchange and its corporate communications and other corporate publications on the Company's website. Shareholders could direct their questions about their shareholdings to the Company's share registrar in Hong Kong, Tricor Investor Services Limited. The investment community may at any time make a request for the Company's information to the extent such information is publicly available and would be provided with designated contacts, email addresses and enquiry lines of the Company in order to enable them to make any query in respect of the Company.

The notice of general meetings shall be distributed to all shareholders prior to such meetings and the accompanying circular also sets out details of each proposed resolution and other relevant information as required under the GEM Listing Rules. The chairman of such general meetings exercises his power under the articles of association of the Company to put each proposed resolution to the vote by way of a poll. The procedures for demanding and conducting a poll are explained at the meeting prior to the polls being taken. Voting results are posted on the Company's website and the Stock Exchange's website on the day of such general meetings.

Report of the Directors

The Directors hereby present their first report and the audited consolidated financial statements for the year ended 31 December 2012.

GROUP REORGANISATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 15 March 2011. Through a group reorganisation (the "Reorganisation") as fully explained in the Company's Prospectus dated 17 April 2012, the Company has since 1 June 2011 become the holding company of the Group. The Company has completed its initial public offering on 27 April 2012 and the shares of the Company were listed on the Stock Exchange.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its principal subsidiaries are set out in note 1 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

An analysis of the Group's performance for the year by segments is set out in note 5 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The Group's profit for the year ended 31 December 2012 and the state of affairs of the Company and of the Group as at that date are set out in the financial statements on pages 50 to 93.

The Board does not recommend the payment of any final dividend for the year ended 31 December 2012.

SUMMARY FINANCIAL INFORMATION

The summary of the results and of the assets and liabilities of the Group for the last three financial years is set out on page 94.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group are set out in note 14 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in the Company's share capital during the year are set out in notes 24, 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 LISTED SECURITIES

Since the shares of the Company were listed on GEM on 27 April 2012, neither the Company nor any of its subsidiaries have purchased, sold or redeemed any securities of the Company during the year ended 31 December 2012.

INTEREST-BEARING BANK LOANS

Details of interest-bearing bank loans of the Group as at 31 December 2012 are set out in note 23 to the audited consolidated financial statements in this annual report.

RESERVES

Details of the movements in the reserves of the Company and the Group during the year are set out in notes 25 to the financial statements and the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

As at 31 December 2012, the Company's reserves available for distribution amounted to RMB74,777,310 as computed in accordance with the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

MAJOR CLIENTS AND SUPPLIERS

The percentages of sales and purchases for the year attributable to the Group's major clients and suppliers were as follows:

(1) The aggregate amount of revenue attributable to the Group's five largest clients represented approximately 42.83% of the Group's total revenue. The amount of revenue from the Group's largest clients represented approximately 16.81% of the Group's total revenue.

(2) The aggregate amount of purchases attributable to the Group's five largest suppliers represented approximately 48.77% of the Group's total purchases. The amount of purchases from the Group's largest supplier represented approximately 18.70% of the Group's total purchases.

None of the Directors nor any of their associates nor any shareholders (which, to the best knowledge of the Directors, owns more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest clients and/or five largest suppliers during the year.

DIRECTORS

The Directors during the year and up to the date of this report were as follows:

Executive Directors

Fang Bin (方彬) *(appointed on 15 March 2011)*
He Weiqi (賀維琪) *(appointed on 25 May 2011)*
Song Yijun (宋義俊) *(appointed on 25 May 2011)*

Non-executive Directors

Lin Kaiwen (林凱文) *(appointed on 25 May 2011)*
Fan Youyuan (范幼元) *(appointed on 25 May 2011)*

Independent non-executive Directors

Zhou Ruijin (周瑞金) *(appointed on 10 April 2012)*
Lin Zhiming (林志明) *(appointed on 10 April 2012)*
Hsu Wai Man, Helen (徐慧敏) *(appointed on 10 April 2012)*

BIOGRAPHIES OF DIRECTORS AND OTHER SENIOR MANAGEMENT

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 15 to 19 in this annual report.

DIRECTORS' SERVICE CONTRACTS

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

No Director had a material interest 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.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year.

REMUNERATION OF THE DIRECTORS

Details of the remuneration of the Directors of the Company are set out in note 8 to the consolidated financial statements in this annual report.

EMOLUMENT POLICY

A remuneration committee is set up for reviewing the Group's emolument policy and structure for all remuneration of the Directors and senior management of the Group, having regard to the Group's operating results, individual performance and comparable market practices. The remunerations of the Directors are determined with reference to the economic situation, the market condition, the responsibilities and duties assumed by each Director as well as their individual performance.

The Company has adopted a share option scheme as incentive to Directors and eligible employees, details of which are set out in the paragraph headed "Share Option Schemes" below.

COMPLIANCE OF NON-COMPETITION UNDERTAKINGS

In order to protect the Group's interest in its business activities, on 10 April 2012, the Company, Lapta International Limited and Mr. Fang Bin ("Mr. Fang") (the controlling shareholders of the Company), 上海競藝文化傳播有限公司 (Shanghai Jingyi Cultural Media Company Limited) ("Jingyi"), an associate of Mr. Fang, and the executive Directors (namely Mr. Fang, Ms. He Weiqi and Mr. Song Yijun), entered into the Deed of Non-competition (the "Deed"). Under the terms of the Deed, each of the controlling shareholders of the Company and the executive Directors, among others, has irrevocably and unconditionally undertaken to the Company (for itself and for the benefit of each of its subsidiaries for the time being) that with effect from the Listing Date and for so long as she/he/it remains as a Director and/or a controlling shareholder of the Company or the shares of the Company remain listed on the Stock Exchange, except for transactions contemplated under agreements (if any) entered or to be entered into with the Group, that he/she/it will not, and will procure his/her/its associates (other than the Group) not to compete directly or indirectly with the businesses of the Group.

Details of the Deed have been set out in the section headed "Relationship with Controlling Shareholders" of the Prospectus. Mr. Fang has transferred all his 30% equity interest in Jingyi to an independent third party. As Jingyi has ceased to be an associate of Mr. Fang, Mr. Fang does not have any business which may constitute potential competition with the business of the Group. The Company has received a written confirmation from each of Lapta International Limited, Mr. Fang, Ms. He Weiqi and Mr. Song Yijun in respect of its/his/her compliance with the terms of the Deed from the date of the Deed up to the date of this annual report.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Share Option Scheme") on 10 April 2012.

1. Purpose

The purpose of the Share Option Scheme is to attract and retain the eligible persons, to provide additional incentive to them and to promote the success of the business of the Group.

2. Participants

The Board are authorised, at their absolute discretion and subject to the terms of the Share Option Scheme, to grant options to subscribe the Shares of the Company to, inter alia, any employees (full-time and part-time), Directors, consultants, advisors, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group.

3. **Total number of shares available for issue under the Share Option Scheme**

The maximum number of shares in respect of which options may be granted under the Share Option Scheme shall not in aggregate exceed 10% of the issued share capital of the Company as at the Listing Date (i.e. a total of 20,000,000 shares).

4. **Maximum entitlement of each participant**

The total number of shares issued and to be issued upon exercise of options granted to any grantee (including both exercised and outstanding options) under the Share Option Scheme, in any 12-month period up to the date of grant shall not exceed 1% of the shares in issue.

5. **Period within which the shares must be taken up under an option**

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

6. **Minimum period for which an option must be held before it can be exercised**

The Board may in its absolute discretion set a minimum period for which an option must be held and performance targets that must be achieved before an option can be exercised.

7. **Time of acceptance and the amount payable on acceptance of the option**

An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer is made. The amount payable by the grantee of an option to the Company on acceptance of the offer for the grant of an option is HK$1.00.

8. **Basis of determining the subscription price**

The subscription price of a share in respect of any particular option granted under the Share Option Scheme shall be a price solely determined by the Board and notified to a participant and shall be at least the highest of: (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option; (ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of grant of the option; and (iii) the nominal value of a share on the date of grant of the option.

9. Life of the Share Option Scheme

The Share Option Scheme became unconditional on the Listing Date and shall be valid and effective for a period of ten years commencing on 10 April 2012, subject to the early termination provisions contained in the Share Option Scheme.

The Company shall be entitled to issue options, provided that the total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme does not exceed 10% of the shares in issue on the Listing Date. The Company may at any time refresh such limit, subject to the shareholders' approval and issue of a circular in compliance with the GEM Listing Rules, provided that the total number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under all the share option schemes of the Company does not exceed 30% of the Shares in issue at the time.

Up to the date of this annual report, no option under the Share Option Scheme has been granted by the Company.

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

As at the date of this report, the interests and short positions of the directors and Chief Executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571. Laws of Hong Kong) (the "SFO") which will have to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register as referred to therein, or pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules required to be notified to the Company and the Stock Exchange, are as follows:

Long positions in the ordinary shares of the Company

Number of ordinary shares

Name of director	Personal interest	Family interest	Interest in controlled corporation	Total	Percentage of the issued share capital
Mr. Fang Bin（方彬）	—	—	112,500,000[(1)]	112,500,000	56.25%
Mr. Lin Kaiwen（林凱文）	—	—	18,000,000[(2)]	18,000,000	9%
Mr. Fan Youyuan（范幼元）	—	—	19,500,000[(3)]	19,500,000	9.75%

Notes:

1. These shares are owned by Lapta International Limited whose entire interests are beneficially owned by Mr. Fang Bin. Accordingly, under the SFO, Mr. Fang Bin is deemed to be interested in the 112,500,000 shares held by Lapta International Limited.

2. These shares are owned by Jolly Win Management Limited whose entire interests are beneficially owned by Mr. Lin Kaiwen. Accordingly, under the SFO, Mr. Lin Kaiwen is deemed to be interested in the 18,000,000 shares held by Jolly Win Management Limited.

3. These shares are owned by Whales Capital Holdings Limited which is wholly owned by Taocent International Holding Limited whose entire interests are beneficially owned by Mr. Fan Youyuan. Accordingly, under the SFO, Mr. Fan Youyuan is deemed to be interested in the 19,500,000 shares held by Whales Capital Holdings Limited.

Save as disclosed above, as at the date of this report, none of the directors and Chief Executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which will be required pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS

As at the date of this report, so far as the directors are aware, without taking into account any shares of the Company which will be issued pursuant to the options which may be granted under the Share Option Scheme as defined below, the interests or short positions owned by the following persons (other than the directors or Chief Executive of the Company) in the shares or underlying shares of the Company which are required to be notified to the Company under Divisions 2 and 3 of Part XV of the SFO or which are required to be recorded in the register of the Company required to be kept under section 336 of the SFO are as follows:

Long positions in the shares of the Company

Name	Capacity	Number of ordinary shares	Percentage of the issued share capital
Lapta International Limited	Beneficial owner	112,500,000	56.25%
Jolly Win Management Limited	Beneficial owner	18,000,000	9%
Whales Capital Holdings Limited	Beneficial owner	19,500,000	9.75%
Taocent International Holding Limited	Interest in controlled corporation	19,500,000	9.75%
Ms. Chen Suzhen (陳素珍)	Spouse's interest	18,000,000[1]	9%
Ms. Yin Rong (殷蓉)	Spouse's interest	19,500,000[2]	9.75%

Notes:

1. Mr. Lin Kaiwen beneficially owns 100% interests in Jolly Win Management Limited which holds 18,000,000 shares in the Company. Ms. Chen Suzhen is the spouse of Mr. Lin Kaiwen. Accordingly, Ms. Chen Suzhen is deemed to be interested in all shares in the Company held by Mr. Lin Kaiwen.

2. Mr. Fan Youyuan beneficially owns 100% interests in Taocent International Holding Limited which wholly owned Whales Capital Holdings Limited which holds 19,500,000 shares in the Company. Ms. Yin Rong is the spouse of Mr. Fan Youyuan. Accordingly, Ms. Yin Rong is deemed to be interested in all shares in the Company held by Mr. Fan Youyuan.

Save as disclosed above and as at the date of this report, our directors are not aware of any interests or short positions owned by any persons (other than the directors or Chief Executive of the Company) in the shares or underlying shares of the Company which are required to be disclosed under Divisions 2 and 3 of Part XV of the SFO or which are required to be recorded in the register of the Company required to be kept under section 336 of the SFO.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the year ended 31 December 2012 and up to the date of this report, none of the Directors or any of their respective associates, has engaged in any business that competes or may compete with the business of the Group, or has any other conflict of interest with the Group.

INTERESTS OF THE COMPLIANCE ADVISER

None of the Company's compliance adviser, Anglo Chinese Corporate Finance, Limited, its directors, employees or associates (as defined under the GEM Listing Rules) had any interest in the share capital of the Company as at 31 December 2012 pursuant to Rule 6A.32 of the GEM Listing Rules.

AUDIT COMMITTEE

The Audit Committee was established with its terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules and Paragraph C.3.3 of the Code on Corporate Governance on 10th April, 2012. The primary duties of the Audit Committee are mainly to review the financial systems of the Group; to review the accounting policy, financial position and financial reporting procedures of the Group; to communicate with external auditors; to assess the performance of internal financial and audit personnel; and to assess the internal controls of the Group. The Audit Committee consists of three members, namely Ms. Hsu Wai Man, Helen (Chairlady), Mr. Zhou Ruijin and Mr. Lin Zhiming.

The Audit Committee has reviewed with the management about the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters in connection with the preparation of the audited consolidated financial statements of the Group for the year ended 31 December 2012.

MATERIAL ACQUISITION AND DISPOSAL

On 30 May 2012, the Group entered into a memorandum of understanding in respect of potential investment ("Potential Investment MOU") with Dafeng (Tianjin) Equity Investment Fund Management Company Limited ("Dafeng"), pursuant to which the Group would explore possible acquisition of part of the shareholdings in a media company established in the PRC. Subsequently in view of the acquisition price of the shareholding in the media company did not reflect the expected advantages as compared with prevailing market prices, the target of the Potential Investment could not be realized. On 15 November 2012 after the negotiation, the Group and Defeng agreed and confirmed to terminate the transactions contemplated under the Potential Investment MOU, and (ii) Dafeng has fully refunded the Earnest Money of RMB12,500,000 and paid the compensation of RMB401,000, to Shanghai SumZone Enterprise, amounting to RMB12,901,000 in total. Details of the Potential Investment MOU and its termination are set out in the announcements of the Company dated 30 May 2012 and 15 November 2012 respectively. Save as the aforesaid Potential Investment MOU, no material acquisition or disposal of subsidiaries and affiliated companies was entered into by the Group during the period under review.

RELATED PARTY TRANSACTIONS

Details of related party transactions of the Group during the year ended 31 December 2012 are set out in note 26 to the financial statements. Some of those related party transactions constitute continuing connected transactions 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

A. Non-exempt Continuing Connected Transactions

During the year under review, the following transactions carried out by the Group and the connected persons of the Company constituted continuing connected transactions of the Company under the GEM Listing Rules.

1. *Structured Contracts*

For the reasons as disclosed in the section headed "Connected Transactions" in the Prospectus, a series of structured contracts (the "Structured Contracts") that were designed to provide上海三眾企業管理諮詢有限公司 (Shanghai SumZone Enterprise Management Consultancy Company Limited) ("Shanghai SumZone Enterprise"), a wholly-owned subsidiary of the Company, with effective control over the financial and operational policies of 上海三眾華納傳媒投資管理有限公司 (Shanghai SumZone Media Investment Management Company Limited) ("SMU") and (to the extent permitted by PRC laws and regulations) the right to acquire the equity interests in SMU were entered into between or amongst SMU, Shanghai SumZone Enterprise, Mr. Fang or Century Linker (Hong Kong) Limited ("Century Linker"), a wholly-owned subsidiary of the Company. As Mr. Fang is a substantial shareholder of the Company and an executive Director and therefore a connected person of and terms and conditions similar to those of the Company, and both SMU and Shanghai SumZone Enterprise are controlled by Mr. Fang, the transactions contemplated under the Structured Contracts constitute continuing connected transactions under the GEM Listing Rules.

The Structured Contracts comprise five agreements, details of the Structure Contracts are set out below:

(a) The exclusive consulting and service agreement dated 1 June 2011 entered into between Shanghai SumZone Enterprise and SMU, pursuant to which Shanghai SumZone Enterprise shall, on an exclusive basis, provide consulting and other supporting services to SMU. In consideration of the provision of the aforesaid services provided by Shanghai SumZone Enterprise to SMU, SMU has agreed to pay to Shanghai SumZone Enterprise service fee on an annual basis. Service fee payable to Shanghai SumZone Enterprise will be equivalent to the audited revenue before income tax expenses after deducting, amongst other things, all the necessary costs, expenses and business tax expenses incurred from the business operation of SMU. Nevertheless, Shanghai SumZone Enterprise is entitled to adjust the basis of service fee according to the scale of service provided to SMU. The exclusive consulting and service agreement has become effective on 1 June 2011 and shall continue to be in full force and effect until it is terminated by Shanghai SumZone Enterprise by giving SMU a 30 days' prior written notice of termination. SMU shall have no right to terminate the exclusive consulting and service agreement in any event.

(b) The share pledge agreement dated 1 June 2011 entered into between Shanghai SumZone Enterprise and Mr. Fang, pursuant to which Mr. Fang agreed to pledge his entire equity interests in SMU to Shanghai SumZone Enterprise to secure the fees and other payables that SMU might be liable to pay to Shanghai SumZone Enterprise under the exclusive consulting and service agreement from time to time. Pursuant to the share pledge agreement, Mr. Fang has undertaken to Shanghai SumZone Enterprise, among other things, not to transfer the interest in his shares in SMU (save and except transfers of shares to Century Linker and, or other designated persons) and not to create or allow any pledge thereon that may affect the rights and interest of Shanghai SumZone Enterprise without the prior written consent from Shanghai SumZone Enterprise. The share pledge agreement shall remain in full force and effect until the termination of the exclusive consulting and service agreement and the discharge of all SMU's obligations under the exclusive consulting and service agreement.

(c) The exclusive business operating agreement dated 1 June 2011 entered into amongst Shanghai SumZone Enterprise, SMU and Mr. Fang, pursuant to which (a) at the request of SMU and on condition that SMU has complied with the terms of the exclusive business operating agreement, Shanghai SumZone Enterprise may (but was not obliged to) act as a guarantor for SMU in its business-related agreements or transactions; (b) as a counter-guarantee, SMU agreed to pledge its trade receivables and all its assets to Shanghai SumZone Enterprise; (c) SMU should not, without the written approval of Shanghai SumZone Enterprise, enter into any transaction which might affect its assets, rights, obligations or operations; and (d) SMU should appoint a candidate nominated by Shanghai SumZone Enterprise as director(s) of SMU, and SMU should appoint a candidate nominated by Shanghai SumZone Enterprise to be a member of the senior management of SMU. In addition to the aforesaid, Mr. Fang shall transfer all distributable dividends, capital dividend and other asset receivable by him at nil consideration to Shanghai SumZone Enterprise as soon as practicable but in any event no later than three days upon receipt of the same by Mr. Fang. The exclusive business operating agreement shall remain in full force and effect until it is terminated by Shanghai SumZone Enterprise by giving each of SMU and Mr. Fang Bin a 30 days' prior written notice of termination, or Shanghai SumZone Enterprise is also entitled to but not obliged to terminate all agreements between itself and SMU if any agreement entered into between them is terminated or expired.

(d) The exclusive option agreement dated 1 June 2011 entered into among Century Linker, Mr. Fang and SMU, pursuant to which Mr. Fang, being the sole equity holder of SMU, agreed to grant an irrevocable option to Century Linker to acquire from him all or any of the equity interests he held in SMU, on condition that such acquisition should comply with the PRC laws and regulations, at nil consideration or at nominal price if permissible under the PRC law and regulations. Otherwise, the consideration will be determined by the parties with reference to the valuation of SMU at the time of transfer. The exclusive option agreement shall continue to be in full force and effect until the transfer of all the equity interests in SMU by Mr. Fang to Century Linker or a transferee as designated by Century Linker (based on the date of registration of such transfer) or otherwise terminated by Century Linker unilaterally by written confirmation.

(e) The irrevocable power of attorney dated 1 June 2011 and executed by Mr. Fang. The irrevocable power of attorney enables Shanghai SumZone Enterprise to exercise all the powers of the shareholder of SMU through the chairman of its board of directors, and shall be in full force and effect during the term of the Structured Contracts.

Pursuant to Rule 20.42(3) of the GEM Listing Rules, the Company applied to the Stock Exchange, and the Stock Exchange has agreed to grant a waiver from strict compliance with (i) announcement and independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules in respect of the transactions contemplated under the Structured Contracts; (ii) the requirement of setting a maximum aggregate annual value (i.e. an annual cap) for the fees payable to Shanghai SumZone Enterprise under the Structured Contracts; and (iii) the requirement of limiting the term of the Structured Contracts to three years or less, for so long as the Shares are listed on the Stock Exchange subject to certain conditions.

The Group has not renewed and/or reproduced any of the framework of and terms and conditions similar to those of the Structured Contracts in relation to any existing or new wholly foreign-owned enterprise or operating company.

2. *The SumZone Advertising Agreement and the SumZone Marketing Agreement*

On the basis of the Structured Contracts and with a view to transferring the Group's Unrestricted Businesses (as defined in the Prospectus) to上海三眾廣告有限公司(Shanghai SumZone Advertising Company Limited) ("SumZone Advertising") and上海三眾營銷策劃有限公司(Shanghai SumZone Marketing Company Limited) ("SumZone Marketing") in pursuance of the Group's long term strategic plans, SMU entered into the following agreements with SumZone Advertising and SumZone Marketing:

(a) An advertising agency agreement dated 1 September 2011 as supplemented by two supplemental agreements dated 21 November 2011 and 26 March 2012 respectively (together referred to as the "SumZone Advertising Agreement") entered into between SumZone Advertising and SMU in relation to, amongst other things, the transfer of advertising agency business derived from traditional media from SMU to SumZone Advertising and, or any other PRC subsidiaries of Shanghai SumZone Enterprise. The SumZone Advertising Agreement took effect from 1 September 2011 until the date of termination of the Structured Contracts, and during which, SMU has authorised SumZone Advertising as its exclusive advertising agency in relation to traditional media currently operated or to be operated by SMU. During the term of the SumZone Advertising Agreement, SumZone Advertising shall pay to SMU, on an annual basis, service charges which are equivalent to the operating costs of traditional media operated or to be operated by SMU. At the same time, SumZone Advertising will be entitled to the advertising income of the traditional media operated or to be operated by SMU (including the SMU publications) under the SumZone Advertising Agreement.

(b) An SumZone Marketing Agreement dated 1 September 2011 as supplemented by two supplemental agreements dated 21 November 2011 and 26 March 2012 respectively (together referred to as the "SumZone Marketing Agreement") entered into between SumZone Marketing and SMU in relation to, amongst other things, the transfer of advertising agency business derived from digital media from SMU to SumZone Marketing and, or any other PRC subsidiaries of Shanghai SumZone Enterprise. The SumZone Marketing Agreement took effect from 1 September 2011 until the date of termination of the Structured Contracts, SMU has authorised SumZone Marketing as its exclusive agency in relation to digital media operated by SMU currently (namely *www.cnnauto.com*) and in future. During the term of the SumZone Marketing Agreement, SumZone Marketing shall pay to SMU, on an annual basis, service charges which are equivalent to the operating costs of *www.cnnauto.com* or other digital media operated or to be operated by SMU. At the same time, SumZone Marketing will be entitled to the advertising income of *www.cnnauto.com* or other digital media operated or to be operated by SMU under the SumZone Marketing Agreement.

The Company has applied to the Stock Exchange, and the Stock Exchange has agreed to grant a waiver from strict compliance with (i) the announcement and independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules in respect of the transactions under each of the SumZone Advertising Agreement and the SumZone Marketing Agreement; (ii) the requirement of setting a maximum aggregate annual value (i.e. an annual caps) for the service charges payable to SMU and the advertising income payable to SumZone Advertising and SumZone Marketing under the SumZone Advertising Agreement and the SumZone Marketing Agreement respectively; and (iii) the requirement of limiting the term of each of the SumZone Advertising Agreement and the SumZone Marketing Agreement to three years or less, for so long as the shares of the Company are listed on the Stock Exchange subject to the conditions, where appropriate, applicable to the transactions contemplated under the Structured Contracts set out above.

3. *The Advertising Agency Agreement and the PR and Event Cooperation Agreement*

(a) An advertising agency agreement dated 1 September 2011, as supplemented by a supplemental agreement dated 26 March 2012 (together referred to as the "Advertising Agency Agreement") entered into amongst SMU, SumZone Advertising and 上海競藝文化傳播有限公司 (Shanghai Jingyi Cultural Media Company Limited) ("Jingyi"), pursuant to which SumZone Advertising, which is the exclusive advertising agent of traditional media currently operated or to be operated in future by SMU, had granted Jingyi the rights to be its non-exclusive advertising agent in the home fashion industry for selling advertising space in such traditional media. In granting the advertising agency rights to Jingyi, SumZone Advertising will receive advertising income from Jingyi in respect of the advertisements placed by Jingyi on behalf of its clients. The Advertising Agency Agreement was entered into for a period commencing on 1 January 2012 and ending at 31 December 2014 at the annual agency income caps in the amount of RMB15 million, RMB18.2 million and 21.3 million for the years ended 31 December 2012, 2013 and 2014 respectively.

(b) A PR and event marking cooperation framework agreement dated 1 September 2011 entered into between SMU and Jingyi, as supplemented by two supplemental agreements dated 21 November 2011 and 26 March 2012 entered into between SMU, Jingyi and SumZone Marketing (together referred to as "PR and Event Cooperation Agreement"), pursuant to which Jingyi, as a strategic partner of SMU, will cooperate with SMU to provide PR and, or event marketing services including but not limited to press releases, product roadshows, forums, conventions and exhibitions, and celebration activities to clients represented or referred by Jingyi. The supplemental agreement dated 21 November 2011 was entered into whereby all rights, benefits, obligations and liabilities in relation to event marketing business of SMU under the PR and Event Cooperation Agreement are assumed by SumZone Marketing, as part of our plan regarding the transfer of, amongst other businesses, the event marketing business. SMU will continue to provide PR services, which are a type of restricted businesses, to clients recommended or referred by Jingyi while SumZone Marketing will provide event marketing services, which are a type of the Unrestricted Businesses (as defined in the Prospectus), to such clients after the date of the supplemental agreement. The PR and Event Cooperation Agreement was entered into for a period commencing on 1 January 2012 and ending at 31 December 2014 at the annual PR and event income caps in the amount of RMB 4.5 million, RMB 5 million and RMB 5.5 million for the years ended 31 December 2012, 2013 and 2014 respectively.

As Jingyi was owned by Mr. Fang as to 30% at the time of signing of the Advertising Agency Agreement and the PR and Event Cooperation Agreement, Jingyi was a connected person of our Company within the meaning of the GEM Listing Rules. Accordingly, the transactions under each of the Advertising Agency Agreement and the PR and Event Cooperation Agreement constituted continuing connected transactions under the GEM Listing Rules and subject to the reporting, announcement and independent shareholders' approval requirements pursuant to Rule 20.34 of the GEM Listing Rules. The Company has applied to the Stock Exchange, and the Stock Exchange has agreed to grant a waiver from strict compliance with the announcement and independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules in respect of the continuing connected transactions contemplated under each of the Advertising Agency Agreement and the PR and Event Cooperation Agreement, subject to the annual value of the above continuing connected transactions not exceeding the annual respective income caps contemplated thereunder.

The Advertising Agency Agreement and the PR and Event Cooperation Agreement were entered into for a period commencing on 1 January 2012 and ending at 31 December 2014. On 6 January 2013, the Company announced that Mr. Fang had transferred all his 30% equity interest in Jingyi to Ms. Luo Zhong (the "Jingyi Equity Transfer"), an independent third party, with a view to diverting more energy to the development of the Company's business and reducing the compliance costs of the Company. The Board was informed by Jingyi on 5 January 2013 that the Jingyi Equity Transfer took effect from 28 December 2012, being the date of the new business licence of Jingyi issued by Shanghai Municipal Industry & Commerce Administration Qingpu Branch to Jingyi. Accordingly, Jingyi has ceased to be an associate of Mr. Fang and hence a connected person of the Company under the GEM Listing Rules. Both the Advertising Agency Agreement and the PR and Event Cooperation Agreement will remain effective after the Jingyi Equity Transfer. As such, the transactions under the Advertising Agency Agreement and the PR and Event Cooperation Agreement are still subject to, amongst other things, the relevant Advertising Agency Income Caps and PR and Event Agency Income Caps for the years ended 31 December 2012, 2013 and 2014. The other transactions to be carried out between the Company and Jingyi going forward will however not be subject to the reporting, annual review, announcement and independent Shareholders' approval requirements pursuant to Chapter 20 of the GEM Listing Rules. Since the Advertising Agency Agreement and the PR and Event Cooperation Agreement will remain effective after the Jingyi Equity Transfer, the Board believes that the Jingyi Equity Transfer will have no material adverse impact on the business operations and financial condition of the Company.

Confirmation of independent non-executive Directors

The independent non-executive Directors has reviewed the Structured Contracts, the SumZone Advertising Agreement, the SumZone Marketing Agreement, the Advertising Agency Agreement and the PR and Event Cooperation Agreement (collectively referred to as the "Continuing Connected Transactions") and confirmed that during the year ended 31 December 2012:

(i) the transactions under the Structured Contracts were carried out in accordance with the relevant provisions of the Structured Contracts so that the revenue generated by SMU has been mainly retained by the Group;

(ii) no dividends or other distributions have been made by SMU to the holders of its equity interests which are not otherwise subsequently assigned or transferred to the Group;

(iii) the terms of the Structured Contracts are fair and reasonable so far as the Company is concerned and in the interests of the Shareholders as a whole;

(iv) the Continuing Connected Transactions have been entered into in the ordinary and usual course of business of the Company;

(v) the Continuing Connected Transactions are on normal commercial terms or, on terms no less favourable to the Company than terms available to or from (as appropriate) independent third parties; and

(vi) the Continuing Connected Transactions have been entered into in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Please refer to the Prospectus for further details of the Continuing Connected Transactions.

Confirmation of auditors of the Company

BDO Limited, the Company's auditor, 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. BDO Limited have issued their letter containing their findings and conclusions in respect of the Continuing Connected Transactions in accordance with Rule 20.38 of the GEM Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

B. Exempt Continuing Connected Transactions.

The following lease agreements were entered into by the Group with SMU and remained effective throughout the year ended 31 December 2012. They constituted fully-exempt continuing connected transactions exempted from the reporting, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules since each of the applicable percentage ratios (other than the profit ratio) for the lease agreements, in aggregate, is either less than 0.1% or less than 5% with annual aggregate values of below HK$1,000,000.

(a) A lease agreement dated 1 September 2011 was entered into between SMU and Shanghai SumZone Enterprise in relation to a sub-lease by SMU to Shanghai SumZone Enterprise of an area of 76 sq.m. at Level 3 of West Tower, No.54 Shaoxing Road, Huangpu District, Shanghai, the PRC for a term of 28 months commencing from 1 September 2011 and ending on 31 December 2013 at a yearly rent of RMB33,000 for Shanghai SumZone Enterprise to use as office.

(b) A lease agreement dated 1 September 2011 was entered into between SMU and SumZone Advertising in relation to a sub-lease by SMU to SumZone Advertising of an area of 205 sq.m. at Level 4 of West Tower, No.54 Shaoxing Road, Huangpu District, Shanghai, the PRC for a term of 28 months commencing from 1 September 2011 and ending on 31 December 2013 at a yearly rent of RMB90,000 for SumZone Advertising to use as office.

(c) A lease agreement dated 1 September 2011 was entered into between SMU and SumZone Marketing in relation to a sub-lease by SMU to SumZone Marketing of an area of 190 sq.m. at Level 4 of West Tower, No.54 Shaoxing Road, Huangpu District, Shanghai, the PRC for a term of 28 months commencing from 1 September 2011 and ending on 31 December 2013 at a yearly rent of RMB84,000 for SumZone Marketing to use as office.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors, the Company has maintained the prescribed public float under the GEM Listing Rules since 27 April 2012 (the "Listing Date") and up to the date of this report.

AUDITOR

BDO Limited was appointed by the Directors as the first auditor of the Company. BDO Limited will retire, and being eligible, offer themselves for re-appointment at the forthcoming annual general meeting. A resolution for their re-appointment as auditor of the Company will be proposed at the forthcoming annual general meeting. The consolidated financial statements for the year ended 31 December 2012 have been audited by BDO Limited.

SUBSEQUENT EVENTS

On 21 March 2013 (after the trading hours), the Company entered into a non-legally binding memorandum of understanding ("Potential Investment MOU") with an independent third party in respect of a potential acquisition ("Potential Acquisition"). Pursuant to the Potential Investment MOU, the Company intends to acquire 100% equity interest of a wireless marketing service company through the Potential Acquisition at a proposed consideration of the Hong Kong dollars equivalent of RMB150 million. Details of the Potential Acquisition are set out in the announcement of the Company dated 21 March 2013.

The Potential Acquisition may or may not proceed. In the event that any formal agreement is entered into, the Potential Acquisition may constitute a notifiable transaction for the Company under the GEM Listing Rules and the Company will make announcement(s) as and when appropriate.

By Order of the Board
Fang Bin
Chairman

The PRC, 21 March 2013

Independent Auditor's Report

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TO THE SHAREHOLDERS OF BRANDING CHINA GROUP LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Branding China Group Limited (the "Company") and its subsidiaries (together "the Group") set out on pages 50 to 93, which comprise the consolidated and company statements of financial position as at 31 December 2012, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and the applicable 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. This report is made solely to you, as a body, in accordance with the terms of our 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 consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2012 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

BDO Limited
Certified Public Accountants
Lee Ka Leung, Daniel
Practising Certificate Number P01220

Hong Kong, 21 March 2013

Consolidated Statement of Comprehensive Income

For The Year Ended 31 December 2012

	Notes	2012 RMB	2011 RMB
Revenue	6	**146,939,781**	132,026,503
Cost of sales		**(88,990,311)**	(73,125,931)
Gross profit		**57,949,470**	58,900,572
Other income and gains	6	**2,722,498**	502,022
Selling and distribution expenses		**(1,368,188)**	(1,754,277)
Administrative and other expenses		**(14,521,242)**	(9,856,783)
Share of profits of associates		**74,982**	10,730
Profit before income tax expense	7	**44,857,520**	47,802,264
Income tax expense	10	**(12,501,125)**	(13,348,959)
Profit for the year		**32,356,395**	34,453,305
Other comprehensive income			
Exchange differences on translating foreign operations		**(526,581)**	(492,061)
Total comprehensive income for the year		**31,829,814**	33,961,244
Earnings per share			
— Basic and diluted	13	**17.58 cents**	22.97 cents

Consolidated Statement of Financial Position

As At 31 December 2012

	Notes	2012 RMB	2011 RMB
Assets			
Non-current assets			
Property, plant and equipment	14	**1,196,195**	716,748
Deposits and prepayments	18	**32,700,000**	—
Interests in associates	16	**1,191,754**	1,116,772
Total non-current assets		**35,087,949**	1,833,520
Current assets			
Trade and bills receivables	17	**77,563,241**	52,066,945
Prepayments, deposits and other receivables	18	**25,909,682**	11,306,344
Amount due from holding company	19	**—**	16,214
Cash and cash equivalents	20	**96,215,275**	52,910,699
Total current assets		**199,688,198**	116,300,202
Liabilities			
Current liabilities			
Trade and bills payables	21	**21,912,399**	15,766,176
Other payables and accruals	22	**3,916,518**	5,262,390
Amount due to a director	19	**—**	1,199,933
Amount due to a related company	19	**—**	100,489
Amount due to an associate	19	**20,000**	201,000
Bank borrowing	23	**15,000,000**	—
Current tax liabilities		**6,428,119**	8,787,939
Total current liabilities		**47,277,036**	31,317,927
Net current assets		**152,411,162**	84,982,275
NET ASSETS		**187,499,111**	86,815,795
Equity attributable to owners of the Company			
Issued capital	24	**1,618,440**	8
Reserves		**185,880,671**	86,815,787
TOTAL EQUITY		**187,499,111**	86,815,795

On behalf of the Board

Director *Director*

Statement of Financial Position

As At 31 December 2012

	Notes	2012 RMB	2011 RMB
Assets			
Non-current assets			
Investments in subsidiaries	15	**—**	—
Current assets			
Prepayments and deposits	18	**243,500**	5,638,662
Amounts due from subsidiaries	19	**23,390,429**	4,134,570
Amount due from holding company	19	**—**	16,214
Cash and cash equivalents	20	**54,490,113**	5,338,427
Total current assets		**78,124,042**	15,127,873
Liabilities			
Current liabilities			
Other payables and accruals	22	**1,728,293**	142,098
Amount due to a director	19	**—**	1,122,651
Total current liabilities		**1,728,293**	1,264,749
Net current assets		**76,395,749**	13,863,124
NET ASSETS		**76,395,749**	13,863,124
Equity attributable to owners of the Company			
Issued capital	24	**1,618,440**	8
Share premium	25	**87,125,093**	19,890,023
Exchange reserve	25	**(997,910)**	(500,309)
Accumulated losses	25	**(11,349,874)**	(5,526,598)
TOTAL EQUITY		**76,395,749**	13,863,124

On behalf of the Board

Director *Director*

Consolidated Statement of Changes in Equity

For The Year Ended 31 December 2012

	Issued capital RMB	Share premium* RMB	Surplus* RMB	Exchange reserve* RMB	Statutory reserve* RMB (Note)	Retained profits* RMB	Total equity RMB
At 1 January 2011	—	—	2,000,000	—	1,000,000	29,964,520	32,964,520
Profit for the year	—	—	—	—	—	34,453,305	34,453,305
Other comprehensive income	—	—	—	(492,061)	—	—	(492,061)
Total comprehensive income	—	—	—	(492,061)	—	34,453,305	33,961,244
Issue of ordinary shares	8	19,890,023	—	—	—	—	19,890,031
Appropriation to statutory reserve *(note)*	—	—	—	—	2,316,069	(2,316,069)	—
At 31 December 2011 and 1 January 2012	8	19,890,023	2,000,000	(492,061)	3,316,069	62,101,756	86,815,795
Profit for the year	—	—	—	—	—	32,356,395	32,356,395
Other comprehensive income	—	—	—	(526,581)	—	—	(526,581)
Total comprehensive income	—	—	—	(526,581)	—	32,356,395	31,829,814
Capitalisation issue *(note 24 (a))*	1,213,822	(1,213,822)	—	—	—	—	—
Shares issued on placing, net of expenses *(note 24 (b))*	404,610	68,448,892	—	—	—	—	68,853,502
Appropriation to statutory reserve *(note)*	—	—	—	—	536,786	(536,786)	—
At 31 December 2012	1,618,440	87,125,093	2,000,000	(1,018,642)	3,852,855	93,921,365	187,499,111

* These reserve accounts comprise the combined reserves of RMB185,880,671 and RMB 86,815,787 in the consolidated statements of financial position as at 31 December 2012 and 2011 respectively.

Note:

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 (after offsetting prior year losses) 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 dividend to equity owners. The statutory reserve fund can be used to make up prior years' losses, if any.

Consolidated Statement of Cash Flows

For The Year Ended 31 December 2012

	Notes	2012 RMB	2011 RMB
Profit before income tax expense		**44,857,520**	47,802,264
Adjustments for:			
Interest income		**(77,103)**	(60,648)
Depreciation		**197,132**	152,723
Loss on disposal of property, plant and equipment		**72,568**	5,828
Impairment loss /(reversal of impairment loss) on trade receivables		**668,711**	(230,045)
Share of profits of associates		**(74,982)**	(10,730)
		45,643,846	47,659,392
Increase in trade and bills receivables		**(26,165,007)**	(9,648,638)
Increase in prepayments, deposits and other receivables		**(47,303,338)**	(8,137,584)
Increase/(decrease) in trade and bills payables		**6,146,223**	(11,641,064)
Decrease in other payables and accruals		**(1,345,872)**	(483,929)
Cash flows (used in)/from operating activities		**(23,024,148)**	17,748,177
Income taxes paid		**(14,860,945)**	(9,299,428)
Net cash (used in)/from operating activities		**(37,885,093)**	8,448,749
Cash flows from investing activities			
Purchases of property, plant and equipment		**(785,645)**	(151,769)
Proceeds from disposal of property, plant and equipment		**36,498**	—
Repayment from/ (loan to) holding company		**16,214**	(16,214)
Interest received		**77,103**	60,648
Net cash used in investing activities		**(655,830)**	(107,335)

	Notes	2012 RMB	2011 RMB
Cash flows from financing activities			
Net proceeds from issue of ordinary shares		**68,853,502**	19,890,031
(Repayment to)/advances from a director		**(1,199,933)**	1,199,933
Repayment to a related company		**(100,489)**	(444,175)
(Repayment to)/advances from an associate		**(181,000)**	201,000
New borrowing		**15,000,000**	—
Net cash from financing activities		**82,372,080**	20,846,789
Net increase in cash and cash equivalents		**43,831,157**	29,188,203
Effect of exchange rate changes on cash and cash equivalents		**(526,581)**	(351,686)
Cash and cash equivalents at the beginning of year		**52,910,699**	24,074,182
Cash and cash equivalents at the end of year		**96,215,275**	52,910,699
Analysis of the balances of cash and cash equivalents			
Cash and bank balances	20	**96,215,275**	52,910,699

Notes to the Financial Statements

1. CORPORATE INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 15 March 2011. The Company's registered office is located at Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands. Its principal place of business is located at No. 54 Shaoxing Road, Luwan District, Postal code- 200020, Shanghai, the PRC.

Pursuant to a reorganisation (the "Reorganisation") to rationalise the structure of the Company and its subsidiaries (together as the "Group") in preparation for the listing of the Company's shares on the Growth Enterprise Market (the "GEM") of the Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the companies then comprising the Group on 1 June 2011.

One of the subsidiaries, 上海三眾華納傳媒投資管理有限公司 ("SMU"), in the Group was established in the PRC. SMU is wholly owned by Mr. Fang Bin, one of the directors of the Company. Under the prevailing laws and regulations in the PRC, companies with foreign ownership are prohibited from engaging in the publishing of books, newspapers and periodicals and are restricted from engaging in the provision of value-added telecommunications services in the PRC. In order to enable certain foreign investors to invest in businesses of the Group, Century Linker (Hong Kong) Limited ("Century Linker") and 上海三眾企業管理諮詢有限公司 ("Shanghai SumZone Enterprise"), an indirect wholly owned subsidiary of the Company, a direct wholly owned subsidiary of Century Linker and one of the subsidiaries of the Company in the PRC, were established on 18 January 2011 and 1 June 2011 respectively.

On 1 June 2011, certain structured contracts, the exclusive consulting and service agreement, irrevocable powers of attorney, exclusive business operating agreement, exclusive option agreement and share pledge agreement (collectively the "Structured Contracts") were effectuated amongst SMU, Mr. Fang Bin, Century Linker and Shanghai SumZone Enterprise to the effect that the business operations, the decision-making power and financial and operating policies of SMU are ultimately controlled by Shanghai SumZone Enterprise.

In particular, Shanghai SumZone Enterprise undertakes to provide SMU with certain management and consulting services. In return, the Group is entitled to substantially all of the operating profits and residual benefits generated by SMU through intercompany charges levied on these services rendered. Mr. Fang Bin is also required to transfer his interests in SMU to the Group or the Group's designee upon a request made by the Group for a pre-agreed nominal consideration or the minimum value as required by the PRC laws by the time when the PRC laws and regulations allow such transfer in future. The ownership interests in SMU have also been pledged by Mr. Fang Bin to the Group in respect of the continuing obligations of SMU; and the Group is entitled to nominate and remove members of the board of directors of SMU in order to control their operating and financial decisions.

As a result of the effects of the Structured Contracts, SMU is accounted for as subsidiary of the Company for accounting purposes.

Further details of the Reorganisation and Structed Contracts are set out in the Company's listing prospectus dated 17 April 2012 (the "Prospectus"). The shares of the Company were listed on the GEM of the Stock Exchange on 27 April 2012.

The principal activity of the Company is investment holding. During the year, the Group was principally engaged in the provision for advertising, public relation and event marketing services in the PRC.

In the opinion of the directors of the Company (the "Directors"), the ultimate holding company of the Company is Lapta International Limited.

2.1 ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

(a) Adoption of new/revised IFRSs - effective 1 January 2012

Amendments to IFRS 1	Severe Hyper Inflation and Removal of Fixed Dates for First-time Adopters
Amendments to IFRS 7	Disclosures - Transfers of Financial Assets
Amendments to IAS 12	Deferred tax - Recovery of underlying assets

The adoption of above amendments has no material impact on the Group's financial statements.

(b) New/revised IFRSs that have been issued but are not yet effective

The following new/revised IFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

Amendments to IAS 1 (Revised)	Presentation of Items of Other Comprehensive Income [1]
Amendments to IFRS 1	Government Loans [2]
Amendments to IFRSs	Annual Improvement to IFRSs 2009 - 2011 Cycle [2]
Amendments to IFRS 10, IFRS 12 and IAS 27 (2011)	Investment entities [3]
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities [3]
Amendments to IAS 7	Offsetting Financial Assets and Financial Liabilities [2]
IFRS 9	Financial Instruments [4]
IFRS 10	Consolidated Financial Statements [2]
IFRS 12	Disclosure of Interests in Other Entities [2]
IFRS 13	Fair Value Measurement [2]
IAS 27 (2011)	Separate Financial Statements [2]
IAS 28 (2011)	Investments in Associates and Joint Ventures [2]

[1] Effective for annual periods beginning on or after 1 July 2012
[2] Effective for annual periods beginning on or after 1 January 2013
[3] Effective for annual periods beginning on or after 1 January 2014
[4] Effective for annual periods beginning on or after 1 January 2015

Amendments to IAS 1 (Revised) - Presentation of Items of Other Comprehensive Income

The amendments to IAS 1 (Revised) require the Group to separate items presented in other comprehensive income into those that may be reclassified to profit and loss in the future (e.g. revaluations of available-for-sale financial assets) and those that may not (e.g. revaluations of property, plant and equipment). Tax on items of other comprehensive income is allocated and disclosed on the same basis. The amendments will be applied retrospectively.

Amendments to IFRS 1 - Government Loans

The amendments add an exception to the retrospective application of IFRSs to require that first-time adopters apply the requirements in IFRS 9 Financial Instruments and IAS 20 Accounting for Government Grants and Disclosure of Governance Assistance prospectively to government loans existing at the date of transition to IFRSs.

This means that first-time adopters will not recognise the corresponding benefit of the government loan at a below market rate of interest as a government grant. However, entities may choose to apply the requirements of IFRS 9 and IAS 20 to government loans retrospectively if the information needed to do so had been obtained at the time of initially accounting for that loan.

IFRSs (Amendments) - Annual Improvements 2009-2011 Cycle

(i) IAS 1 - Presentation of Financial Statements

The amendments clarify that the requirement to present a third statement of financial position when an entity applies an accounting policy retrospectively or makes a retrospective restatement or reclassification of items in its financial statements is limited to circumstances where there is a material effect on the information in that statement of financial position. The date of the opening statement of financial position is the beginning of the preceding period and not, as at present, the beginning of the earliest comparative period. The amendments also clarify that, except for disclosures required by IAS 1.41-44 and IAS 8, the related notes to the third statement of financial position are not required to be presented. An entity may present additional voluntary comparative information as long as that information is prepared in accordance with IFRS. This may include one or more statements and not a complete set of financial statements. Related notes are required for each additional statement presented.

(ii) IAS 16 - Property, Plant and Equipment

The amendments clarify that items such as spare parts, stand-by equipment and servicing equipment are recognised as property, plant and equipment when they meet the definition of property, plant and equipment. Otherwise, such items are classified as inventory.

(iii) IAS 32 - Financial Instruments: Presentation

The amendments clarify that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction should be accounted for in accordance with IAS 12 Income Taxes. Depending on the circumstances these items of income tax might be recognised in equity, other comprehensive income or in profit or loss.

(iv) IAS 34 - Interim Financial Reporting

The amendments clarifies that in interim financial statements, a measure of total assets and liabilities for a particular reportable segment need to be disclosed when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total assets.

Amendments to IFRS 10, IFRS 12 and IAS 27 (2011) - Investment Entities

The amendments apply to a particular class of businesses that qualify as investment entities. An investment entity's business purpose is to invest funds solely for returns from capital appreciation, investment income or both. It evaluates the performance of its investments on a fair value basis. Investment entities could include private equity organisations, venture capital organisations, pension funds and investment funds.

The amendments provide an exception to the consolidation requirements in IFRS 10 Consolidated Financial Statements and require investment entities to measure particular subsidiaries at fair value through profit or loss rather than to consolidate them. The amendments also set out the disclosure requirements for investment entities. The amendments are applied retrospectively subject to certain transitional provisions.

Amendments to IAS 32 - Offsetting Financial Assets and Financial Liabilities

The amendments clarify the offsetting requirements by adding appliance guidance to IAS 32 which clarifies when an entity "currently has a legally enforceable right to set off" and when a gross settlement mechanism is considered equivalent to net settlement.

Amendments to IFRS 7 - Offsetting Financial Assets and Financial Liabilities

IFRS 7 is amended to introduce disclosures for all recognised financial instruments that are set off under IAS 32 and those that are subject to an enforceable master netting agreement or similar arrangement, irrespective of whether they are set off under IAS 32.

IFRS 9 - Financial Instruments

Under IFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognise the gains and losses in other comprehensive income. IFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from IAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, IFRS 9 retains the requirements in IAS 39 for derecognition of financial assets and financial liabilities.

IFRS 10 - Consolidated Financial Statements

IFRS 10 introduces a single control model for consolidation of all investee entities. An investor has control when it has power over the investee (whether or not that power is used in practice), exposure or rights to variable returns from the investee and the ability to use the power over the investee to affect those returns. IFRS 10 contains extensive guidance on the assessment of control. For example, the standard introduces the concept of "de facto" control where an investor can control an investee while holding less than 50% of the investee's voting rights in circumstances where its voting interest is of sufficiently dominant size relative to the size and dispersion of those of other individual shareholders to give it power over the investee. Potential voting rights are considered in the analysis of control only when these are substantive, i.e. the holder has the practical ability to exercise them. The standard explicitly requires an assessment of whether an investor with decision making rights is acting as principal or agent and also whether other parties with decision making rights are acting as agents of the investor. An agent is engaged to act on behalf of and for the benefit of another party and therefore does not control the investee when it exercises its decision making authority. The implementation of IFRS 10 may result in changes in those entities which are regarded as being controlled by the Group and are therefore consolidated in the financial statements. The accounting requirements in the existing IAS 27 on other consolidation related matters are carried forward unchanged. IFRS 10 is applied retrospectively subject to certain transitional provisions.

IFRS 12 - Disclosure of Interests in Other Entities

IFRS 12 integrates and makes consistent the disclosure requirements about interests in subsidiaries, associates and joint arrangements. It also introduces new disclosure requirements, including those related to unconsolidated structured entities. The general objective of the standard is to enable users of financial statements to evaluate the nature and risks of a reporting entity's interests in other entities and the effects of those interests on the reporting entity's financial statements.

IFRS 13 - Fair Value Measurement

IFRS 13 provides a single source of guidance on how to measure fair value when it is required or permitted by other standards. The standard applies to both financial and non-financial items measured at fair value and introduces a fair value measurement hierarchy. The definitions of the three levels in this measurement hierarchy are generally consistent with IFRS 7 "Financial Instruments: Disclosures". IFRS 13 defines fair value as 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 (i.e. an exit price). The standard removes the requirement to use bid and ask prices for financial assets and liabilities quoted in an active market. Rather the price within the bid-ask spread that is most representative of fair value in the circumstances should be used. It also contains extensive disclosure requirements to allow users of the financial statements to assess the methods and inputs used in measuring fair values and the effects of fair value measurements on the financial statements. IFRS 13 can be adopted early and is applied prospectively.

The Group is in the process of making an assessment of the potential impact of these pronouncements and the Directors so far concluded that they are not yet in a position to quantify the effects on the Group's financial statements.

2.2 BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable IFRSs, International Accounting Standards ("IASs") and Interpretations (hereinafter collectively referred to as the "IFRSs") issued by International Accounting Standards Board, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

(b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis as explained in the accounting policies set out on note 3.

(c) Functional and presentation currency

The financial statements are presented in Renminbi ("RMB"), which is the same as the functional currency of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. All inter-company transactions, cash flows and balances between the companies now comprising the Group are eliminated in full on consolidation.

(b) Subsidiaries

A subsidiary is an entity over which the Company is able to exercise control. Control is achieved where the Company, directly or indirectly, has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable are taken into account.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(c) Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies. Associates are accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying amount are adjusted for the Group's share of the post-acquisition change in the associates' net assets except that losses in excess of the Group's interest in the associate are not recognised unless there is an obligation to make good those losses.

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate and the entire carrying amount of the investment is subject to impairment test, by comparing the carrying amount with its recoverable amount, which is higher of value in use and fair value less costs to sell.

(d) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis. The depreciation rates, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The depreciation rates are as follows:

Office furniture and equipment	20%
Motor vehicles	7.5 - 10%

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

(e) Lease

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor to sub-lease the leased assets under operating lease, such rentals receivable under the operating leases are credited to the profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentive received from the lessor are charged to the profit or loss on the straight-line basis over the lease terms.

(f) Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment; and

- interests in subsidiaries and associates

If the recoverable amount (i.e. the greater of the fair value less costs to sell and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

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

(g) Financial instruments

(i) Financial assets

The Group's financial assets including trade and bills receivables, deposits and other receivables, amount due from holding company and cash and cash equivalents. The Group classified them as loans and receivables.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to clients (trade debtors), and also incorporate other types of contractual monetary asset. They are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. At each reporting date subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

(ii) Impairment loss on financial assets

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtor's financial difficulty; and
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have had the impairment not been recognised.

(iii) *Financial liabilities*

The Group's financial liabilities including trade and bills payables, other payables and accruals, bank borrowing, amount due to a director, a related company and an associate. The Group classified them as financial liabilities at amortised cost.

Financial liabilities at amortised cost

Financial liabilities at amortised cost are initially recognised at fair value, net of directly attributable costs incurred and are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) *Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) *Equity instruments*

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(vi) *Derecognition*

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with IAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired.

(h) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

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

(i) Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Company 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.

Income taxes are recognised in profit or loss except when they relate to items recognised to other comprehensive income in which case the taxes are also recognised in other comprehensive income.

(j) Employee benefits

(i) Pension schemes

The employees of the Group's subsidiaries which operate in the PRC are required to participate in central pension schemes operated by the local government. The subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension schemes. The contributions are charged to the profit or loss as they become payable in accordance with the rules of the central pension schemes.

(ii) *Other benefits*

The Group contributes on a monthly basis to defined contribution housing, medical and other benefit plans organised by the PRC government. The PRC government undertakes to assume the benefit obligations of all existing and retired employees under these plans. Contributions to these plans by the Group are expensed as incurred. The Group has no further obligations for benefits for their qualified employees under these plans.

(k) Government grants

Government grants are recognised when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(l) Foreign currency

Transactions entered into by the Group entities in currencies other than the currency of the primary economic environment in which they operate (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. RMB) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as exchange reserve (attributed to minority interests as appropriate). Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as exchange reserve.

(m) Revenue recognition

Revenue is recognised when it is probable that the economic benefit will flow to the Group and when the revenue can be measured reliably, on the following bases:

(i) Advertising income is recognised upon the publication of the newspapers/ magazines available to public in which the related advertisement is placed.

(ii) Revenue from provision of public relation services is recognised when the services are rendered.

(iii) Revenue from provision of event marketing services is recognised when the services are provided and the transactions can be measured reliably, and it is probable that the economic benefits associated with the transaction will flow to the Group.

(iv) Revenue from sales of newspapers and magazines are recognised upon the delivery of products.

(v) Interest income is accrued on a time basis on the principal at the applicable interest rate.

(n) Related parties

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

(i) has control or joint control over the Group

(ii) has significant influence over the Group; or

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

(b) An entity is related to the Group if any of the following conditions apply:

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

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

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

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

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

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

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

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

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, are discussed below.

Impairment allowances for trade and other receivables

The Group estimates the impairment allowances for trade and other receivables by assessing the recoverability based on credit history and prevailing market conditions. This requires the use of estimates and judgments. Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. Where the expectation is different from the original estimate, such difference will affect the carrying amounts of trade and other receivables and thus the impairment loss in the period in which such estimate is changed. The Group reassesses the impairment allowances at the end of each reporting period.

5. SEGMENT REPORTING

The chief operating decision-maker of the Group has been identified as the executive directors of the Company. The executive directors regularly review revenue and operating results derived from provision of advertising services, public relation services and event marketing services on an aggregate basis and consider them as one single operating segment.

No geographical information is presented as the Group's operations are located in the PRC.

Information about major clients

Turnover from clients contributing over 10% of total turnover of the Group is as follows:

	Year ended 31 December							
	2012				2011			
	Advertising income	**Public relation services income**	**Event marketing income**	**Total**	Advertising income	Public relation services income	Event marketing income	Total
	RMB	***RMB***	***RMB***	***RMB***	*RMB*	*RMB*	*RMB*	*RMB*
Client A	**—**	**9,466,848**	**13,016,999**	**22,483,847**	—	13,554,938	4,634,218	18,189,156
Client B	**—**	**—**	**—**	**—**	17,445,100	—	3,500,000	20,945,100
Client C	**12,664,222**	**—**	**3,400,802**	**16,065,024**	—	—	—	—
Client D	**—**	**—**	**—**	**—**	—	—	18,989,000	18,989,000

6. REVENUE AND OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, comprises income from advertising, public relation services and event marketing, net of business tax and cultural business development charge. An analysis of revenue and other income and gains is as follows:

	Year ended 31 December	
	2012	2011
	RMB	*RMB*
Revenue:		
Advertising income	**73,205,900**	89,115,994
Public relation services income	**24,953,455**	21,722,576
Event marketing income	**50,978,609**	29,933,649
	149,137,964	140,772,219
Less: business tax and cultural business development charge *(note)*	**(2,198,183)**	(8,745,716)
Total	**146,939,781**	132,026,503
Other income and gains:		
Interest income	**478,103**	60,648
Income from issue and distribution of the Group's Publication	**91,395**	211,329
Reversal of impairment loss on trade receivables	**—**	230,045
Government grant	**2,153,000**	—
Total	**2,722,498**	502,022

Note:

According to the relevant regulation effective from 1 January 2012, the Group is subject to value added tax instead of business tax. For the year ended 31 December 2012, the amount only represents the culture business development charge.

7. PROFIT BEFORE INCOME TAX EXPENSE

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

	Year ended 31 December	
	2012	2011
	RMB	*RMB*
Depreciation	**197,132**	152,723
Minimum lease payments under operating leases for buildings	**676,000**	676,000
Employee benefit expenses (including directors' remuneration *(note 8)*):		
Wages and salaries	**7,551,221**	5,979,837
Pension scheme contributions	**2,185,120**	1,613,142
	9,736,341	7,592,979
Auditor's remuneration	**678,573**	24,000
Loss on disposal of property, plant and equipment	**72,568**	5,828
Impairment loss/(reversal of impairment loss) on trade receivables	**668,711**	(230,045)

8. DIRECTORS' REMUNERATION

Directors' remuneration paid to each of the directors of the Company disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance are as follows:

	Fee	Salaries, allowances and benefits in kinds	Pension scheme contributions	Total
	RMB	*RMB*	*RMB*	*RMB*
Year ended 31 December 2012				
Executive directors:				
Mr. Fang Bin	**—**	**126,000**	**52,800**	**178,800**
Mr. Song Yijun	**—**	**167,000**	**36,960**	**203,960**
Ms. He Weiqi	**—**	**167,000**	**36,960**	**203,960**
Non-executive directors:				
Mr. Fan Youyuan	**—**	**121,485**	**—**	**121,485**
Mr. Lin Kaiwen	**—**	**91,114**	**—**	**91,114**
Mr. Zhou Ruijin *(note c)*	**—**	**121,485**	**—**	**121,485**
Mr. Lin Zhiming *(note c)*	**—**	**91,114**	**—**	**91,114**
Ms. Hsu Wai Man, Helen *(note c)*	**—**	**121,485**	**—**	**121,485**
	—	**1,006,683**	**126,720**	**1,133,403**
Year ended 31 December 2011				
Executive directors:				
Mr. Fang Bin	—	192,000	15,975	207,975
Mr. Song Yijun *(note a)*	—	70,000	8,820	78,820
Ms. He Weiqi *(note a)*	—	70,000	8,575	78,575
Non-executive directors:				
Mr. Fan Youyuan *(note b)*	—	—	—	—
Mr. Lin Kaiwen *(note b)*	—	—	—	—
	—	332,000	33,370	365,370

Note:

(a) Mr. Song Yijun and Ms. He Weiqi were appointed as the executive directors on 25 May 2011. For the year ended 31 December 2011, Mr. Song Yijun and Ms. He Weiqi were one of the five highest paid employees of the Group. Their emoluments prior to their appointment as an executive director were included in note 9 below.

(b) Mr. Fan Youyuan and Mr. Lin Kaiwen were appointed as the non-executive directors of the Company on 25 May 2011. There were no fees and other emoluments payable to them for the year ended 31 December 2011.

(c) Mr. Lin Zhiming, Mr. Zhou Ruijin, and Ms. Hsu Wai Man, Helen were appointed as the independent non-executive directors of the Company on 10 April 2012.

There was no arrangement under which a director waived or agreed to waive any remuneration during the years ended 31 December 2012 and 2011.

9. FIVE HIGHEST PAID EMPLOYEES

Of the five highest paid employees in the Group during the year ended 31 December 2012, five (2011: three) were directors of the Company whose emoluments are disclosed in note 8 above.

For the year ended 31 December 2011, details of the remuneration of the remaining two non-directors, highest paid employees of the Group are as follows:

	Year ended 31 December	
	2012	2011
	RMB	*RMB*
Salaries, allowances and benefits in kinds	—	320,000
Pension scheme contributions	—	27,510
	—	347,510

The remuneration of the highest paid employees fell within the band of nil to RMB801,000 (equivalents to HK$1,000,000) for the years ended 31 December 2012 and 2011.

The emoluments paid to members of senior management were within the salary band of nil to RMB801,000 (equivalents to: HK$1,000,000).

During the years ended 31 December 2012 and 2011, no remuneration was paid by the Group to the Directors or any of the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

10. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the years ended 31 December 2012 and 2011.

Taxes on profits assessable in the PRC have been calculated at the prevailing tax rates, based on existing legislation, interpretations and practices in respect thereof. Pursuant to the Corporate Income Tax Law (the "new PRC Tax Law") of the PRC which became effective on 1 January 2008, the PRC corporate income tax rate of all the PRC subsidiaries during the years ended 31 December 2012 and 2011 was 25% on their taxable profits.

The amount of income tax expense charged to the consolidated statement of comprehensive income represents:

	Year ended 31 December	
	2012	2011
	RMB	*RMB*
Current tax - PRC corporate income tax		
— tax for the year	**12,501,125**	13,181,892
— under provision in respect of prior periods	**—**	167,067
Income tax expense	**12,501,125**	13,348,959

The income tax expense can be reconciled to the Group's profit before income tax expense per the consolidated statement of comprehensive income as follows:

	Year ended 31 December	
	2012	2011
	RMB	*RMB*
Profit before income tax expense	**44,857,520**	47,802,264
Tax on profit before income tax expense, calculated at 25%	**11,214,380**	11,950,566
Tax effect of share of results of associates	**(18,745)**	(2,683)
Tax effect of non-deductible expenses	**1,699,068**	1,234,164
Tax effect of non-taxable income	**—**	(155)
Under provision in respect of current tax of prior periods	**—**	167,067
Others	**(393,578)**	—
Income tax expense	**12,501,125**	13,348,959

Pursuant to the new PRC Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between the PRC and the jurisdiction of the foreign investors.

As at 31 December 2012 and 2011, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings of the Group's subsidiaries established in the PRC. It is because in the opinion of the Directors, it is not probable that these subsidiaries will distribute their earnings accrued from 1 January 2008 to 31 December 2012 in the foreseeable future. Accordingly no deferred tax liabilities have been recognised as at 31 December 2012 and 2011.

11. LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

Loss attributable to owners of the Company is dealt with in the financial statements of the Company to the extent of RMB5,823,276 (2011: RMB5,526,598).

12. DIVIDENDS

The directors do not recommend the payment of any dividend for the year ended 31 December 2012 (2011: Nil).

13. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the year attributable to owners of the Company of RMB32,356,395 (2011: RMB34,453,305) and the weighted average number of ordinary shares of 184,016,393 (2011: 150,000,000 deemed to have been issued throughout the year ended 31 December 2011) in issue during the year ended 31 December 2012.

Diluted earnings per share equals to basic earnings per share, as there were no potential dilutive ordinary shares issued during the years ended 31 December 2012 and 2011.

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Office furniture and equipment *RMB*	Motor vehicles *RMB*	Total *RMB*
31 December 2012			
Cost:			
At 1 January 2012	708,463	433,076	1,141,539
Additions	134,357	651,288	785,645
Disposals	(27,600)	(135,464)	(163,064)
At 31 December 2012	815,220	948,900	1,764,120
Accumulated depreciation:			
At 1 January 2012	385,358	39,433	424,791
Charge for the year	128,288	68,844	197,132
Eliminated on disposals	(26,220)	(27,778)	(53,998)
At 31 December 2012	487,426	80,499	567,925
Net book value:			
At 31 December 2012	327,794	868,401	1,196,195
31 December 2011			
Cost:			
At 1 January 2011	673,264	433,076	1,106,340
Additions	151,769	—	151,769
Disposals	(116,570)	—	(116,570)
At 31 December 2011	708,463	433,076	1,141,539
Accumulated depreciation:			
At 1 January 2011	375,377	7,433	382,810
Charge for the year	120,723	32,000	152,723
Eliminated on disposals	(110,742)	—	(110,742)
At 31 December 2011	385,358	39,433	424,791
Net book value:			
At 31 December 2011	323,105	393,643	716,748

15. INVESTMENT IN SUBSIDIARIES

Company

	31 December 2012 RMB	2011 RMB
Unlisted equity investments, at cost	—	—

The following are the details of the Group's subsidiaries at 31 December 2012:

Name	Place of Incorporation/ establishment	Issued/Registered and paid-up share capital	Attributable equity interests held by the Company Direct	Indirect	Principal activities
Quick Motion International Limited	The British Virgin Islands	1 ordinary share of US$1, unpaid	100%	—	Investment holding
Century Linker	Hong Kong	1 ordinary share of HK$1, unpaid	—	100%	Investment holding
SumZone Enterprise[1]	The PRC	Registered capital HKD 43,500,000, HKD 30,000,000 paid	—	100%	Provision for management services
SMU	The PRC	Registered capital RMB2,000,000, fully paid	—	100%	Provision for advertising, public relation and event market services
上海三眾廣告有限公司 ("SumZone Advertising")	The PRC	Registered capital RMB1,000,000, fully paid	—	100%	Provision for advertising services
上海三眾營銷策劃有限公司 ("SumZone Marketing")	The PRC	Registered capital RMB1,000,000, fully paid	—	100%	Provision for advertising services

Note:

1 Registered as a wholly-foreign-owned enterprise under the laws of the PRC.

16. INTERESTS IN ASSOCIATES

Group

	31 December 2012 RMB	2011 RMB
Share of net assets	**1,191,754**	1,116,772

The investments in associates are unlisted equity interests and details of the Group's associates are as follows:

Name	Form of business structure	Place of establishment and operation	Paid-up registered capital	Attributable equity interests indirectly held by the Company	Principal activities
上海東上海三眾華納傳媒有限公司 ("East Shanghai SumZone")	Corporation	The PRC	RMB2,000,000	49%	Provision of advertising, consulting and event marketing services
上海東上海汽車傳播有限公司 ("East Shanghai Auto") *(Note)*	Corporation	The PRC	RMB6,000,000	30%	Provision of advertising, consulting and event marketing services

Note:

East Shanghai Auto was dissolved on 25 January 2011.

The following table illustrates the summarised financial information of the Group's associates:

	31 December 2012 RMB	2011 RMB
Assets	**2,487,253**	2,301,595
Liabilities	**(55,102)**	(22,468)

	Year ended 31 December 2012 RMB	2011 RMB
Revenue	**2,131,922**	2,609,920
Profit	**153,024**	21,897

17. TRADE AND BILLS RECEIVABLES

Group

	31 December 2012 RMB	2011 RMB
Trade receivables from:		
— third parties	**73,130,747**	45,811,900
— related companies	**—**	2,313,000
Less: impairment	**(668,711)**	—
	72,462,036	48,124,900
Bills receivable	**5,101,205**	3,942,045
	77,563,241	52,066,945

The Group's trading terms with its clients are mainly on credit. The credit period is generally 90 days to 210 days. The Group seeks to apply strict control over its outstanding receivables to minimise credit risk. Although the Group's trade receivables relate to a number of clients, however, there is concentration of credit risk. The trade receivables from the five largest debtors at 31 December 2012 represented 57% (2011:59%) of total trade receivables, while 23% (2011:16%) of the total receivables were due from the largest debtor. All the trade receivables are non-interest-bearing.

An ageing analysis of the Group's trade receivables as at the end of the reporting periods, based on the provision of service date, is as follows:

	31 December 2012 RMB	2011 RMB
Not more than 1 month	**19,100,585**	13,631,132
More than 1 month but not more than 3 months	**19,776,100**	17,633,140
More than 3 months but not more than 6 months	**23,445,111**	8,493,031
More than 6 months but not more than 1 year	**10,111,640**	8,367,597
Over 1 year	**28,600**	—
	72,462,036	48,124,900
Bills receivable	**5,101,205**	3,942,045
	77,563,241	52,066,945

The analysis of the Group's trade receivables that were past due but not impaired as at the end of each of the reporting periods, is as follows.

	31 December 2012 RMB	31 December 2011 RMB
Neither past due nor impaired *(note i)*	**56,700,428**	38,363,203
Less than 1 month past due	**4,757,097**	694,900
1 to 3 months past due	**10,202,841**	8,035,297
More than 3 months but less than 12 months past due	**801,670**	1,031,500
	72,462,036	48,124,900

Notes:

(i) The balances that were neither past due nor impaired relate to a wide range of clients for whom there was no recent history of default.

(ii) Receivables that were past due but not impaired relate to a number of independent clients that have a good track record with the Group. Based on past experience, the Directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

The below table reconciled the impairment loss of trade receivables:

	31 December 2012 RMB	31 December 2011 RMB
At the beginning of the year	**—**	230,045
Impairment loss recognised	**668,711**	—
Reversal of impairment loss	**—**	(230,045)
At the end of the year	**668,711**	—

The Group and the Company recognised impairment loss on individual assessment based on the accounting policy stated in note 3(g)(ii).

18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Group

		31 December	
		2012	2011
	Notes	***RMB***	*RMB*
Deposits	(i)&(ii)	**48,387,250**	5,745,935
Prepayments	(iii)	**4,710,951**	2,439,717
Advance payment for event marketing expenses		**5,445,358**	3,092,370
Other receivables		**66,123**	28,322
Total		**58,609,682**	11,306,344
Non-current portion		**(32,700,000)**	—
Current portion		**25,909,682**	11,306,344

Company

		31 December	
		2012	2011
	Notes	***RMB***	*RMB*
Deposits	(ii)	**—**	4,864,200
Prepayments		**243,500**	774,462
		243,500	5,638,662

Notes:

(i) In December 2012, the Group paid refundable deposits of RMB47,700,000 in total to three independent third party advertising media or its agents for the purchase of advertising space that to be used for the years ending 31 December 2013 and 2014. According to the agreement, those deposits of RMB32,700,000 can only be refunded or offset against the advertising expenses after the contract period, and the deposit of RMB15,000,000 can be used to offset the advertising expense during the year ending 31 December 2013.

(ii) In October 2011, the Company signed a memorandum of understanding ("MOU") with an independent third party Internet advertising agent for expansion of advertising business in the Internet. According to the MOU, the Company paid the independent third party a deposit of HK$6,000,000 (RMB4,864,200) which was interest-free and fully refundable. The deposit was fully refunded to the Company in January 2012.

(iii) An amount of RMB2,004,797 was included in prepayments as at 31 December 2011, which represented the prepaid professional fee expenses incurred in connection with the listing of the Company's shares on the GEM of the Stock Exchange. The prepaid professional fee expenses have been set off against the share premium account of the Company during the year ended 31 December 2012.

19. BALANCES WITH HOLDING COMPANY, A RELATED COMPANY, AN ASSOCIATE, SUBSIDIARIES AND A DIRECTOR

Amount due from holding company:

Group

	31 December 2012 RMB	2011 RMB
Holding company	—	16,214

Amounts due to a director, a related company and an associate:

Group

	31 December 2012 RMB	2011 RMB
A director	—	1,199,933
A related company	—	100,489
An associate	**20,000**	201,000

Amount due from holding company and subsidiaries:

Company

	31 December 2012 RMB	2011 RMB
Subsidiaries	**23,390,429**	4,134,570
Holding company	—	16,214

Amount due to a director:

Company

	31 December 2012 RMB	2011 RMB
A director	—	1,122,651

Particulars of amount due from a director and related companies, disclosed pursuant to Section 161B of the Hong Kong Companies Ordinance, are as follows:

Year ended 31 December 2011

Group

Name	31 December 2011 RMB	Maximum amount outstanding during the year RMB	1 January 2011 RMB
上海競藝文化傳媒有限公司 ("Jingyi")*	2,212,511	8,088,905	2,455,336

* The amount due from Jingyi as at 31 December 2011 represented the recoverable due from Jingyi included in trade receivable balance (note 17), net of the payable due to Jingyi included in amount due to a related company. On 28 December 2012, the Company's director, Mr Fang Bin disposed all of his 30% equity interest in Jingyi to an independent third party. Accordingly, Jingyi has ceased to be a related party and connected person of Mr. Fang Bin.

The balances with holding company and related companies in which Mr. Fang Bin, who is the beneficial shareholder of the Company, have beneficial interests are unsecured and interest-free. Except for the trade receivables from and trade payables to related companies, which bear similar credit terms and repayment terms with other unrelated trade receivables and trade payables, the other balances with related companies, an associate and subsidiaries are repayable on demand.

The amounts due to a director are unsecured, interest-free and do not have a fixed term of repayment.

20. CASH AND CASH EQUIVALENTS

Group

	31 December 2012 RMB	2011 RMB
Cash and bank balances	**96,215,275**	52,910,699

Company

	31 December 2012 RMB	2011 RMB
Cash and bank balances	**54,490,113**	5,338,427

The cash and cash equivalents of RMB41,566,507 (2011: RMB44,237,745) are located in the PRC at 31 December 2012. RMB is not a freely convertible currency and the remittance of funds out of the PRC is subject to exchange restrictions imposed by the PRC Government.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

21. TRADE AND BILLS PAYABLES

Group

	31 December 2012 RMB	2011 RMB
Trade payables	**21,564,303**	15,766,176
Bills payable	**348,096**	—
	21,912,399	15,766,176

Trade payables are non-interest-bearing. The Group is normally granted with credit terms of about 90-180 days.

An ageing analysis of the Group's trade payables as at the end of each of the reporting periods, based on the date on which service was rendered or product was received, is as follows:

	31 December 2012 RMB	2011 RMB
Not more than 1 month	**13,525,200**	5,625,780
More than 1 month but not more than 3 months	**4,691,715**	1,710,157
More than 3 months but not more than 6 months	**1,967,471**	119,239
More than 6 months but not more than 1 year	**1,008,227**	8,311,000
Over 1 year	**371,690**	—
	21,564,303	15,766,176
Bills payable	**348,096**	—
	21,912,399	15,766,176

22. OTHER PAYABLES AND ACCRUALS

Group

	31 December 2012 RMB	2011 RMB
Receipts in advance from clients	**1,372,898**	509,800
Other payables and accruals	**2,543,620**	4,752,590
	3,916,518	5,262,390

Company

	31 December 2012 RMB	2011 RMB
Other payables and accruals	**1,728,293**	142,098

23. BANK BORROWING

Group

	31 December 2012 RMB	2011 RMB
Secured interest-bearing loan	**15,000,000**	—

The secured bank borrowing of the Group was guaranteed by the subsidiary of the Group, SumZone Enterprise and repayable within one year. No asset is pledged for the bank borrowing. Interest is charged at 7.2%.

24. SHARE CAPITAL

The following changes in the Company's authorised and issued share capital took place during the period from 15 March 2011 (date of incorporation) to 31 December 2012:

	Number	RMB
Authorised:		
Upon incorporation (38,000,000 shares of HK$0.01 each) and 31 December 2011	38,000,000	316,016
Increase in authorised share capital on 10 April 2012	1,962,000,000	16,316,405
At 31 December 2012	2,000,000,000	16,632,421
Issued and fully paid:		
Upon incorporation (1 share of HK$0.01 issued fully paid)	1	—
879 and 120 fully paid shares were issued on 18 April 2011 and 25 May 2011, respectively	999	8
At 31 December 2011	1,000	8
Capitalisation issue credited as fully paid on the share premium account of the Company *(note a)*	149,999,000	1,213,822
Shares issued on placing *(note b)*	50,000,000	404,610
At 31 December 2012	200,000,000	1,618,440

Notes:

(a) Pursuant to the resolution passed on 10 April 2012, 149,999,000 shares were allotted and issued at a par value of HK$0.01 each in proportion to the holders of shares whose names appear on the register of members of the Company at the close of business on 5 April 2012.

(b) Pursuant to the share placing on 27 April 2012, 50,000,000 shares of HK$0.01 each were issued at a price of HK$1.98 per share. Accordingly, the Company's share capital was increased by RMB404,610 and the balance of the proceeds of RMB79,162,977, after deducting the listing expenses of RMB10,714,085 was credited to the share premium account.

25. RESERVES

Company

	Share premium *(note a)* *RMB*	Exchange reserve *(note b)* *RMB*	Accumulated losses *(note c)* *RMB*	Total *RMB*
Upon incorporation on 15 March 2011	—	—	—	—
Loss for the year	—	—	(5,526,598)	(5,526,598)
Other comprehensive income	—	(500,309)	—	(500,309)
Total comprehensive income	—	(500,309)	(5,526,598)	(6,026,907)
Issue of ordinary shares	19,890,023	—	—	19,890,023
At 31 December 2011 and 1 January 2012	19,890,023	(500,309)	(5,526,598)	13,863,116
Loss for the year	—	—	(5,823,276)	(5,823,276)
Other comprehensive income	—	(497,601)	—	(497,601)
Total comprehensive income	—	(497,601)	(5,823,276)	(6,320,877)
Capitalisation issue *(note 24 (a))*	(1,213,822)	—	—	(1,213,822)
Shares issued on placing, net of expenses *(note 24(b))*	68,448,892	—	—	68,448,892
At 31 December 2012	87,125,093	(997,910)	(11,349,874)	74,777,309

Notes:

(a) Share premium represents amount subscribed for share capital in excess of par value.

(b) Exchange reserve represents gains/losses arising on retranslating the net assets of foreign operations into presentation currency.

(c) It represents cumulative net gains and losses recognised in profit or loss.

26. RELATED PARTY TRANSACTIONS

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

(a) Related party transactions

		Year ended 31 December	
		2012	2011
	Notes	***RMB***	*RMB*
Entrustment fee to an associate	(a)	**1,940,000**	1,940,000
Rental, water and electricity expenses to an associate	(b)	**—**	276,000
Services income from a related company	(c)	**9,905,660**	15,350,000

Notes:

(a) The entrustment fee was paid/payable by SMU to an associate, East Shanghai SumZone, in relation to the transfer of the entrusted rights of the management of the operations and business of the magazine Shanghai Scene (上海灘) and Shanghai Today (今日上海), which rights were initially granted to East Shanghai SumZone by Shanghai Scene Magazine (上海灘雜誌社) and Shanghai Today Magazine (今日上海雜誌社), respectively.

(b) The rental, water and electricity expenses were paid/payable to East Shanghai SumZone, for the offices according to the tenancy agreements signed between the parties.

(c) The services income was received/receivable from Jingyi for advertisements placement and event marketing services provided.

The above transactions are charged at a pre-determined rate mutually agreed by the parties.

(b) Balances with related parties

The outstanding balances with related parties are set out in notes 17 and 19 to the consolidated financial statements.

(c) Key management personnel compensation

Remuneration for key management personnel of the Group, including amounts paid to the executive directors as disclosed in note 8 to the consolidated financial statements and other senior management is as follows:

	Year ended 31 December	
	2012	2011
	RMB	*RMB*
Short-term employee benefits	**871,380**	808,282

27. OPERATING LEASE COMMITMENTS

The Group leases certain properties under operating leases. The leases for properties usually run for an initial period of one to seven years. None of the leases includes contingent rentals.

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

	31 December	
	2012	2011
	RMB	*RMB*
Within one year	**700,684**	694,513
In the second to fifth years, inclusive	**30,855**	731,539
	731,539	1,426,052

28. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each reporting period are as follows:

Financial assets

The Group's financial assets as at the end of each of the reporting period which are categorised as loans and receivables are as follows:

Group

	31 December	
	2012	2011
	RMB	*RMB*
Trade and bills receivables	**77,563,241**	52,066,945
Financial assets included in prepayments, deposits and other receivables	**48,453,373**	5,774,257
Amount due from holding company	**—**	16,214
Cash and cash equivalents	**96,215,275**	52,910,699
	222,231,889	110,768,115

Financial liabilities

The Group's financial liabilities as at the end of each of the reporting period which are categorised as financial liabilities at amortised cost are as follows:

Group

	31 December	
	2012	2011
	RMB	*RMB*
Trade and bills payables	**21,912,399**	15,766,176
Financial liabilities included in accrued liabilities and other payables	**2,543,620**	4,752,590
Amount due to a director	**—**	1,199,933
Amount due to a related company	**—**	100,489
Amount due to an associate	**20,000**	201,000
Bank borrowing	**15,000,000**	—
	39,476,019	22,020,188

29. FINANCIAL RISK, CAPITAL MANAGEMENT AND FAIR VALUE

The Group has various financial assets and liabilities such as trade, bills and other receivables, trade and other payables, balances with a director, holding company, an associate and a related company and bank borrowing, which arise directly from its operation.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The Directors review and agree policies for managing each of these risks and they are summarised below.

Foreign currency risk

The Group's monetary assets, liabilities and transactions are principally denominated in RMB, which is the functional currency of the Company. Except for the cash and bank balances of RMB74,931,055 (2011:RMB11,698,168) that are denominated in Hong Kong Dollars ("HKD"), it is estimated that upon an appreciation or depreciation of 2% in HKD against RMB, with all other variables held constant, the profit before income tax expense would increase or decrease by RMB1,498,621 (2011:RMB233,963). The Group currently does not have a foreign currency hedging policy, but management is closely monitoring the Group's foreign exchange exposure.

Credit risk

The most significant financial assets of the Group is trade receivables and other receivables. The Group trades only with recognised and creditworthy clients and the receivable balances are monitored on an ongoing basis and on an individual basis. The Group had a certain degree of concentration of credit risk, details please refer to note 17. Given the credit worthiness and reputation of the major debtors, management believes the risk arising from concentration is manageable and not significant.

During the year ended 31 December 2012, the Group paid refundable deposits of RMB47,700,000 in total to three independent third party advertising media or its agents (note 18(i)). In the opinion of Directors, the credit risk of these advertising media or its agents is not significant, as they have credit worthiness and reputation.

The Group is not exposed to significant credit risk in relation to other financial assets such as cash and cash equivalents, as the bank deposits are placed in the bank with high credit-ratings.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of cash flows from operations. The Group regularly reviews its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations. The maturity profile of the Group's financial liabilities as at the end of each of the reporting period, based on the contractual undiscounted payments, was less than one year. The discounting impact of the Group's financial liabilities is insignificant.

Capital management

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders and issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2012 and 2011.

Fair value

The carrying amounts of the financial assets and financial liabilities carried at amortised cost, in the consolidated financial statements approximate their fair values due to the relative short term maturity of these financial instruments.

30. SHARE OPTION SCHEME

On 10 April 2012, the Group has adopted the share option scheme (the" Scheme"). The Scheme is for a period of ten years commencing from 10 April 2012 whereby the Directors of the Company at its absolute discretion grant any employee of the Group, director, consultant or adviser of our Group, to take up options to subscribe for shares of the Company. The terms and conditions of the grant were determined by the Directors at the time of grant. The exercisable period of an option was not to exceed a period of ten years commencing on 10 April 2012. The options gave the holder the rights to subscribe for ordinary shares in the Company. A nominal consideration of HK$1 was payable by the grantee upon acceptance of an option. Options were lapsed if the employee leaves the Group.

No share options were granted during the year ended 31 December 2012.

31. EVENT AFTER THE REPORTING PERIOD

On 21 March 2013, the Company entered into the non-legally binding potential investment memorandum of understanding ("Potential Investment MOU") with an independent third party in respect of the potential acquisition of a wireless marketing services company in the PRC. Pursuant to the Potential Investment MOU, the Company intends to acquire 100% equity interest of the target company at a proposed consideration in the amount of RMB150 million. Please refer to the announcement dated 21 March 2013 for further details.

32. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 21 March 2013.

Financial Highlights

Results

	2012 RMB	2011 RMB	2010 RMB
Revenue	**146,939,781**	132,026,503	83,743,438
Profit before tax	**44,857,520**	47,802,264	23,701,347
Income tax expense	**(12,501,125)**	(13,348,959)	(5,920,236)
Profit for the year	**32,356,395**	34,453,305	17,781,111
Exchange differences on translating foreign operations	**(526,581)**	(492,061)	—
Total comprehensive income for the year	**31,829,814**	33,961,244	17,781,111

Summary of assets and liabilities

	2012 RMB	2011 RMB	2010 RMB
Total non-current assets	**35,087,949**	1,833,520	1,829,572
Total current assets	**199,688,198**	116,300,202	69,571,579
Total current liabilities	**47,277,036**	31,317,927	38,436,631
Net current assets	**152,411,162**	84,982,275	31,134,948
Net assets	**187,499,111**	86,815,795	32,964,520