2016 ANNUAL REPORT

大賀傳媒股份有限公司*
DAHE MEDIA CO., LTD.*

(a joint stock limited company established in the People's Republic of China with limited liability)

Stock Code : 8243

* For identification Purposes only

DHA GROUP 大贺传媒

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

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

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

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Corporate Information

BOARD OF DIRECTORS

Executive directors
HE Chaobing
HUANG Hongxing

Non-executive directors
HE Lianyi
HE Pengjun
ZHANG Ge
GENG Qiang

Independent non-executive directors
YE Jianmei
GE Jianya
XU Haoran

AUDIT COMMITTEE
YE Jianmei
GE Jianya
XU Haoran

COMPANY SECRETARY
TSUI Kei Pang

AUTHORISED REPRESENTATIVES
HE Chaobing
HUANG Hongxing

COMPLIANCE OFFICER
HE Chaobing

REGISTERED OFFICE
Jianye District
No. 18 Jialingjiang East Street
Nanjing
The People's Republic of China (the "PRC")

PRINCIPAL PLACE OF BUSINESS
5th Floor
Jardine House
1 Connaught Place
Hong Kong

AUDITOR
Deloitte Touche Tohmatsu
35th Floor, One Pacific Place
88 Queensway, Hong Kong
(appointed with effect from 29 December 2016)

HONG KONG LEGAL ADVISER
Gallant

PRINCIPAL BANKERS
China CITIC Bank (Yueyahu Branch)

HONG KONG SHARE REGISTRAR
Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

WEB-SITE AND E-MAIL ADDRESS
web-site: http://www.dahe-ad.com
Email address: zhengq@dahe-ad.com

STOCK CODE
8243

On behalf of the board (the "Board") of directors (the "Directors") of Dahe Media Co., Ltd. (the "Company"), I am pleased to present the annual report of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2016 (the "year" or "year under review").

BUSINESS OVERVIEW AND REVIEW

The Group is mainly engaged in outdoor media dissemination, terminal dissemination services, outdoor advertising media production and trading of artwork.

With its abundant outdoor media resources, the Group provides one-stop advertising service covering integrated marketing communication consultation, media publication strategy consultancy, advertising design and production, outdoor mass media dissemination as well as monitoring and evaluation. The media network covers most provinces and core cities across China in the primary forms of community media, outdoor billboards, large LED advertising screens and professional market media, etc. The Group owns the largest interactive marketing platform targeting the medium to high-end communities, which covers the major economically dynamic cities across China. The layout of selfowned community media resources extends to the first-tier cities including Beijing, Shanghai, Guangzhou and Shenzhen, covering many medium to high-end communities effectively and delivering services to the core consumers. The Group also intends to establish the community media platform network through constantly integrating community media resources across China, aiming to provide one-stop community media publication solution covering the whole country. The core business of terminal dissemination includes the establishment of terminal SI system, targeted signage system, terminal POP system, terminal props making, large events, exhibition display and commercial display. Trading of artwork involves identifying and discovering genuine artists, packaging of artists, and compilation of online and offline promotion plans based on the positioning of the artists.

For the year ended 31 December 2016, the Group's turnover amounted to approximately RMB596.37 million (2015: approximately RMB456.57 million). The increase in turnover was attributable to the Group's constant efforts in consolidating the community media resources across the country and the outdoor media resources according to customers' needs. During the year, profit attributable to shareholders increased by 42% to RMB31.18 million (2015: approximately RMB21.99 million). The basic earnings per share was approximately RMB3.8 cents (2015: RMB2.6 cents).

During the year, the Group's turnover derived from outdoor media dissemination, terminal dissemination, media production services and trading of artwork amounted to RMB405.94 million (2015: approximately RMB281.21 million), RMB172.77 million (2015: approximately RMB127.81 million), RMB9.68 million (2015: approximately RMB26.62 million) and RMB7.98 million (2015: RMB20.94 million), representing 68%, 29%, 1.6% and 1.4% of the total turnover of the Group, respectively.

The Group aims to create an O2O smart-media operation platform.Currently, the Group has outdoor media dissemination resources of approximately 150,000 square meters, with the forms of media owned by the group being social media, outdoor billboards, large LED advertising screens, and professional market media. The business coverage of self-owned media resources has extended to regions including Jiangsu, Zhejiang, Jiangxi, Liaoning, Anhui, Shanghai and Beijing. Meanwhile, the Group constantly integrates the outdoor billboard resources across China based on the needs of customers, and its media resources cover most provinces and core cities in China. This enables the Group to consolidate available media resources in professional markets scattered in cities of all levels across China to provide a diversified mix of publication solutions based on specific requirements of various customers in terms of timing and place of advertisement.

The Group has made a great effort to tap the digital outdoor advertising field, and owns large full color outdoor LED screens of approximately 1,000 square meters in the prime core business district in Nanjing. Upholding the business philosophy of "creativity + interaction + technology", the Group is committed to providing efficient, personalized and flexible media publication solutions for the customers. Moreover, the Group also integrates the outdoor LED media resources scattered in tier two, three and four cities across China to establish the LED broadcast network, with an aim to provide customers with one stop outdoor LED publication solution across China with features of "low cost, extensive coverage and high efficiency".

During the period, the average launching rate of the Group's outdoor media continued to remain at approximately 70%, with major customers from various industries such as fast-moving consumer goods, media, real estate, finance and tourism. The Group has maintained cooperation relationship with renowned enterprises including China Life, Wuzhen Travel, Bank of Jiangsu, China CITIC Bank, China Mobile, Nanjing Securities, Bank of Nanjing, Postal Savings Bank, Yingda Taihe Property Insurance, Wuliangye (五糧液) and Suning Electric (蘇寧).

In recent years, the development of new media brought opportunities and challenges to the traditional advertising industry. Its unique interactive mode and support of technologies greatly reduced the restrictions of the traditional media.

The Group's first social media perfectly integrate brand marketing and community sales. The unique characteristics in technology, creativity and marketability appealed to advertising customers and consumers.

Currently, the Group has approximately 8,000 social media, covering 9 million households with medium to high income levels in approximately 5,500 communities in cities such as Beijing, Shanghai, Guangzhou, Shenzhen, Nanjing, Hangzhou and Shenyang, and provides outdoor media dissemination resources of approximately 28,000 square meters. Meanwhile, the social media continued to focus on expansion into sectors including finance, tourism, telecommunications and fast-moving consumer goods. It has successfully signed cooperation agreements with Industrial and Commercial Bank of China, Suning Electric, Wuzhen Travel and Anhui Satellite TV, etc. It has also formed partnership with various famous domestic and international brands such as China Mobile, China Telecom, New City Real Estate (新城市置業), Construction Bank, China UnionPay, Shenzhen Media Group, Huangshan Travel and Jiuhuashan Scenic Area, etc. As the first brand name of the high-end community media in China, this project brought a turnover of approximately RMB98.85 million and a profit of RMB7.58 million to the Group, representing an increase of 17% and a decrease of 26% respectively when compared with the same period of last year respectively.

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The "terminal dissemination" service covers terminal survey, solution formation, creative design, implementation and promotion, and result evaluation so as to ensure that all communications reflect and represents the brand's core concept and appeal at the terminal. During the year, it continued to serve well-known brands such as Microsoft, Alibaba, Wuzhen Travel, Nike, COFCO Group, Yihai Kerry, Wal-Mart, CR Vanguard, Li Ning, KFC, LEE, Bridgestone, Beiqi Foton Motor Daimler, Samsung, Haohaizi, Kubota, GAP, Orient Securties, etc.

As one of the leading media enterprises in China, Dahe has been adhering to the principles of "building an excellent team, creating fine media products, providing quality service" and offering quality advertising media package and diversified professional services to customers, and won general recognition and excellent comments in the market.

OUTLOOK

Since last year, economic growth has continuously slowed down, leading to an increasingly need for industrial transformation and upgrades. The market has much expectation for emerging industries. The expansion of consumption and upgrades of technologies have become a pivotal momentum supporting the sustainable and healthy development of the cultural media industry with the media industries entering their medium to long-term prosperity.

Meanwhile, to better promote the healthy and rapid development of the media industries, the PRC has carried out a series of supportive and regulatory policies to provide the media industries with corresponding encouraging measures and guiding opinions for their stable development for a long time, igniting and guiding them in their development. From the fact that the economy in China maintains its growth at a steady pace in the long term, the stable growth of the media industries as the economy grows in China is undoubtable, although short economic periods of volatility and the internal adjustments of the media industries under the impacts of the economic environment are inevitable.

The Group remains optimistic about the future development. The Group's first social media will continue to grow its coverage across the nation, striving to dominate the outdoors advertising market. The Group also continues to actively expand customer resources, having realized a change in customer types. Apart from serving existing customers, the Group as well developed and serviced many leading Internet enterprises, with customers from the O2O industry reaching about a thousand.

In the future, the Group will continue to expand its business scope, consolidate resources, and plan platform strategies with unremitting efforts committed to the Group's long-term development.

ACKNOWLEDGMENT

I would like to take this opportunity to thank all the employees and management for their contributions and efforts made to the Group, and express our gratitude to our customers for their continuous support to the Group's products and services and to our shareholders for their trust and support.

By order of the Board
He Chaobing
Chairman

Nanjing, the PRC
28 March 2017

Financial Highlights and Diary

For the year ended 31 December 2016

(RMB)

	2016 *RMB'000*	2015 *RMB'000* *(restated)*
Revenue	**596,370**	456,570
Profitability		
Profit from operating activities (Note)	**58,931**	56,388
Profit attributable to owners of the Company	**31,185**	21,993
Net Worth		
Equity attributable to owners of the Company	**360,136**	328,951
Per share		
Basic and diluted earnings per share (RMB)	**3.8 cents**	2.6 cents
Net assets per share attributable to owners of the Company (RMB)	**43.39 cents**	39.63 cents

FINANCIAL DIARY

Results for the year	Announced on 28 March 2017
Annual report	Dispatched to shareholders in early April 2017

Note: Operating profit is profit before tax and finance costs


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Report of the Directors

Report of the Directors
(Continued)

The directors present the audited consolidated financial statements for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The Group is principally engaged in the dissemination of outdoor advertising through owning and leasing of outdoor advertising space, design and production of outdoor advertising products, provision of terminal dissemination service and trading of artwork.

BUSINESS REVIEW

For the year ended 31 December 2016, the Group's revenue amounted to approximately RMB596.37 million (2015: approximately RMB456.57 million), representing an increase of approximately 31% as compared to the same period of last year. With a higher demand from consumers for access of market information and an increased value of commercial media due to urban railway construction, the advantages of digital and video media of better technological support and energy efficiency and the first social media initiated in the PRC by the Group and outdoor media resources across the country based on customer needs, the turnover of the Group stayed steady, with a slight increase. During the year, profit attributable to shareholders amounted to approximately RMB31.18 million (2015: approximately RMB21.99 million), representing an increase of approximately 42% as compared to the same period of last year. Earnings per share increased by 46% to RMB3.8 cents (2015: RMB2.6 cents).

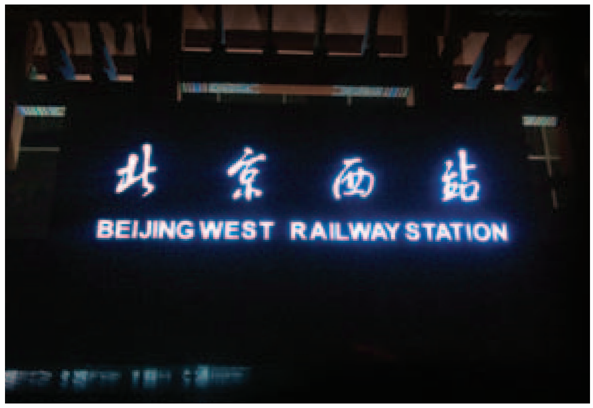
The Group's turnover from outdoor advertising media dissemination, terminal dissemination service, outdoor advertising media production business and trading of artwork accounted for approximately 68% (2015: 61.6%), 29% (2015: 28%), 1.6% (2015: 5.8%) and 1.4% (2015: 4.6%) of the Group's total turnover, respectively. The Board does not recommend the distribution of final dividend for the year ended 31 December 2016 (2015: nil).

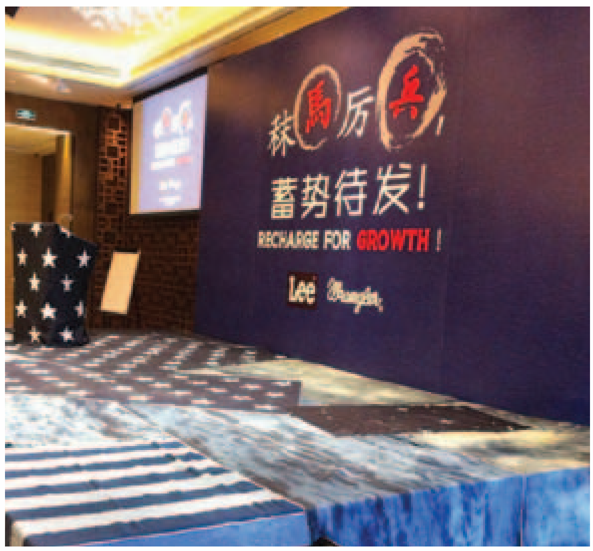
Media Dissemination Business

For the year ended 31 December 2016, the Group's turnover from media dissemination business was approximately RMB405.94 million (2015: RMB281.21 million), representing an increase of approximately 44% as compared to the same period of last year and accounting for 68% of the Group's total turnover.

The Group aims to create an O2O smart-media operation platform, apart from having outdoor media dissemination resources of approximately 150,000 square metres, and providing one-stop advertising service covering integrated marketing communication consultation, media publication strategy consultation, advertising design and production, outdoor mass media dissemination and monitoring and evaluation, the Group, through social media first initiated in the PRC, also assists client to effectively consolidate offline resources. During the period, the Group's outdoor media average rate remained at about 70%. The main customers come from fast moving consumer goods, media, real estate, finance, tourism and other industries. The social media continue to win the support and reputation of the advertisers.

During the period, the social media has made contribution to the Group's turnover of approximately RMB 98.85 million (2015: RMB84.54 million) and profit of approximately RMB 7.58 million (2015: RMB10.24 million). Currently, approximately 8,000 social media targeting 9 million households of medium and high income in nearly 5,500 communities have been set up. The scope of coverage has been extended to cities including Beijing, Shanghai, Guangzhou, Nanjing, Shenzhen, Hangzhou and Shenyang, which contributed a total of approximately 28,000 square metres of outdoor media dissemination resources to the Group. At the same time, due to the high viscosity and high interaction of social media, through continuously creating social soft culture and effective operation, the Group can realise the high accuracy of media dissemination and assist clients to effectively consolidate offline channels.





Meanwhile, social media continue to focus on the expansion of industries, such as finance, tourism, communication, and fast moving consumer goods, and maintained its partnerships with various renowned domestic and foreign brands, including China Mobile, China Telecom, New City Real Estate, China Construction Bank, China UnionPay, Shenzhen Media Group, Huangshan Travel, and Jiuhuashan Scenic Area. Outdoor media dissemination resources mainly include billboards on expressways, billboards in urban areas and LED screens. The business coverage of self-owned media resources has extended to regions including Jiangsu, Zhejiang, Jiangxi, Liaoning, Anhui, Shanghai and Beijing. Meanwhile, the Group constantly integrates the outdoor billboard resources across China based on the needs of customers, and its media resources cover most provinces and core cities in China. This enables the Group to consolidate the available media resources in professional markets scattered cities of all levels across China to provide a diversified mix of publication solutions based on specific requirements of various customers in terms of timing and place of advertisement. The Group has made a great effort to tap the digital outdoor advertising field, and owns large full color outdoor LED screens of approximately 1,000 square meters in the prime core business district in Nanjing. Upholding the business philosophy of "creativity + interaction + technology", the Group is committed to providing efficient, flexible and personalized media publication solutions for the customers. Moreover, the Group also integrates the outdoor LED media resources scattered in tier two, three and four cities across China to establish the LED broadcast network.

Terminal Dissemination Service and Production of Advertising

Currently, the Group, with an aim to make use of the rich internet resources accumulated over the years to build an ecosphere of "living together, living mutually and re-born (共生、互生、再生)". The core business of terminal dissemination, apart from the establishment of terminal SI system, targeted signage system, terminal POP system, terminal props making, large events, exhibition display, and commercial display, squarely consolidated the supply chain and cooperation parties, fostering the concept of Dahe + platform.

During the Period under Review, the Group recorded a turnover of approximately RMB172.77 (2015: RMB127.81 million), representing an increase of approximately 35% over the same period last year and accounting for approximately 29% of the Group's total turnover.

"Terminal Dissemination" continuously conducted client portfolio upgrade, extending to Internet giant enterprises such as Alibaba, Microsoft, Didi Dache, Meizu, JD, Mobike and 3SongShu, with the offline channel advantage of the Group, assisted client to realize online and offline breakthroughs and continued to serve our existing offline customers of well-known brands such as Wuzhen Travel, Nike, COFCO Group, Yihai Kerry, CR Vanguard, Li Ning, LEE, KFC, Beiqi Foton Motor Daimler, Samsung, Haohaizi, Kubota, GAP, and Orient Securities.

Alibaba has planned to invest RMB10 billion in the establishment of the new Taobao rural project in the next few years. As the service provider of Alibaba, the Group has continuously provided store image design and decoration services for Alibaba Taobao rural project stores and realized the opening of the first online store, transforming the project from the 1.0 to the 3.0 model. The Group was awarded the grand award of Supplier Partners of Alibaba during the year and became one of the three most excellent service providers serving Alibaba.

The Group has adopted an effective, efficient, and responsible attitude towards work. When times were tight and work was hard, the Group still managed to complete the implementation of the Mobike Stop Sign Project efficiently. During the year, the Group continued to take hold of the trend, diversified its customer types with customers from O2O industries, actively promoted the Dahe + platform model, maximized the value of replaceable resources. During the period, the Group also reached a strategic cooperation with Microsoft and completed the design, development, and production of Microsoft tools which have now been applied in numerous experience stores. During the year, the Group also completed image design and implementation of stores of 3SongShu and the tool design and execution of JD's experience store. The smooth implementation of the above projects not only represent a replicable successful precedent for Dahe in becoming a consolidation and operation platform for offline channels and the bridging of offline channels among other Internet leaders, but also mark the Group's new achievement on the change in its customer model.

During the year, the turnover from the Group 's production of advertising was approximately RMB 9.68 million (2015: RMB 26.62 million, representing a decrease of approximately 64% over the same period last year 1.6% of the Group's total turnover.

Trading of artwork

During the year, the turnover of the Group's trading of artwork business was approximately RMB7.98 million (2015: RMB20.94 million), representing approximately 1.4% of the total turnover of the Group.

AWARDS AND HONOURS

The Chairman

On 29 November 2016, He Chaobing, our Chairman, was appointed as the chairman of Nanjing Advertising Association.

On 3 December 2016, He Chaobing, our Chairman, was appointed as the chairman of Shandong Chamber of Commerce – Jiangsu, and was granted the Outstanding Shandong Businessman Award.

The Chief Executive Officer

During the year, Mr. Huang Hongxing, the chief executive officer of the Group, was appointed as the vice chairman of China Advertising Association and the deputy director to the fourth Standing Committee of the Outdoor Advertising Sub-committee of China Advertising Association.

Dahe Group

On 28 February 2016, the Group won the grand award of Supplier Partners of Alibaba Group.

In June, the Group was awarded the "Famous Brands of the Service Sector in Jiangsu (江蘇服務業名牌)" by Jiangsu Promotion Commission for Famous Brand Strategy (江蘇省名牌戰略推進委員會).

On 4 November 2016, the Group was granted the "2016 Jinwutong Top 10 Public Service Advertisement Corporate Communication Award".

On 14 November 2016, the Group was recognized as the "Top 30 Jiangsu Private Cultural Enterprises".

In the same month, the Group was awarded "Nanjing Advertising Innovation Award".

SEGMENTAL INFORMATION

The revenue and operating profit of the Group are entirely derived from the PRC. The Group has four reportable segments. The segments are managed separately as each business offers different products and requires different business strategies. The Group's reportable segments are media dissemination, media production, terminal dissemination and trading of artwork.

KEY RISKS AND UNCERTAINTIES

The financial conditions, results of operations, businesses and prospects of the Group may be affected by a number of risks and uncertainties. The followings are the key risks and uncertainties encountered by the Group. There may be other risks and uncertainties in addition to those shown below which are not known to the Group or which may not be material currently but could turn out to be material in the future.

(1) Operational Risk Arising from Macroeconomic Fluctuation

The growth rate and development level of the advertising industry largely depend upon those of the national and local macro economy and demonstrate prominently positive correlation with macroeconomic fluctuations. The rapid growth of China's macro economy for consecutive years has provided the economic foundation for the fast growth of China's advertising industry from an overall perspective. On the other hand, the global financial crisis from 2008 to 2009 dragged down the world's advertising expenditures. In particular, the decelerated growth of the PRC economy since 2013 has affected the domestic advertising industry as a whole. As such, any fluctuation in China's macro economy may result in risks associated with the media advertising industry and the operations of the Group.

(2) Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, personnel and systems or from external events. Responsibility for managing operational risks basically rests with divisions and departments of each function. The Group recognises that operational risks cannot be eliminated completely. The Group provides regulatory guidance for its operating procedures, limits of authority and reporting framework. The Internal Audit Department assesses key operational risks and reports such risk issues to the management as early as possible so that appropriate procedures can be taken.

(3) Management Risk

A high-calibre team is key to the development and growth of an enterprise. In particular, talents with combined expertise in creation and planning serve as an important guarantee to the consolidated and enhanced core competitive edges of advertising companies and the fundamental guarantee to their advertising business. Since its inception, the Company has been building a talent pool gathering a large number of outstanding management personnel and creative planning professionals from the management to ordinary employees in the industry. However, with the rapid business development of the Company and the society's growing demand for high-calibre talents, the flow of high-calibre talents has become increasingly frequent, which may result in shortage of the Company's high-calibre talents in research and development, creation, planning and management. If the Company fails to attract key talents in a timely manner, the research and development capability, creativity, planning capability and daily management will be affected to a certain extent.

(4) Market Risk

Development of mobile Internet enables people to access information anywhere and anytime. This gradually directs the way of information dissemination and duration of media consumption to mobile terminals; while on the other hand, excessive information and information explosion distract consumers' attention, and advertisements are hard to be remembered as they are increasingly diluted. In the context of universal mobile Internet, the traditional business model suffered to varying degrees in the "Internet +" age. In response to the changing market environment, advertising customers in the traditional industries have reduced their investment in advertising due to declining profitability. Contest for customer resources in the emerging industries represented by the Internet has become the future business trend in the advertising industry.

DISCUSSION ON ENVIRONMENTAL POLICY AND PERFORMANCE

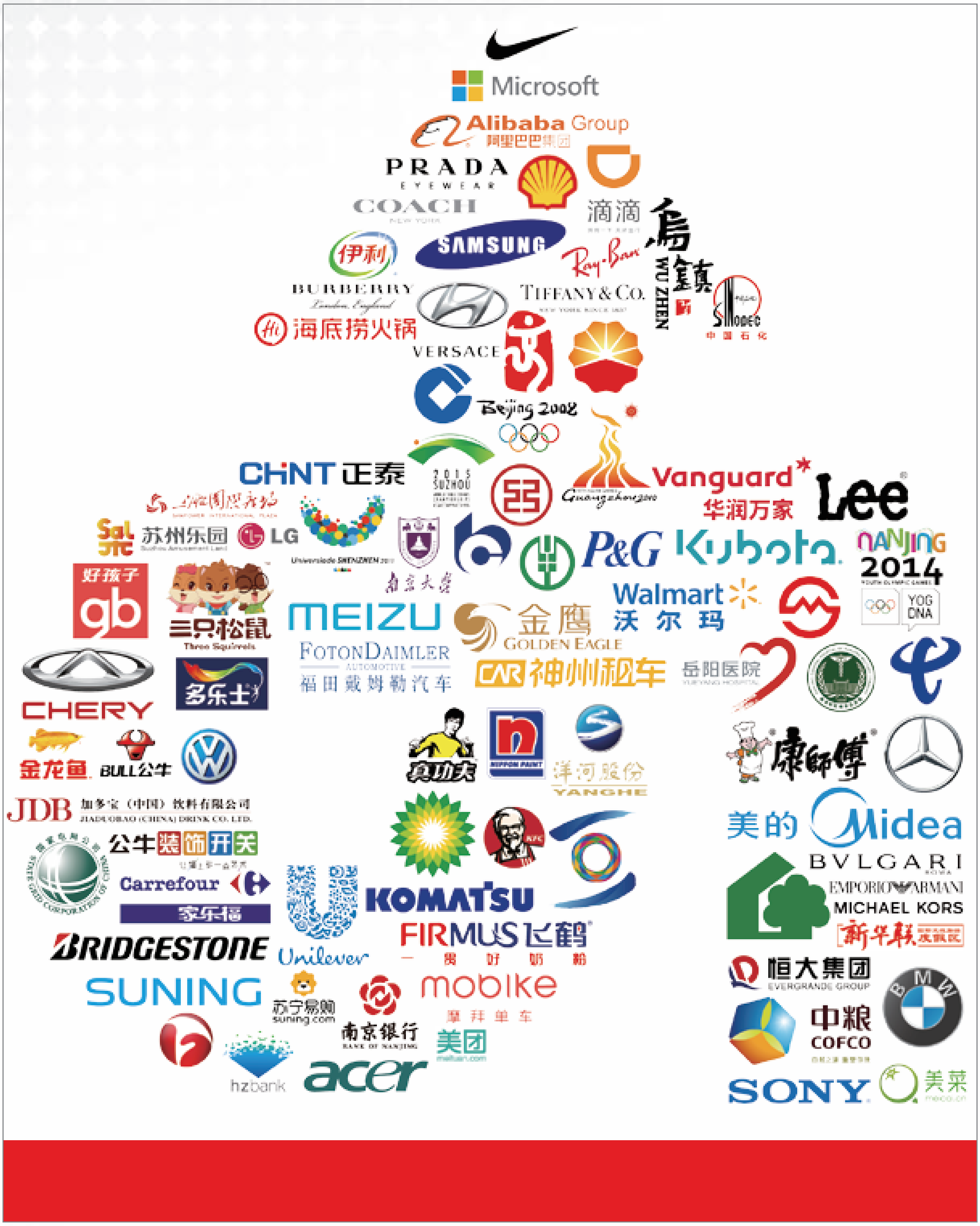
Environmental protection is inseparable from the Group's development. China is committed to the development of green transportation system. Rail transit enjoys various advantages such as large capacity, low emissions and low energy consumption. It is expected that the Chinese government will invest over RMB1 trillion in rail transportation sector alone by 2020. In view of the growing number of outdoor travellers and increased travel frequency and length of time, the Group is firmly confident in the future growth of the outdoor advertising business. While striving to comply with regulatory provisions on environmental protection, the Group will fully capitalise on the opportunities arising from environmental protection and travel to efficiently utilise outdoor space through technological innovation and creative breakthroughs, so as to make dissemination effect more precise.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Group has complied with the Advertising Law (《廣告法》), the Outdoor Advertising Law (《戶外廣告法》) and the Outdoor Advertising Registration Management Regulation (《戶外廣告登記管理規定》) of the PRC and has not violated provisions of the relevant laws and regulations.

FUTURE SIGNIFICANT INVESTMENT PLANS AND EXPECTED SOURCE OF FUNDS

The Group will continue to enhance the innovative capability and profitability of its existing business, particularly the extensive and in-depth promotion of its community media, so as to increase its market share. As at 31 December 2016, the Group did not hold any significant investment and consider or formulate any new significant investment plans.


Microsoft
Alibaba Group
PRADA
COACH
SAMSUNG
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VERSACE
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真功夫
洋河股份
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康师傅
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MICHAEL KORS
公牛装饰开关
Carrefour
家乐福
KOMATSU
FIRMUS飞鹤
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中粮
COFCO
南京银行
美团
hzbank
acer
SONY
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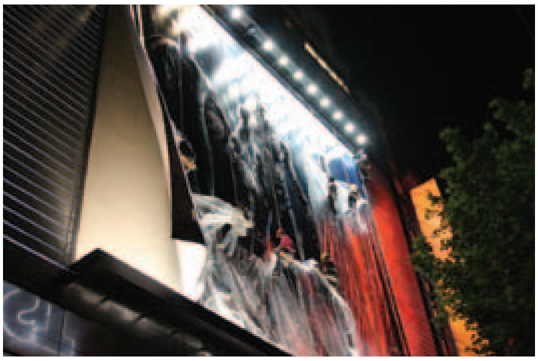

OUTLOOK

For details on the future plan and development of the Group, please refer to the section headed "Outlook" in the Chairman's Statement, the content of which forms part of this Report of Directors.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2016 and the Group's affair position at that date are set out in the consolidated financial statements on pages 59 to 61.

The Board does not recommend the distribution of final dividend for the year ended 31 December 2016 (2015: nil).

KEY RELATIONSHIP WITH ITS EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group maintained good relationship with its employees and the staff team remained relatively stable. The Group has established good cooperation relationship over the years with its major customers such as Carrefour, Wal-Mart, Industrial and Commercial Bank of China and Wuzhen Travel. During the year, the Group's largest customer and the five largest customers accounted for approximately 6% and 24% (2015: 8% and 24%) of the Group's turnover respectively. The Group's largest supplier and five largest suppliers accounted for approximately 8% and 25% (2015: 6% and 23%) of the Group's purchases, respectively.

To the best knowledge of the Directors, none of the directors or supervisors of the Company (the "Supervisors") or any of their respective associates or any shareholder who owns more than 5% of the Group's issued share capital had any beneficial interest in the Group's five largest customers and suppliers.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited consolidated financial statement and restated/reclassified as appropriate, is set out on pages 123 to 124. The summary does not form part of the audited consolidated financial statements.

ANALYSIS ON KEY FINANCIAL PERFORMANCE INDICATORS

Please refer to the disclosure below in this Report of the Directors.

INCOME TAX

Pursuant to the Enterprise Income Tax Law and Implementation Regulations of the Law of the PRC (the "New PRC Tax Law") which became effective on 1 January 2008, the applicable tax rate of the Company and its subsidiaries is 25% during the two years. The Company has been qualified as "High-tech enterprise" since 2013, and the certificate of which was jointly authorised by Jiangsu Science and Technology Department, Jiangsu Finance Department, Jiangsu Provincial Office of State Administration of Taxation and Jiangsu Local Taxation Bureau (the "Authorities") subjected to renewal every three years. In 2016, the Authorities has further extended the preferential tax rate for three years from 2016 to 2018. Accordingly, the tax rate of the Company is 15% for both years. CIT for 2016 was approximately RMB6.46 million, and in 2015 it was approximately RMB13.50 million.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2016, trade and other payables increased to approximately RMB87.12 million from approximately RMB78.85 million in 2015. Trade and note receivables increased to approximately RMB408.93million from RMB288.00 million in 2015.

As at 31 December 2016, bank balances and cash and pledged bank deposits held by the Group amounted to approximately RMB81.20 million; borrowings amounted to approximately RMB388.00 million. Net debt-to-adjusted capital ratio was approximately 46%, being the percentage of borrowings less bank balances and cash and pledged bank deposits over equity attributable to owners of the Company and net debt of approximately RMB668.52 million. The Group controlled its capital based on the net debt-to-adjusted capital ratio, and implemented solid financial policy to safeguard liquidity to satisfy its operational needs.

As at 31 December 2016, bank loans amounted to RMB381.10 million (2015: RMB336.5 million) borne fixed interest rate ranging from 4.35% to 7.5% (2015: 5.0% to 7.5%). As at 31 December 2016, approximately 100% (2015: 100%) of the bank loans were denominated in Renminbi. A summary on the maturity of the bank loans is set out in note 29 to the consolidated financial statements.

As at 31 December 2016, all of the cash and cash equivalents were denominated in Renminbi.

Profit attributable to shareholders of the Company was approximately RMB31.18 million, an increase of 42% as compared with approximately RMB21.99 million for the last year.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

During the year, the Group had no material acquisition or disposal of any subsidiaries, joint ventures and associates (2015: disposal of 90% equity interests in Nanjing Dahe Colour Printing Co., Ltd).

SIGNIFICANT INVESTMENT

During the year, there was no significant investment held by the Group.

SELLING AND DISTRIBUTION EXPENSES AND ADMINISTRATIVE EXPENSES AND RESEARCH AND DEVELOPMENT COSTS

During the year, selling and distribution expenses and administrative expenses and research and development costs were approximately RMB64.83 million, while in 2015, they were approximately RMB85.49 million.

FINANCE COSTS

During the year, finance costs were approximately RMB21.78 million, while in 2015 they were approximately RMB21.28 million.

NON-CONTROLLING INTERESTS

At 31 December 2016, non-controlling interests amounted to approximately negative RMB0.09 million, while in 2015 they were approximately RMB0.41 million.

FOREIGN EXCHANGE RISKS

As the Group's business operations are located in the PRC (with all subsidiaries of the Company being domestic enterprises established in the PRC and principally operated in the PRC) and all the Group's sales and purchases are denominated in RMB, there are no foreign exchange risks. During the year, the Group did not use any financial instruments for hedging purpose.

ASSETS

For the year ended 31 December 2016, the net current assets of the Group were approximately RMB189.64 million, and net assets were approximately RMB360.05 million. In 2015, they were approximately RMB181.30 million and approximately RMB329.36 million, respectively.

CHARGES ON THE GROUP'S ASSETS

As at 31 December 2016, the bank deposits of the Group of RMB40.20 million (2015: RMB50 million) were pledged as security for the Group's borrowings. As at 31 December 2016 and 31 December 2015, certain of the Group's property, plant and equipment with an aggregate net carrying amount of approximately RMB19,600,000 (2015: RMB28,130,000) were pledged to the loan from a financial institution.

CONTINGENT LIABILITIES

As at 31 December 2016, the Group had no material contingent liabilities (2015: nil).

FINANCIAL GUARANTEE LIABILITIES

At 31 December 2016, the Group provided guarantees of RMB0 million (2015: RMB15 million) to the holding company of the Company for its bank borrowings.

SHARE CAPITAL

There was no movement in registered, issued and fully paid capital of the Company during the year. Details of the share capital are set out in note 31 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 People's Republic of China which would oblige the Company to offer new shares on a pro rata basis to existing shareholders according to their respective shareholding.

RESERVES

Details of movements in reserves of the Group during the year are set out in the consolidated statement of changes in equity and the consolidated financial statements, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2016, the Company's reserves available for distribution or distribution in specie amounted to approximately RMB194.95 million (2015: RMB166.98 million).

FUND RAISING ACTIVITIES DURING THE YEAR AND USE OF PROCEEDS

There was no fund raising activity (including the issue and granting of shares, debenture, convertible securities, options, warrants or similar rights by the Company) held by the Group during the year.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Group did not purchase, sell or redeem any of its listed securities during the year.

DIRECTORS

The directors of the Company during the year and up to the date of this annual report were as follows:

Executive directors:
HE Chaobing
HUANG Hongxing

Non-executive directors:
HE Lianyi
HE Pengjun
ZHANG Ge
GENG Qiang

Independent non-executive directors
YE Jianmei
GE Jianya
XU Haoran

The Company has received annual confirmation of independence from Mr. Ge Jianya, Ms. Ye Jianmei and Mr. Xu Haoran and still considers them to be independent as at the date of this annual report.

PARTICULARS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Details of biographies of the Directors, Supervisors and the senior management of the Company are set out on pages 36 to 38 of this annual report.

EMOLUMENTS OF DIRECTORS, SUPERVISORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the Directors and Supervisors' emoluments and those of the five highest paid individuals in the Group are set out in note 15 to the consolidated financial statements.

EMPLOYEES

As at 31 December 2016, the Group has a total of approximately 463 full-time staff (2015: 550 full-time staff). Staff cost for the year amounted to approximately RMB34.34 million (2015: RMB38.37 million). During the year, the Group regularly provided training and development programs to the staff. Certain Directors, management and core employees of the Group were invited to participate in the Management Share Purchase Scheme (as disclosed in the section headed "Share Purchase Scheme" below).

The Group had not experienced any major labor disputes or significant changes in the number of staff causing any impact to its normal business operations. The Directors considered that the relationship between the Group and its employees was good.

REMUNERATION POLICY OF THE GROUP

The Group provides competitive salary and benefits to our employees. The amount of remuneration for the Directors or the employees is determined according to their relevant experience, responsibilities, work duties, years of service in the Group and their work performance. The non-monetary benefits are determined by the Board and are provided in the remuneration package of the Directors or the employees. Salary package is reviewed regularly each year.

EMPLOYEES' RETIREMENT BENEFIT SCHEME

According to relevant requirements of the PRC, the Company contributes to various mandatory retirement benefit schemes for its employees. The Group and the employees are each required to make contributions to the retirement benefit scheme at the rates based on certain percentages of the employees' basic salaries in accordance with the relevant regulations in the PRC. The only obligation of the Group with respect to the retirement benefits scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in future years.

SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

Each of the Directors (except Huang Hongxing, Geng Qiang and Zhang Ge) and Supervisors has entered into a service contract with the Company with effect from 1 January 2015 for a term of three years. Huang Hongxing, an executive Director, Geng Qiang, a non-executive Director, and Zhang Ge, a non-executive Director have entered into a service contract with the Company for a term commencing from 23 December 2015 and ending on 31 December 2017.

Each of the non-executive directors and independent non-executive directors will be paid a fixed amount of director's fee per annum. Details on the office terms of each of the non-executive Directors and independent non-executive Directors are set out in the section headed "Non-executive Directors" in the Corporate Governance Report.

As at 31 December 2016, none of the Directors or Supervisors has entered into any 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

Save as disclosed in this annual report, no Directors or Supervisors or any entity in connection with such Directors or Supervisors had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group which the Company, its holding company or any of their subsidiaries were involved in or were a party to during the year.

SHARE PURCHASE SCHEME

In order to, among others, encourage, maintain a long-term service relationship between the Company and the management to allow the Group to share its future value and growth with the eligible participants and align the personal interests of the eligible participants with those of the Company and its shareholders, which will facilitate the Group's future success and development, on 30 October 2015, the Company adopted the Management Share Purchase Scheme (the "Share Purchase Scheme"). According to the Share Purchase Scheme, Nanjing Shengshi Huacheng Investment Management Joint Enterprise (Limited Partnership) ("Shengshi Huacheng"), a limited partnership established for the Share Purchase Scheme and owned by the eligible participants of the Share Purchase Scheme (the "Eligible Participants"), purchased a total of 54,050,000 shares in the Company (the "Scheme Share") from Dahe Investment and Chenwei Ink Factory at a price made with reference to the net asset value per share as set out in the 2014 annual report of the Company, i.e. HK$0.462 per Scheme Share. The acquisition of Scheme Shares was completed on 18 April 2016.

Shengshi Huacheng is the registered holder of the 54,050,000 Scheme Shares, representing approximately 6.51% of the total issued share capital of the Company as at the time of adoption of the Share Purchase Scheme, and holds the Scheme Shares on behalf of its partners (i.e. the Eligible Participants). The Eligible Participants jointly and beneficially hold the Scheme Shares through directly holding Shengshi Huacheng.

After the expiration of the lock-up period and subject to the PRC government's policy of restricting the liquidity of the domestic shares of the Company, upon the approval of the Eligible Participants representing more than two thirds of the capital contributions, each year Shengshi Huacheng can sell freely not more than one third of the Scheme Shares it holds under the Share Purchase Scheme, and the profits arising thereof will be allocated to the Eligible Participants based on their respective shareholdings in Shengshi Huacheng. Shengshi Huacheng will also distribute other dividends and proceeds from the Scheme Shares (if any) to the Eligible Participants from time to time based on their respective shareholdings in Shengshi Huacheng.

If the Eligible Participants terminate their employment relationship with the Group, the Eligible Participants leaving office shall transfer all the shares they hold in Shengshi Huacheng to other Eligible Participants.

The Scheme Shares rank pari passu in all respects with all other domestic Shares in issue and with each other and have the same rights, including voting rights and the right to receive dividends.

During the year and as at 31 December 2016, certain Eligible Participants are the Directors or the Supervisors:

Name of Eligible Participants	Capacity	Amount of contribution (RMB)	Percentage of contribution (%)
Huang Hongxing	Director	4,751,000	23.755
He Lianyi	Director	2,300,000	11.500
Wang Mingmei	Supervisor	100,000	0.500
Xue Guiyu	Supervisor	200,000	1.000

For more details of the Share Purchase Scheme, please refer to the announcements of the Company dated 2 November 2015 and 25 November 2015.

EQUITY-LINKED AGREEMENTS

The Company did not enter into any equity-linked agreements during the year or subsisted at the end of the year.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Except the Share Purchase Scheme, at no time during the year were the Company, its holding company or their respective subsidiaries a party to any arrangements which enable the Directors and the Supervisors to acquire benefits by means of acquisition of shares in, or debenture of the Company or any other body corporate.

MANAGEMENT CONTRACTS

No contracts, other than contracts of service entered into with respective Directors, concerning the management and administration of the whole or any substantial part of the business of the Group were entered into by the Group or existed during the year.

Save as disclosed under the section "CONTINUING CONNECTED TRANSACTIONS", no contract of significance between the Company or any of its subsidiaries and the Company's controlling shareholder or any of its subsidiaries were entered into or subsisted at any time during the year.

PERMITTED INDEMNITY PROVISION

As at the end of the year or at any time during the year, no permitted indemnity provision was in force for the benefit of any current or then director of the Company, its holding company or any of their subsidiaries.

DISCLOSURE OF INTERESTS

A. Interests of Directors, chief executives and Supervisors

As at 31 December 2016, the interests and short positions of Directors, chief executives and the Supervisors of the Company (as if the requirements applicable to Directors under the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "SFO") were also applicable to the Supervisors) in the shares and underlying shares in, and debentures of, the Company and its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which the Directors, the chief executives and the Supervisors were taken or deemed to have under such provisions of the SFO); or (b) were required pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Rules 5.46 to 5.67 of the Rules Governing the Listing of Securities on the GEM (the "GEM Listing Rules") to be notified to the Company and the Stock Exchange were as follows:

(i) the Company

Name of Director/Supervisor	Capacity	Number and class of securities *(Note 1)*	Approximate percentage of shareholding in the relevant class of securities	Approximate percentage of shareholding in the issued share capital of the Company
Directors				
Mr. He Chaobing ("Mr. He")	Interest of a controlled corporation *(Note 2)*	393,950,000 domestic shares of nominal value of RMB0.1 each in the share capital of the Company (the "Domestic Shares") (L)	67.92%	47.46%
Zhang Ge	Beneficial owner	71,800,000 Domestic Shares (L)	12.37%	8.66%
Huang Hongxing	Beneficial owner and interest of a controlled corporation *(Notes 3 and 4)*	54,050,000 Domestic Shares (L)	9.32%	6.51%
	Interest deemed under sections 317(1) (a) and 318 of the SFO *(Note 5)*	10,200,000 Domestic Shares (L)	1.76%	1.23%
He Lianyi	Beneficial owner	6,400,000 Domestic Shares (L)	1.10%	0.77%
	Beneficial owner and interest deemed under sections 317(1) (a) and 318 of the SFO *(Note 4 and 5)*	57,850,000 Domestic Shares (L)	9.98%	6.97%

Name of Director/Supervisor	Capacity	Number and class of securities *(Note 1)*	Approximate percentage of shareholding in the relevant class of securities	Approximate percentage of shareholding in the issued share capital of the Company
Wang Mingmei	Beneficial owner	3,800,000 Domestic Shares (L)	0.66%	0.46%
	Beneficial owner and interest deemed under sections 317(1) (a) and 318 of the SFO *(Note 4 and 5)*	60,450,000 Domestic Shares (L)	10.42%	7.28%
Xue Guiyu	Beneficial owner and interest deemed under sections 317(1) (a) and 318 of the SFO *(Note 4 and 5)*	64,250,000 Domestic Shares (L)	11.08%	7.74%

Notes:

1. The letter "L" denote a long position in the share capital.

2. The interests in the Domestic Shares were held through Dahe Investment Holdings Group, Co., Ltd. ("DIHG" or "Dahe Investment") which was 99% and 1% owned by Mr. He and Ms. Yan Fen ("Ms. Yan"), the spouse of Mr. He respectively.

3. The interests in the Domestic Shares were directly held through Shengshi Huacheng. Pursuant to the Share Purchase Scheme, Shengshi Huacheng is the platform for acquiring, holding or selling the Scheme Shares under the Share Purchase Scheme. Mr. Huang Hongxing is the general partner of Shengshi Huacheng and is deemed to be interested in the shares in which Shengshi Huacheng is interested.

4. As at 31 December 2016, each of Mr. Huang Hongxing, Mr. He Lianyi, Ms. Wang Mingmei and Mr. Xue Guiyu held approximately 23.755%, 11.5%, 0.5% and 1%, respectively, of the equity interests in Shengshi Huacheng, and were interested in such Domestic Shares represented by their respective shares in Shengshi Huacheng in the capacity of beneficial owner.

5. Pursuant to sections 317(1) (a) and 318 of the SFO, each partner of Shengshi Huacheng was deemed to be interested in (1) the shares of the Company owned by other partners of Shengshi Huacheng through the shares they held in Shengshi Huacheng; and (2) the shares of the Company owned by other partners of Shengshi Huacheng other than those owned through the shares they held in Shengshi Huacheng. In respect of item (2) above, Mr. Huang Hongxing was deemed to be interested in 6,400,000 and 3,800,000 Domestic Shares respectively and directly held by Mr. He Lianyi and Ms. Wang Mingmei; Mr. He Lianyi was deemed to be interested in 3,800,000 Domestic Shares directly held by Ms. Wang Mingmei; Ms. Wang Mingmei was deemed to be interested in 6,400,000 Domestic Shares directly held by Mr. He Lianyi and Mr. Xue Guiyu was deemed to be interested in 6,400,000 and 3,800,000 Domestic Shares respectively and directly held by Mr. He Lianyi and Ms. Wang Mingmei.

(ii) the associated corporations

Name of Director	Name of the associated corporation	Capacity	Number and class of securities *(Note 1)*	Approximate percentage of shareholding in the issued share capital of the associated corporation
Mr. He	DIHG	Beneficial owner	393,950,000 shares (L)	99%
He Pengjun	Nanjing Ultralon Investment Management Co., Ltd.* (南京歐特龍投資管理有限公司)	Beneficial owner	500,000 shares (L)	10%

Notes:

1. *The letter "L" denote a long position in the share capital.*

Save as disclosed above, none of the Directors or chief executives of the Company is aware of any other Directors, chief executives or Supervisors of the Company who had any interest or short position in any shares and underlying shares in, and debentures of, the Company or any associated corporation as at 31 December 2016.

B. Interests of substantial shareholders

As at 31 December 2016, so far as is known to the Directors or chief executive of the Company, the following persons (other than a Director, chief executive or Supervisor of the Company) had an interest or short position in the shares and underlying shares in the Company as recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of shareholder	Capacity	Number and class of securities *(Note 1)*	Approximate percentage of shareholding in the relevant class of securities	Approximate percentage of shareholding in the issued share capital of the Company
DIHG	Beneficial owner	393,950,000 Domestic Shares (L)	67.92%	47.46%
Ms. Yan	Interest of spouse (Note 2)	393,950,000 Domestic Shares (L)	67.92%	47.46%
Partners of Shengshi Huacheng	Beneficial owner and interest deemed under sections 317(1) (a) and 318 of the SFO	64,250,000 Domestic Shares (L) *(Note 3)*	11.08%	7.74%
Wang Qinghua	Beneficial owner	50,000,000 Domestic Shares (L)	8.62%	6.02%

Notes:

1. *The letters "L" denote a long position in the share capital.*

2. *Ms. Yan is the wife of Mr. He and is deemed to be interested in the shares in which Mr. He is interested under the provision of Divisions 2 and 3 of Part XV of the SFO.*

3. *The interests in 54,050,000 Domestic Shares were directly held through Shengshi Huacheng, and Shengshi Huacheng was established by the Eligible Participants of the Share Purchase Scheme with their own capitals as the platform for acquiring, holding or selling the scheme shares under the Share Purchase Scheme. As at 31 December 2016, the top ten Eligible Participants who made the most contribution were Huang Hongxing, He Lianyi, Lu Yin, Guan Dawer, Ding Hui, Jin Liping, Xu Rong, Kan Chao, Zhong Lei and Yu Lingling. In addition to being interested in such Domestic Shares represented by their respective shares in Shengshi Huacheng in the capacity of beneficial owner, pursuant to sections 317(1) (a) and 318 of the SFO, each partner of Shengshi Huacheng was deemed to be interested in (1) the shares of the Company owned by other partners of Shengshi Huacheng through the shares they held in Shengshi Huacheng; and (2) the shares of the Company owned by other partners of Shengshi Huacheng other than those owned through the shares they held in Shengshi Huacheng. In respect of item (2) above, each partner of Shengshi Huacheng was deemed to be interested in 6,400,000 and 3,800,000 Domestic Shares respectively and directly held by Mr. He Lianyi and Ms. Wang Mingmei. As at 31 December 2016, Mr. Huang Hongxing and Mr. He Lianyi were Directors of the Company and Ms. Wang Mingmei and Mr. Xue Guiyu were Supervisors of the Company, for details of the share interests they held, please refer to the disclosure in "Interests of Directors, chief executives and Supervisors" above.*

Save as the disclosed above, so far as is known to the Directors or chief executives of the Company, no other person (other than Directors, chief executives and Supervisors of the Company) had an interest or a short position in any Shares or underlying shares in the Company as recorded in the register required to be kept by the Company under section 336 of the SFO as at 31 December 2016.

COMPETING INTEREST

Save as disclosed below, none of the Directors, the controlling shareholders of the Company and their respective close associates as defined under the GEM Listing Rules had any interest in a business which competes or may compete, either directly or indirectly, with the businesses of the Group nor any conflicts of interest which has or may have with the Group:

Name	Relationship with the Company	Entity whose business is considered to complete or likely to compete with the businesses of the Group	Description of business of the entity which is considered to compete or likely to compete with the businesses of the Group	Nature of interest of the relevant person in the entity
Mr. He	Controlling shareholder and Director	DIHG	design and production of advertisements	Mr. He owns 99% equity interest in DIHG and is the director of DIHG.
Ms. Yan	Controlling shareholder	DIHG	design and production of advertisements	Ms. Yan, the spouse of Mr. He, owns 1% equity interest in DIHG.
Mr. He Pengjun	Director	DIHG	design and production of advertisements	Mr. He Pengjun is the supervisor of DIHG.

AUDIT COMMITTEE

The Audit Committee has reviewed the annual results of the Group for the year ended 31 December 2016, and believes that the results are prepared according to relevant accounting standards, GEM Listing Rules and other statutory requirements with adequate disclosure.

DONATIONS

During the year, the Group did not make any donations for charitable or other purposes (2015: Nil)

CONTINUING CONNECTED TRANSACTIONS

During the year, the Group had undertaken certain continuing connected transactions and had been in compliance with the disclosure requirements of Chapter 20 of the GEM Listing Rules. The continuing connected transactions set out in the following (B) are subject to the reporting and announcement requirements only but exempt from the independent shareholders' approval requirement. The continuing connected transactions set out in (A) and (C) are subject to the reporting, announcement and the independent shareholders' approval requirement. These transactions were approved by the then independent shareholders at the annual general meeting held on 30 June 2015.

The Board has approved and the independent non-executive Directors have reviewed the continuing connected transactions of the Company in 2016 and confirmed that such continuing connected transactions were entered into:

(a) in the ordinary and usual course of business of the Group;

(b) on normal commercial terms or, if there were not sufficient comparable transactions to judge whether they were on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties;

(c) in accordance with the terms of the relevant agreements governing them; and

(d) in accordance with the relevant written agreements on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Deloitte Touche Tohmatsu ("Deloitte"), the Company's auditors, had been engaged to report on the Group's non-exempted continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements other than Audits or Reviews or Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. Deloitte has issued their unqualified letter and a copy of the auditors' letter has been provided by the Company to the Stock Exchange.

Part of the related party transactions disclosed in note 35 to the consolidated financial statements are continuing connected transactions of the Company under Chapter 20 of the GEM Listing Rules and the Company has confirmed that it complied with the disclosure requirements under the said Chapter.

A. Engineering Agreement with 南京大賀裝飾工程有限公司 (Nanjing Dahe Decoration Engineering Co., Ltd.) ("Nanjing Dahe Decoration")

Parties	:	(i) the Company
		(ii) Nanjing Dahe Decoration, a company which was owned as to 80% by Dahe Investment, the controlling shareholder of the Company, 10% by Mr. He Lianyi, a non-executive Director, and 10% by Ms. Yan Fen, the spouse of Mr. He Chaobing, an executive Director and the chairman of the Company, as at the date of this annual report
Date	:	20 May 2015
Agreement	:	Pursuant to the Engineering Agreement, the Group has agreed to engage Nanjing Dahe Decoration to construct and install poles, frames or other outdoor advertisement fixtures and to provide other decoration services as required by the Group for a term commencing from 1 July 2015 to 31 December 2017.

Transaction reasons	:	The Group does not possess the relevant resources, qualifications and expertise for construction of outdoor advertisement fixtures. As the Company does not have the equipment and ability to construct poles and, if they are constructed by Nanjing Dahe Decoration, the Company will be able to have better control on their quality. At the same time, it will reduce uncertainties during the process of the transaction and transaction costs, thereby facilitating the Company to achieve its overall strategic objectives. Taking into account the resources that the Group has to commit to the construction and installation of poles, frames or other outdoor advertisement fixtures and the construction of outdoor advertisements on site, the Directors consider that it is most cost efficient and in the best interest of the Group to continue to engage Nanjing Dahe Decoration to perform such works so that the Group is able to gather its resources to develop the business of design, production and dissemination of outdoor advertisements. As both the Company and Nanjing Dahe Decoration have full understanding of each other, it can reduce transaction costs and time as well as improve operation efficiency. The specialized division of the internal organization makes the technology options of internal members and personnel combination specialized, which also can save labour time.
Pricing policy	:	The service fees payable by the Group shall be determined on a case by case basis and on such terms of agreements to be entered into between the Company and Nanjing Dahe Decoration after arm's length negotiation, provided that (i) the transactions contemplated under the Engineering Agreement shall be conducted at fair market price and on normal commercial terms, and (ii) the service fees charged by Nanjing Dahe Decoration is no more than the service fees offered by other independent suppliers to the Company. The service fees to be charged by Nanjing Dahe Decoration for each project shall be determined with reference to (i) the complexity of the project, (ii) the urgency of the project, (iii) the amount of resources required to complete the project, (iv) the amount of time required to complete the project and (v) the number, seniority and experience of staff involved in the project.
Payment term	:	The payment term for the fees to be paid by the Group to Nanjing Dahe Decoration in respect of the services provided by Nanjing Dahe Decoration will vary from case to case depending on the terms of the agreements to be entered into between the Group and Nanjing Dahe Decoration for each project. In general, however, the Group will pay 30% of the fees to Nanjing Dahe Decoration upon the signing of the agreement and the remaining sum will be paid to Nanjing Dahe Decoration immediately after the completion and acceptance of the services provided by Nanjing Dahe Decoration.
Annual cap and transaction amount in 2016	:	The annual cap for the year ended 31 December 2016 is RMB15,000,000 and the actual transaction amount under the Engineering Agreement in 2016 is RMB 0.

B. Production Service Agreement with Dahe Investment and Mr. He Chaobing

Parties	:	(i) the Company (ii) Dahe Investment (iii) Mr. He Chaobing
Date	:	20 May 2015
Agreement	:	Pursuant to the Production Service Agreement, Dahe Investment and Mr. He Chaobing have agreed to engage and procure their respective associate companies to engage the Group to provide advertising production services (including design, production and dissemination services) for a term commencing from 1 July 2015 to 31 December 2017.
Transaction reasons	:	While Dahe Investment is also engaged in design and production of advertisements, it does not have any outlets in respect of its advertisement designs and productions. To better cater for the needs of its customers, Dahe Investment engages the Group and other parties to provide advertising production services, including dissemination of outdoor advertisements. Moreover, the Company provides a variety of production services and various means of advertising. Advertisements produced by the Company are highly competitive in terms of both integrated services and product quality. On the other hand, the Directors consider that it is in the best interest of the Group to secure sales from Dahe Investment so that the Group will have a secured and stable source of income.
Pricing policy	:	The advertisement production fees shall be determined on a case by case basis and on such terms of agreements to be entered into between the Company and Dahe Investment or the relevant party (being the associate companies of Dahe Investment or Mr. He Chaobing) after arm's length negotiation, provided that the transactions contemplated under the Production Service Agreement shall be conducted at fair market price and on normal commercial terms and the service fees charged by the Group to Dahe Investment is no less favourable to the Group than the service fees the Group would charge other independent customers. The advertising production fees to be charged by the Group for each project shall be determined with reference to (i) the complexity of the project, (ii) the urgency of the project, (iii) the amount of resources required to complete the project, (iv) the time required to complete the project and (v) the number, seniority and experience of staff involved in the project.

Payment term	:	The payment term for the fees to be paid by Dahe Investment or the relevant party (being the associate companies of Dahe Investment or Mr. He Chaobing) to the Group in respect of the advertising production services provided by the Group will vary from case to case depending on the terms of the agreements to be entered into between the Company and Dahe Investment or the relevant party for each project. In general, however, Dahe Investment or the relevant party will pay 30% of the fees to the Group upon the signing of the agreement and the remaining sum will be paid to the Company immediately after the completion and its acceptance of the services provided by the Group.
Annual cap and transaction amount in 2016	:	The annual cap for the year ended 31 December 2016 is RMB10,000,000 and the actual transaction amount under the Production Service Agreement in 2016 is approximately RMB2,336,000.

FINANCIAL ASSISTANCE

C. Financial assistance to Dahe Investment or its subsidiaries - Master Guarantee Agreement

The Company and Dahe Investment have entered into a Master Guarantee Agreement on 20 May 2015. Pursuant to the Master Guarantee Agreement, the Company has agreed conditionally and on a non-commitment basis, to provide guarantee to any third party in respect of loan granted to Dahe Investment and its subsidiaries for a revolving amount not exceeding RMB80,000,000 for each of the three financial years ending 31 December 2017. In other words, the maximum liability of the Group throughout each of the financial years ending 31 December 2015, 2016 and 2017 under the Master Guarantee Agreement will not be more than RMB80,000,000. In case Dahe Investment and/or its subsidiaries fail to repay any loan, which will be guaranteed by the Company, the Company will repay such loan out of its internal resources.

Further, under the terms of the Master Guarantee Agreement, if the Company decides to provide guarantee for Dahe Investment or its subsidiaries, the respective guarantee shall be subject to, inter alia, the following conditions:

(i) Dahe Investment shall provide counter-indemnity, which shall be to the satisfaction of the Company, to the Company; and

(ii) the directors of Dahe Investment shall provide personal guarantee, which shall be to the satisfaction of the Company, to the Company.

Pursuant to the Master Guarantee Agreement, even though the said conditions have been complied with, the Company still has the absolute discretion to determine not to provide guarantee to Dahe Investment or its subsidiaries. The Company does not have any obligation to compensate and/or indemnify any person, including Dahe Investment or its subsidiaries. In return, if the Company decides to provide guarantee for Dahe Investment or its subsidiaries, the Company will receive 4% of the guaranteed amount as the fee for the issue of guarantee.

The fee for the issue of guarantee of 4% has been determined with reference to (i) the market rate of the issue of enterprise loan guarantee of 3.5% in the PRC; (ii) the administrative fees and risk of financial assistance provided by the Group; (iii) the rate of 4% under the master guarantee contract entered into between the Company and Dahe Investment dated 5 April 2012 regarding provision of guarantee by the Group to any third party in respect of loan granted to Dahe Investment and its subsidiaries.

It is common practice for banks or any third party requiring guarantee or security to be provided as security for provision of loans. The Company does not have any landed property for such purposes so the Company has difficulty in providing security for obtaining finance for its operation. To enhance the ability of the Company to obtain loans, which will be utilised by the Company as its general working capital, the Group requests Dahe Investment (as the parent company of the Company) to provide guarantee in securing the payment obligations of the Group in relation to loans advanced to the Group whenever required by the lenders.

In return, the Company has agreed to provide guarantee for Dahe Investment and its subsidiaries under the Master Guarantee Agreement. To protect the Company's interests, under the Master Guarantee Agreement, the Financial Assistance is made on a non-commitment basis and the Company is not obliged to provide such guarantee if it considers inappropriate to do so. Having considered the Company's obligations under the Master Guarantee Agreement and the necessity of the financial assistance from Dahe Investment, the Company consider the Master Guarantee Agreement beneficial to the Group and the shareholders as a whole.

Although the financial assistance is provided in return for the financial assistance provided by Dahe Investment to the Group, it is the understanding of the parties that the Group will continue to provide the financial assistance to Dahe Investment for the three years ending 31 December 2015, 2016 and 2017 even if all of the financial assistance guarantees given by Dahe Investment to the Group's lenders were released at a point of time. It is because the purpose of the arrangement is to enable Dahe Investment or the Group to secure financings at reasonable costs by agreeing to provide guarantees to the loans of each other during the term. If the financial assistance is made conditional on the existence of Dahe Investment's guarantees or vice versa and the Group discontinues the provision of financial assistance to Dahe Investment because the financial assistance guarantees given by Dahe Investment to the Group's lenders were released or vice versa, the benefits of the entire arrangement will be seriously undermined. However, the Board considers that the interests of the Group is sufficiently safeguarded by retaining the right of refusal under the Master Guarantee Agreement.

The maximum daily balance (together with interest/fee), i.e. the annual caps, for the transactions under the Master Guarantee Agreement are RMB83,200,000 for each of the three financial years ending 31 December 2015, 2016 and 2017. The difference between the annual cap and the maximum amount guaranteed by the Group for the respective financial year represents the expected return, including the fee and interest (if any), received by the Group for the issue of guarantee. Throughout the year 2016, the transactions under the Master Guarantee Agreement have not exceeded the annual cap and the maximum balance together with interests/fee amounted to approximately RMB15,100,000.

CORPORATE GOVERNANCE

A report on the principal corporate governance practices adopted by the Company is set out on pages 39 to 53 of the annual report.

AUDITOR

On 19 December 2016, Baker Tilly Hong Kong Limited resigned as auditors of the Company. Deloitte Touche Tohmatsu was appointed by the Board as auditors of the Company with effect from 29 December 2016 to fill the casual vacancy so arising.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best of the Directors' knowledge as at the date of this annual report, there was a sufficient prescribed public float of the issued shares of the Company under the GEM Listing Rules.

By Order of the Board

He Chaobing
Chairman

Nanjing, the PRC
28 March 2017

Report of Supervisors

TO ALL SHAREHOLDERS,

In compliance with the relevant provisions and requirements of the Company Law and the Company's articles of association, the Supervisory Committee of Dahe Media Co., Ltd. (the "Supervisory Committee") discharged its relevant duties in 2016. The supervisors attended all Board meetings, reviewed the relevant financial statements of the Company, and gave opinions and proposals on the problems reflected in the Company's operation management.

The Supervisory Committee made supervisions on the discharge of corporate duties by the Directors and senior management in compliance with the laws and regulations of the State and the Company's Articles of Association, as well as the legal procedures for the changes of the Directors. The Supervisory Committee considers that none of the Directors and managers have been discovered to be in violation of the laws, regulations of the State and the Company's articles of association in 2016.

The Supervisory Committee considers that resolutions of the Board meetings held in 2016 have better protected the interests of the Company.

The Supervisory Committee is satisfied with the various tasks accomplished and progress of the Company in 2016, and is confident about the prospects of the Company's future developments.

By Order of the Supervisory Committee

Wang Mingmei
Chairman

Nanjing, the PRC,
28 March 2017

Directors, Supervisors and Senior Management

DIRECTORS

Executive Directors

He Chaobing (賀超兵), male, aged 57, founder of Dahe Group and a senior economist. He obtained double master's degrees in Business Administration. He is the deputy head of Nanjing Industrial and Commercial Union (Trade Union) (南京市工商聯), member of Nanjing Municipality People's Political Consultative Conference(南京市政協), chairman of Nanjing Advertising Association(南京市廣協), vice chairman of Popular Science Artists Association of Jiangsu Province(江蘇省科普美術家協會), deputy director member of the internet finance business committee of Internet Society of Jiangsu Province(江蘇省互聯網協會), executive chairman of Jiangsu Alumni Association of Changjiang Business School(長江商學院) and vice chairman of Cultural & Creative Association of Changjiang Business School(長江商學院). Mr. He Chaobing is Mr. He Pengjun's father and Mr. He Lianyi's brother. Mr. He is also a director of DIHG and beneficially owns 99% equity interest in DIHG, the controlling shareholder of the Company.

Huang Hongxing (黃洪興), male, aged 38, currently the Chief Executive Officer of Dahe Group. He graduated from the EMBA program at Fudan University with a master's degree. Mr. Huang joined Dahe Group in 1999. He was the general manager of the Hangzhou branch and the Shanghai branch of Dahe Group, the general manager of Shanghai Dahe Yasi Advertising Co., Ltd. and the vice president of Zhizuo sales department. He has engaged in the operation of the Company and its subsidiaries, and is deputy director of the Outdoor Advising Summit of China Advertising Association. Mr. Huang has extensive experience in customer base development and execution management. Mr. Huang Hongxing is a general partner of Shengshi Huacheng (the platform established by the Eligible Participants with their own capitals pursuant to the Share Purchase Scheme for acquiring, holding and selling the Scheme Shares), and is responsible for the management of Shengshi Huacheng. Mr. Huang beneficially owns 23.755% equity interest in Shengshi Huacheng.

Non-executive Directors

He Lianyi (賀連意), male, aged 65, an experienced manager in the production of outdoor advertisements. He is currently a non-executive Director of Dahe Group, and the director of Nanjing Dahe Decoration Engineering Co., Ltd.. Mr. He has been a non-executive director of the Group since December 2000. Mr. He Lianyi is Mr. He Chaobing's brother and Mr. He Pengjun's uncle.

He Pengjun (賀鵬君), male, aged 32, graduated from Business Faculty of the University of Hertfordshire. He has been working for A.O. Smith as Management Trainee since 2008 and resigned in 2009. He has been a non-executive director of the Group since 20 May 2009. Mr. He Pengjun is Mr. He Chaobing's son and Mr. He Lianyi's nephew. Mr. He Pengjun is also a supervisor of DIHG.

Geng Qiang (耿強), male, aged 39, has been appointed as a non-executive director of the Company since 23 December 2015. Mr. Geng obtained a doctoral degree in economics at Nanjing University in the PRC in 2004. He is currently the deputy secretary of the Professional Committee of County Economy of the Chinese Society of Regional Economy (中國區域經濟學會縣域經濟專業委員會), the director of the China Industrial Economic Society (中國工業經濟學會) and the Chinese Association of Quantitative Economics (中國數量經濟學會) and a committee member of the Youth Federation of Jiangsu Province (江蘇省青聯委員). He engaged in post-doctoral research at Chinese Academy of Social Sciences (中國社會科學院). He was a lecturer and associate professor of the School of Business of Nanjing University, a visiting scholar at the Department of Economics of the University of Washington and a scholar at the Harvard Business School. He has been serving as a professor of the School of Business of Nanjing University since 2011. Mr. Geng has been engaging in the research and education of the Chinese national economic theories and policies, and has published numerous articles on Social Sciences in China (《中國社會科學》) and Journal of Financial Research (《金融研究》), etc. He has obtained several academic awards for his research achievements in social sciences. Mr. Geng is also currently an independent director of Focus Technology Co., Ltd. (焦點科技股份有限公司) (a company listed on the Shenzhen Stock Exchange with stock code 002315) and Nanjing Chixia Development Co., Ltd. (南京棲霞建設股份有限公司) (a company listed on the Shanghai Stock Exchange with stock code 600533).

Zhang Ge (張戈), male, aged 44, has been appointed as a non-executive director of the Company since 23 December 2015. Mr Zhang graduated from the Jiangnan University in the PRC with a bachelor's degree in engineering in 1994. He is currently the director of Shanghai Pingyi International Trading Company Limited (上海平義國際貿易有限公司) and Japan Pingyi International Company (日本平義國際株式會社). He has been engaging in the establishment and operation of international trading business for 20 years. He is recently active in the investment market and has extensive investment experience in the Internet industry. Mr Zhang directly holds 71,800,000 domestic shares of the Company, representing approximately 8.65% of the Comapny's issued share capital.

Independent non-executive Directors

Xu Haoran (徐浩然), male, aged 48, graduated from the Communication University of China with a Bachelor of Arts degree in 1991, pursued further studies at Cambridge University in UK in 2002, obtained a PhD degree in Management from the Nanjing University of Aeronautics and Astronautics in 2007 and completed post-doctorate studies at the Faculty of Economics of Peking University in 2010. He is currently a member of the Jiangsu Committee of the Chinese People's Political Consultative Conference, a member of the Ningxia Committee of the Chinese People's Political Consultative Conference, Chairman of the Federation of Associations of National Brands, Vice President of China Marketing Association, Drafter of National Appraisal Standards for Corporate Brands, Adviser to Advertising Center of China Central Television, Director of the Expert Committee for CCTV China Brands of the Year, Chairman of the Branding Society of Jiangsu Province, a director of the Far East Holding Group. He is a veteran in media, an outstanding scholar as well as an excellent professional manager, social activist and charity worker, with approximately 20 years of working experience in corporate management, branding strategies and media relations. He was awarded a number of honors including the Top 10 Branding Strategy Experts of China, Top 10 Corporate News Spokespersons of China and the Top 10 Outstanding Persons of Corporate Culture Management in China. He was endorsed by the State Council as an "Expert entitled to government special grants" in 2011. He has been appointed as an independent non-executive director of the Company since 12 June 2014.

Ge Jianya (葛建亞), male, aged 63, joined the Group in 2009. He is currently an independent non-executive director of Dahe Group and a researcher of Nanjing Lukou International Airport Company Limited. He has been the deputy general manager of Jiangsu Airlines Industry Group Advertising Company, chairman of Nanjing Lukou International Airport Advertising Company Limited, executive member of Jiangsu Advertising Association, council member of Jiangsu Marketing Association, executive member of China Civil Airlines Advertising Committee, deputy supervisor of Market Development Committee of Nanjing Lukou International Airport and executive member of the Philatelic Society of Jiangsu Province.

Ye Jianmei (葉建梅), female, aged 54, senior accountant, PRC certified accountant and international certified internal auditor. She joined the Group in 2009 and is currently an independent non-executive director of Dahe Group. She once served as a council member of Nanjing Senior Accountant Association, Conduct Supervisor of Nanjing State Tax Inspection Branch, head of the financial department of Nanjing Xinjiekou Mall Company Limited, and the financial controller of Dongfang Shopping Mall Company Limited and Nanjing Dayang Department Store.

SUPERVISORS

Xia Keying (夏克穎), male, aged 50, graduated from the Fuzhou University in the PRC with a bachelor's degree in industrial and management engineering in 1989. He obtained the PRC certificates/qualifications of certified public accountant in 1995, asset valuer in 1997, property valuer in 1998, national judicial qualification in 2001 and practising lawyer in 2004. Mr. Xia once served as the vice- president of Nanjing Golden Eagle Retail Group Company Limited. Mr. Xia joined the Group in 2015 and is currently the vice-president of the Group, responsible for the Group's internal audit and investment management. Mr. Xia has over 23 years of experience in financial administration.

Wang Mingmei (王明梅), female, aged 68, is a representative of the Supervisory Committee nominated by the Shareholders. Ms. Wang joined Dahe Group in 1994 and held various positions including general manager and head of the supervisory audit division of the branch companies of Dahe Group. Ms. Wang is currently the chairman of the Supervisory Committee of Dahe Group.

Xue Guiyu (薛貴餘), male, aged 57, is a representative of the Supervisory Committee nominated by the employees of the Group. Mr. Xue has worked in a manufacturing company in Nanjing for over 10 years. Mr. Xue joined the Company in 2000. Mr. Xue is also an employee of DIHG.

SENIOR MANAGEMENT

All the executive Directors are responsible for the various aspects of the business and operation of the Group. These executive Directors are regarded as the members of the senior management of the Group.

COMPANY SECRETARY

Tsui Kei Pang (徐奇鵬), male, aged 56. He was appointed as the company secretary of the Company on 31 October 2014 and obtained a bachelor's degree in law (Honours) and a master's degree in law from The University of Hong Kong. He is a solicitor of Hong Kong, a solicitor of England and Wales (non-practising), a China Appointed Attesting Officer and a Civil Celebrant of Marriages. Mr. Tsui is currently a partner of Gallant and specialises in China business practices. He is also the vice chairman of the Greater China Legal Affairs Committee of The Law Society of Hong Kong, an honorary legal adviser of The Hong Kong Real Estate Association as well as a member of China Committee of Hong Kong General Chamber of Commerce.

CHANGES IN INFORMATION OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES

Save as disclosed in this annual report, all Directors, the Supervisors and the chief executives of the Company, following specific enquiry of the Company, have confirmed that there is no any other changes in their information since the publication of the Company's interim report for the six months ended 30 June 2016 which needs to be disclosed pursuant to Rule 17.50A(1) of the GEM Listing Rules.

Details of changes in the annual remuneration of Directors and Supervisors are set out in the note 15 to the financial statements.

Report of Corporate Governance

The Board is pleased to present this corporate governance report in the annual report of the Company for the year ended 31 December 2016 (“the Review Period”).

A. CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of Shareholders and to enhance corporate value and accountability. Save as disclosed below, the Company has complied with all applicable code provisions under the Corporate Governance Code and Corporate Governance Report (the “CG Code”) as set out in Appendix 15 to the GEM Listing Rules during the Review Period. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

(1) Due to the resignation of Ms. Wang Weijie, the former Chief Executive Officer, on 10 December 2007, Mr. He Chaobing, the Chairman of the Board, had been designated as the Chief Executive Officer of the Company until the suitable candidate was appointed. On 24 March 2016, the Company separated the posts of the Chairman of the Board and Chief Executive Officer and appointed Mr. Huang Hongxing as the Chief Executive Officer. On the same day, the Company re-complied with the relevant provisions of the CG Code; and

(2) The Company has not arranged any insurance coverage for the Directors' liabilities in respect of any potential legal actions against the Directors. Given the nature of the Company's business, Directors believe that the occurring of legal actions against the Directors is very slight, and the Company still can achieve excellent corporate governance through various management and monitoring mechanism so as to reduce such risks, such as periodic review on the effectiveness of internal control system, clear division of duties and providing training for staffs and the management. The Board will review, on a regular basis, the necessity to arrange insurance cover for potential legal actions against the Directors.

B. MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted a set of transaction standards in respect of securities transactions by its directors and supervisors which is no less stringent than that stipulated in Rules 5.46 to 5.67 of the GEM Listing Rules. The Company has confirmed, after making specific enquiries to all its directors and supervisors, that all directors and supervisors of the Company have complied with the relevant standards stipulated in the aforesaid code.

C. BOARD OF DIRECTORS

(1) Composition of the Board

Executive Directors:
Mr. He Chaobing *(Chairman)*
Mr. Huang Hongxing *(Chief Executive Officer)*

Non-executive Directors:
Mr. He Lianyi
Mr. He Pengjun
Mr. Geng Qiang
Mr. Zhang Ge

Independent non-executive Directors:
Mr. Ge Jianya
Ms. Ye Jianmei
Mr. Xu Haoran

(2) Board Meetings and General Meetings

The Company adopts the practice of holding board meetings regularly, at least four times a year, and at approximately quarterly intervals. Notices of not less than ten days are given for all regular board meetings to provide all Directors with an opportunity to attend regular meetings and include matters in the agenda. For other Board and committee meetings, reasonable notice is generally given. When Directors or committee members are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to present their views to the Chairman prior to the meeting.

Minutes of the board meetings and committee meetings are recorded in sufficient detail of the matters considered and the decisions reached by the Board and the committees, including any concerns raised by the Directors. Draft minutes of each board meeting and committee meeting are sent to the Directors for comments within a reasonable time after the date on which the meeting is held.

For the Review Period, five Board meetings and one general meeting were held. The attendance of each Director at these meetings is set out in the table below:

Directors	Attended/Eligible to attend	
	Board meetings	General meeting
Mr. He Chaobing	5/5	1/1
Mr. Huang Hongxing	5/5	1/1
Mr. He Lianyi	5/5	1/1
Mr. He Pengjun	5/5	1/1
Mr. Geng Qiang	5/5	1/1
Mr. Zhang Ge	5/5	1/1
Mr. Ge Jianya	5/5	1/1
Ms. Ye Jianmei	5/5	1/1
Mr. Xu Haoran	5/5	1/1

During the Review Period, the Chairman held an extraordinary meeting with the non-executive Directors (including the independent non-executive Directors) on 30 December 2016 without the executive Director (Mr. Huang Hongxing) present.

(3) Responsibilities and Operation of the Board

The post of Chairman is held by Mr. He Chaobing. The Board is responsible for supervising the management of operations and affairs, approving strategic plans and reviewing financial performance.

The Board is responsible for the overall development of the Company, overseeing the Company's strategic decisions and monitoring the Company's business and performance. The Board has delegated the authority and responsibility for day-to-day management and operation of the Company to the senior management of the Company. The Chief Executive Officer and administrative management team are in charge of the operation and business development of the Company. To oversee particular aspects of the Company's affairs, the Board has established three Board committees, including the Audit committee, the Remuneration committee and the Nomination committee (collectively, the "Board Committees"). The Board has delegated to the Board Committees various responsibilities as set out in their respective terms of reference.

In respect of corporate governance functions, the Board has performed the following corporate governance duties during the year under review:

(a) To review the issuer's corporate governance policy and practice and make recommendations;

(b) To review and monitor the training and continuous professional development of the Directors and senior management staff;

(c) To review and monitor the issuer's policy and practice in complying with laws and regulatory requirements;

(d) To review and monitor the code of practice and compliance manual (if any) for employees and Directors; and

(e) To review the issuer's compliance with the CG Code and the disclosure in the Corporate Governance Report.

(4) Non-executive directors

During the Review Period, the Company has appointed three independent non-executive Directors, complying with the requirements of Rule 5.05 and Rule 5.05A of the GEM Listing Rules.

The Company has received from each of the independent non-executive Directors an annual confirmation of his/her independence. The independence of all independent non-executive Directors has to be assessed in accordance with the guidelines set out in Rule 5.09 of the GEM Listing Rules. Following such assessment, the Board has affirmed that all the independent non-executive Directors continue to be independent. None of the independent non-executive Directors has served the Company for more than nine years.

The office terms of the non-executive Directors and independent non-executive Directors are as follows:

Non-executive Directors	
Mr. He Lianyi	1 January 2015 to 31 December 2017
Mr. He Pengjun	1 January 2015 to 31 December 2017
Mr. Geng Qiang	23 December 2015 to 31 December 2017
Mr. Zhang Ge	23 December 2015 to 31 December 2017
Independent non-executive Directors	
Mr. Ge Jianya	1 January 2015 to 31 December 2017
Ms. Ye Jianmei	1 January 2015 to 31 December 2017
Mr. Xu Haoran	1 January 2015 to 31 December 2017

According to the relevant provisions of the Articles of Association of the Company, Directors are elected at the general meeting, with a term of three years. At the expiration of the term, Directors could be continuously re-elected, but independent non-executive Directors shall not be continuously appointed more than six years. However, Mr. Ge Jianya and Ms. Ye Jianmei have been appointed as independent non-executive Directors of the Company for eight years. The Company considers that as Mr. Ge Jianya has an extensive experience in the advertising industry, and Ms. Ye Jianmei specializes in accounting, tax and risk management, on the basis of evaluating their independence, their continuous appointment will ensure that the Board would maintain a high level of financial and other statutory declaration, so as to protect shareholders' rights and the Company's overall interests. Meanwhile, the Company is seeking for suitable candidates for the posts of independent non-executive Directors.

(5) The relationship between the Directors

To the knowledge of the Company, other than Mr. He Lianyi and Mr. He Chaobing who are brothers, and Mr. He Chaobing and Mr. He Pengjun who are father and son, there is no financial, business, kinship or other significant/relevant relationship among all members of the Board, Chairman and the Chief Executive Officer. They are free to make independent judgment.

(6) Diversity policy of the Directors

The Company recognises and embraces the benefits of having a diverse Board as an essential element to improving governance and performance, and to creating a competitive advantage. In designing the Board's composition, board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All appointments of Board members are made on the principle of meritocracy, according to the skills, experience, independence and knowledge which the Board as a whole requires to be effective.

The Board has a high degree of independence to ensure the independence and objectivity of the Board's decision-making process and to oversee the management thoroughly. Members of the Board are from a variety of backgrounds and have a diverse range of expertise in different areas such as advertisements, business and finance. The Board possesses, both as individual Directors and collectively, appropriate experience, competencies and personal qualities, including professionalism and integrity, to discharge its responsibilities adequately and effectively. In addition, the Board has adequate and professional knowledge relevant to each of the material business activities that the Company pursues and the associated risks in order to ensure effective governance and oversight.

The Company has maintained on its website (www.dahe-ad.com) and on the website of the Stock Exchange (www.hkexnews.hk) an updated list of its Directors identifying their roles and functions and whether they are independent non-executive Directors.

Each newly appointed Director shall receive formal, comprehensive and tailored induction to ensure he/she would have a reasonable understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the GEM Listing Rules and relevant statutory requirements. Directors will continuously learn about the relevant laws and monitoring policies and the updated operating data to assist them in executing their responsibilities.

(7) Induction and Continuing Development of Directors

To assist Directors' continuing professional development, the Company recommends Directors to attend relevant seminars to develop and refresh their knowledge and skills. Directors also participate in continuous professional development programs such as external seminars organized by qualified professionals to develop and refresh their knowledge and skills in relation to their contribution to the Board. Records of the training received by the respective Directors are kept and updated by the Company.

The individual training record of each Director received for the year ended 31 December 2016 is summarized below:

Directors	Reading professional journals and updates and/ or attending seminar(s) relating to the economy, general business, Director's duties and responsibility etc.
Mr. He Chaobing	√
Mr. Huang Hongxing	√
Mr. He Lianyi	√
Mr. He Pengjun	√
Mr. Geng Qiang	√
Mr. Zhang Ge	√
Mr. Ge Jianya	√
Ms. Ye Jianmei	√
Mr. Xu Haoran	√

D. CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Due to the resignation of Ms. Wang Weijie, the former Chief Executive Officer on 10 December 2007, Mr. He Chaobing, the Chairman of the Board, had been designated as the Chief Executive Officer of the Company until the suitable candidate was appointed. On 24 March 2016, the Company separated the posts of Chairman of the Board and Chief Executive Officer and appointed Mr. Huang Hongxing as the Chief Executive Officer. The Chairman is principally in charge of strategic deployment while the Chief Executive Officer is principally in charge of the operational and business development of the Company.

E. BOARD COMMITTEES

(1) Audit Committee

The Audit Committee currently comprised three independent non-executive Directors, namely Mr. Ge Jianya, Ms. Ye Jianmei, and Mr. Xu Haoran. Ms. Ye Jianmei is currently the chairman of the Audit Committee.

The main duties of the Audit Committee include the following:

(a) To review the financial statements and reports before submission to the Board and consider any significant or unusual items raised by the internal audit department or external auditor;

(b) To review the relationship with the external auditor by making reference to the work performance, fees and terms of engagement of the auditor, and make recommendations to the Board on the appointment, reappointment and removal of external auditor; and

(c) To review the adequacy and effectiveness of the procedures relating to the Company's financial reporting system, internal control system and risk management system.

During the Review Period, five meetings of the Audit Committee were held and the attendance record of the Audit Committee members is set out in the table below:

Directors	Attended/Eligible to attend
Ms. Ye Jianmei *(Chairman)*	5/5
Mr. Ge Jianya	5/5
Mr. Xu Haoran	5/5

The Audit Committee held five meetings during the Review Period to review the annual results of the Company for the year ended 31 December 2015, the interim results of the Company for the six months ended 30 June 2016 and the quarterly results of the Company for the three months ended 31 March 2016 and nine months eneded 30 September 2016, the financial reporting and compliance procedures, the Company's internal control and risk management systems and processes, the proposal for the change of external auditor and the re-appointment of the external auditor etc. Having evaluated the completeness, accuracy and fairness of the Company's financial statements, all members unanimously consider that the financial statements have disclosed sufficient information and accurately reflected the Company's financial position. All members of the Audit Committee can have unrestricted contact with the auditor and all senior staff of the Company.

The Audit Committee is also responsible for performing the corporate governance duties, including:

(a) To develop and review the Company's policies and practices on corporate governance;

(b) To review and monitor the training and continuous professional development of Directors and senior management;

(c) To review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) To develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and

(e) To review the Company's compliance with the CG Code and the disclosure in the Corporate Governance Report.

(2) Remuneration Committee

The Remuneration Committee currently comprised three independent non-executive Directors, namely Mr. Ge Jianya, Ms. Ye Jianmei, and Mr. Xu Haoran. Mr. Ge Jianya is currently the chairman of the Remuneration Committee.

The primary duties of the Remuneration Committee include approving and making recommendations on the remuneration policy, structure and packages of the executive Directors and the senior management. The Remuneration Committee has adopted the operation model where it performs an advisory role to the Board, with the Board retaining the final authority to approve the remuneration of individual executive Directors and senior management. The Remuneration Committee is also responsible for establishing transparent procedures for formulating such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration, and such remuneration will be determined by reference to the performance of the individual and the Company as well as market practice and conditions.

Pursuant to Code Provision B.1.5 of the CG Code, the remuneration of the members of the senior management by band for the year ended 31 December 2016 is set out below:

Remuneration band	Number of individuals
HKD 0 to HKD 1,000,000	2

The Remuneration Committee held one meeting during the Review Period to review and consider the existing terms of remuneration of the Directors and senior management with reference to the prevailing market conditions, the Director's experience, responsibility, workload and fees paid by comparable companies.

Directors	Attended/Eligible to attend
Mr. Ge Jianya *(Chairman)*	1/1
Ms. Ye Jianmei	1/1
Mr. Xu Haoran	1/1

(3) Nomination Committee

The Nomination Committee currently comprised one executive Director, namely Mr. He Chaobing, and two independent non-executive Directors, namely Mr. Ge Jianya and Ms. Ye Jianmei. Mr. He Chaobing is currently the chairman of the Nomination Committee.

The principal duties of the Nomination Committee include the following:

(a) To review the structure, size and composition of the Board and make recommendations regarding any proposed changes;

(b) To identify suitable candidates for appointment as Directors; and

(c) To make recommendations to the Board on appointment or reappointment of and succession planning for Directors.

The Company adopted the board diversity policy and develop measurable objectives. The scope of the responsibility of the Nomination Committee includes supervising the implementation of the board diversity policy. The Nomination Committee evaluates the balance and blend of skills, experience and diversity of the Board. Selection of candidates is based on a range of diversity perspectives, including but not limited to age, cultural and educational background, professional and industry experience, skills, knowledge, ethnicity and other qualities essential to the Company's business, and merits and contributions that the selected candidates will bring to the Board. The Nomination Committee also supervises the implementation of the board diversity policy from time to time to guarantee its effectiveness. The Nomination Committee has reviewed such measurable objectives on 30 December 2016 to ensure their effectiveness and to ascertain the progress made towards achieving those objectives.

The Nomination Committee held one meeting during the Review Period, reviewing the structure, number and composition of the Board, considering and resolving that all existing Directors shall be recommended to be retained by the Company. The attendance of each member of the Nomination Committee is set out as follows:

Directors	Attended/Eligible to attend
Mr. He Chaobing *(Chairman)*	1/1
Mr. Ge Jianya	1/1
Ms. Ye Jianmei	1/1

F. DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the Company's financial statements for the year ended 31 December 2016 and give a true and fair view of the affairs of the Group and of the Group's results and cashflows. For the external auditor responsibility, please refer to the INDEPENDENT AUDITOR'S REPORT on the annual report from page 54 to page 58.

The management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval. During the Review Period, the Company provided all members of the Board with monthly updates on the Company's performance, position and prospects.

G. AUDITOR'S REMUNERATION

The Company's annual audit fees of the financial statements of the Company for the year ended 31 December 2016 payable to the external auditor are approximately RMB1.00 million.

H. COMPANY SECRETARY

The Company engages Mr. Tsui Kei Pang, partner of Gallant. as its company secretary. His primary contact person at the Company is Mr. Hongxing, an executive Directors. According to Rule 5.15 of GEM listing Rules, Mr. Tsui Kei Pang has taken not less than 15 hours of relevant professional training during the financial year ended 31 December 2016 to update his skills and knowledge.

I. SHAREHOLDERS' RIGHTS

(1) PROCEDURE TO CONVENE SPECIAL GENERAL MEETING

According to the Articles of Association of the Company, two or more shareholders holding not less than 10% (inclusive) of the Company's shares carrying the right of voting as at the date of deposit of the requisition shall at all times have the right, by written requisition sent to the Company's principal office, to require a special general meeting to be called by the Board for any business transaction specified in such requisition, and such meeting shall be held within two months after the deposit of such requisition.

The written requisition must state clearly the name of the Shareholder(s) concerned, his/her/their shareholdings, the purposes of the general meeting, signed by the Shareholder(s) concerned and may consist of several documents in like form, each signed by two or more of those Shareholders, and the written requisition should be sent to the principal office of the Company and the address information is as follows:

Recipient: The Board
Address: No. 18 Jialingjiang East Street, Jianye District, Nanjing, PRC
Postcode: 210019

(2) ENQUIRIES TO THE BOARD

Shareholders who intend to put forward their enquiries about the Company to the Board could send letters to the principal office of the Company, stating the Board of the Company as the recipient.

(3) PROCEDURE TO PUT FORWARD PROPOSALS AT GENERAL MEETINGS

When the Company convenes an annual general meeting, shareholders holding more than 5% (inclusive) of the total shares with voting rights of the Company shall have the right to submit new proposals in writing to the Company, but the said proposals shall be served to the Company at least 90 days prior to the date of convening of the annual general meeting. The Company shall place the proposals on the agenda for the said annual general meeting if the proposals fall within the functions and powers of general meetings.

J. COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and understanding of the Company's business, performance and strategies. The Company also recognizes the importance of timely and non-selective disclosure of information, which will enable Shareholders and investors to make informed investment decisions.

To promote effective communication, the Company maintains a website at www.dahe-ad.com, where up-to-date information on the Company's business operations and developments, financial information, corporate governance practices and other information available for public inspection is provided.

K. SIGNIFICANT CHANGES OF THE ARTICLES OF ASSOCIATION OF THE COMPANY

The Shareholders approved several amendments to the Articles of Association of the Company at the extraordinary general meeting held on 23 December 2015, such amendments had completed the approval procedures in the PRC and had come into effect on 18 April 2016. For details of these amendments, please refer to the 2015 annual report of the Company. During the Review Period, there was no significant amendments to the Articles of Association of the Company.

L. RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

The Board bears the overall and ongoing responsibility for the risk management and internal control systems of the Company. The Board has developed its internal control and risk management systems and is also responsible for reviewing and maintaining adequate internal control system to safeguard the interests of the shareholders and the assets of the Company. The Board reviews the effectiveness of the Company's material internal controls and considers that the Company's internal control system is designed to provide reasonable assurance against material misstatement or loss and to manage and eliminate risks of failure in operational systems and to fulfill business objective. The Board has delegated its responsibilities (and the relevant authorities) of risk management and internal control to the Audit Committee. The Audit Committee (on behalf of the Board) oversees the management for the design, implementation and monitoring of the risk management and internal control systems. Audit Committee reviews the overall design and implementation of risk management and internal control systems on a yearly basis to assess the effectiveness of such systems in that year.

The Company's risk governance structure and the main responsibilities of each level in the structure are summarized below:

The Board

(a) To determine the business strategies and objectives of the Company, and evaluates and determines the nature and extent of risks it is willing to take in achieving the Company's strategic objectives;

(b) To ensure that the Company establishes and maintains appropriate and effective risk management and internal control systems; and

(c) To oversee the management for the design, implementation and monitoring of the risk management and internal control systems.

Audit Committee

(a) To assist the Board to perform its responsibilities of risk management and internal control;

(b) To oversee the Company's risk management and internal control systems on an ongoing basis;

(c) To review the effectiveness of the Company's risk management and internal control systems at least annually, such review should cover all material controls including financial, operational and compliance control, and make recommendations to the Board;

(d) To ensure the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting, internal audit and financial reporting functions; and

(e) To consider major findings on risk management and internal control matters, and report and makes recommendations to the Board.

Management

(a) To design, implement and maintain appropriate and effective risk management and internal control policies;

(b) To identify, evaluate and manage the risks that may potentially affect the major processes of the operations;

(c) To monitor risks and take measures to mitigate risks in day-to-day operations;

(d) To give prompt responses to, and follow up on the findings on risk management and internal control matters raised by the internal audit team; and

(e) To provide confirmation to the Board and Audit Committee on the effectiveness of the risk management and internal control systems.

Internal Audit Team

(a) To review the adequacy and effectiveness of the Company's risk management and internal control systems; and

(b) To report to the Audit Committee the findings of the review and make recommendations to the Board and the management to improve the material systems deficiencies or control weaknesses identified.

The processes used to identify, evaluate and manage significant risks by the Company are summarized as follows:

Risk Identification

(a) To identify risks that may potentially affect the Group's business and operations.

Risk Assessment

(a) To assess the risks identified by using the assessment criteria developed by the management; and

(b) To consider the impact of the risks on the business and the likelihood of their occurrence.

Risk Response

(a) To prioritize the risks by comparing the results of the risk assessment; and

(b) To determine the risk management strategies and internal control processes to prevent avoid or mitigate the risks.

Risk Monitoring and Reporting

(a) To perform ongoing and periodic monitoring of the risk and ensure that appropriate internal control processes are in place;

(b) To revise the risk management strategies and internal control processes in case of any significant change of situation; and

(c) To report the results of risk monitoring to the management and the Board regularly.

The internal audit team of the Company is the Supervision and Audit Department (SAD) and the SAD conducts internal audit on accounting, internal control system and operating compliance on a regular basis (around once per month), which covers almost every business unit of the Company. Besides, the significant findings will be summarized in the internal audit report and the written report will be sent to the affiliated companies' management correspondingly within fifteen days after the completion of the internal audit work to request the management to rectify within reasonable period. The SAD reports to the chairman of Audit Committee, Ms. Ye Jianmei, with the internal audit report and the rectification report from affiliated companies' management on a regular basis. These documents will serve as significant reference for assessing the effectiveness of internal control system.

An information disclosure policy is in place to ensure that potential inside information is being captured and the confidentiality of such information is being maintained until consistent and timely disclosure are made in accordance with the GEM Listing Rules. The policy regulates the handling and dissemination of inside information, which includes:

(a) Designated reporting channels to allow different operating units to inform any potential inside information to designated departments;

(b) Designated persons and departments to determine further actions and disclosure methods as required; and

(c) Designated persons to act as spokespersons and respond to external enquiries.

During the year ended 31 December 2016, the Board has entrusted the Audit Committee to assess and review the overall design and implementation of risk management and internal control systems of the Company in that year, such areas includes risks, operational, financial and compliance controls. Besides, the Company also delegates the Audit Committee to review the adequacy, resources and experience of accounting and financial department and the training plans and budget devoted to them. The Audit Committee and the Board consider the current risk management and internal control systems are adequate and effective.

According to the disclosure of the financial reports of the Company during the year ended 31 December 2016, including the interim results of the Company for the six months ended 30 June 2016 and the third quarterly results of the Company for the nine months ended 30 September 2016, the Company had planned to complete the establishment of its internal audit functions through assistance by external internal audit services suppliers. The Company considers that its internal audit function has been established completely throughout 2016 by the SAD and the Audit Committee. Thus, even though the Company has not engaged any external internal audit services supplier, the Company has complied with the relevant risk management and internal control provisions under the CG code during this year.

M. SUPERVISORS AND SUPERVISORY COMMITTEE

The Company's Supervisory Committee comprises three supervisors with two of them being representatives of shareholders and one of them being the employee representative of the Company. The number and the composition of members of the Supervisory Committee comply with the requirements of the laws and regulations.

The Supervisory Committee is accountable to all shareholders and mainly focuses on overseeing finance in its actual work. Meanwhile, it will oversee the fulfillment of duties by the Company's directors and senior management and safeguard the Company's assets and the legal interests of the Company and the shareholders.

N. COMPLIANCE OFFICER

Mr. He Chaobing, the Compliance Officer appointed pursuant to Rule 5.19 of the GEM Listing Rules, is responsible for advising on and assisting the Board in implementing measures to ensure that the Company complies with the requirements under the GEM Listing Rules and other relevant laws and regulations; and responding to all enquiries from the Stock Exchange without any undue delay.

Independent Auditor's Report

Deloitte.
德勤

To the Members of Dahe Media Co., Ltd.
大賀傳媒股份有限公司
(established in the People's Republic of China with limited liability)

OPINION

We have audited the consolidated financial statements of Dahe Media Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 59 to 122, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Impairment of inventories (artworks) We identified the impairment of inventories as a key audit matter due to the Group had approximately RMB34.9 million of artworks included in inventories as at the end of reporting period in the consolidated statement of financial position. (note 24) Authentication artworks are mostly based on the knowledge and judgement of the management. Mistaken or inaccurate authentication and judgement on artworks may lead the artworks subject to the impairment issue.	Our procedures in relation to management's assessment of the carrying value of the inventories included: • Testing the design and implementation of management's controls in relation to the impairment assessment of artworks; • Attending the year end physical inventory count and checking the inventories list by performing physical count independently on a sample basis; • Reviewing the valuation and authentication report (the "Reports") prepared by the independent experts (the "Experts") which authenticates the artworks and assesses the relevant current market value for our selected samples; • Assessing the appropriateness of the Experts' scope, and evaluating their reputation, experiences, competence and capabilities; and • Comparing the valuation from the Reports to the carrying amount of individual artwork to ensure the artwork stated at the lower of cost and net realisable value.

Key audit matter-continued

Impairment loss on trade receivables

We identified the impairment loss on trade receivables as a key audit matter due to its significance to the consolidated financial statements and the significant degree of management judgement involved in recognising impairment loss on trade receivables.

The carrying amount of trade receivables amounted to approximately RMB407.9 million, net of impairment loss amounting to approximately RMB163.7 million recognized as at 31 December 2016. Referring to note 5 to the consolidated financial statements, management estimates impairment loss on trade receivables based on management's assessment of the ultimate realisation of these receivables by considering the ageing of the trade receivables balances, the repayment history, the financial conditions and current creditworthiness of each customer.

Our procedures in relation to assessing the sufficiency of the impairment loss on trade receivables estimated by management included:

- Understanding how the impairment loss of trade receivables is estimated by the management and the approval procedures for recognising the impairment loss on trade receivables;
- Testing the accuracy of the aged analysis of trade receivables and tracing the subsequent settlements to source documents, on a sample basis;
- For the trade receivables without subsequent settlement, assessing the reasonableness of management's assessment on the impairment loss of trade receivables with reference to the ageing of the trade receivable balances, the repayment history, the financial conditions and current creditworthiness of each customer; and
- Evaluating the historical accuracy of the management estimates on the impairment loss on trade receivables made in prior years by comparing the historical impairment loss recognised to the actual settlement and actual loss incurred, and tracing the actual settlement to the source documents, on a sample basis.

OTHER MATTER

The financial statements of the Company for the year ended 31 December 2015 were audited by another auditor who expressed an unmodified opinion on those statements on 24 March 2016.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Wong Shun Yu.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
28 March 2017

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2016

	Notes	**2016** ***RMB'000***	2015 *RMB'000* *(restated)*
Revenue	8	**596,370**	456,570
Cost of sales		**(477,004)**	(321,199)
Gross profit		**119,366**	135,371
Other income, expenses and other gains and losses	9	**6,327**	7,179
Selling and distribution expenses		**(32,247)**	(31,593)
Administrative expenses		**(21,017)**	(46,285)
Research and development costs		**(11,564)**	(7,608)
Share of losses of an associate		**(1,934)**	(676)
Finance costs	10	**(21,778)**	(21,283)
Profit before tax		**37,153**	35,105
Income tax expenses	12	**(6,462)**	(13,500)
Profit for the year	11	**30,691**	21,605
Profit (loss) for the year attributable to:			
Owners of the Company		**31,185**	21,993
Non-controlling interests		**(494)**	(388)
		30,691	21,605
Earnings per share			
– Basic (RMB per share)	14	**0.038**	0.026

Consolidated Statement of Financial Position

At 31 December 2016

	Notes	2016 *RMB'000*	2015 *RMB'000* *(restated)*
Non-current assets			
Property, plant and equipment	17	**104,557**	93,215
Prepaid lease payments	18	**1,946**	2,003
Investment properties	16	**50,512**	41,800
Goodwill	19	**15,679**	15,679
Intangible assets	20	**1,196**	1,421
Rental deposits		**3,404**	5,414
Interest in an associate	22	**—**	1,934
Available-for-sale investment	23	**52**	52
		177,346	161,518
Current assets			
Inventories	24	**36,437**	42,246
Prepaid lease payments	18	**57**	57
Trade and bills receivables	25	**408,929**	287,995
Other receivables and prepayments	25	**135,121**	162,571
Amount due from the ultimate holding company	26	**7,964**	7,385
Amounts due from fellow subsidiaries	26	**24,688**	29,895
Amount due from a related company	26	**245**	—
Pledged bank deposits	27	**40,200**	50,000
Bank balances and cash	27	**40,995**	67,050
		694,636	647,199
Current liabilities			
Trade payables	28	**81,596**	69,743
Other payables, deposits received and accruals	28	**5,522**	9,103
Deferred advertising income		**17,540**	24,973
Other tax payables		**4,072**	3,628
Amount due to a related company	26	**—**	196
Amounts due to fellow subsidiaries	26	**135**	899
Tax liabilities		**8,129**	13,925
Borrowings	29	**387,999**	343,437
		504,993	465,904
Net current assets		**189,643**	181,295
Total assets less current liabilities		**366,989**	342,813

Consolidated Statement of Financial Position (Continued)

At 31 December 2016

	Notes	**2016**	2015
		RMB'000	*RMB'000*
			(restated)
Non-current liabilities			
Deferred tax liabilities	30	**5,365**	5,123
Borrowings	29	**1,576**	8,333
		6,941	13,456
NET ASSETS		**360,048**	329,357
Capital and reserves			
Share capital	31	**83,000**	83,000
Reserves		**277,136**	245,951
Attributable to the owners of the Company		**360,136**	328,951
Non-controlling interests		**(88)**	406
TOTAL EQUITY		**360,048**	329,357

The consolidated financial statements on pages 59 to 122 were approved and authorised for issue by the board of directors on 28 March 2017 and are signed on its behalf by:

HE CHAOBING
DIRECTOR

HUANG HONGXING
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

	Attributable to owners of the Company							
	Share capital *RMB'000*	Share premium and capital reserve *RMB'000* *(Note a)*	Statutory surplus reserve *RMB'000* *(Note c)*	Other reserve *RMB'000* *(Note b)*	Retained profits *RMB'000*	Sub-total *RMB'000*	Non-controlling interests *RMB'000*	Total *RMB'000*
At 1 January 2015	83,000	97,252	28,085	(48,289)	146,910	306,958	2,804	309,762
Profit (loss) for the year	–	–	–	–	21,993	21,993	(388)	21,605
Disposal of a subsidiary (note 33)	–	–	(243)	–	243	–	(2,010)	(2,010)
Appropriations to statutory surplus reserve	–	–	2,161	–	(2,161)	–	–	–
At 31 December 2015	83,000	97,252	30,003	(48,289)	166,985	328,951	406	329,357
Profit (loss) for the year	–	–	–	–	31,185	31,185	(494)	30,691
Appropriations to statutory surplus reserve	–	–	3,223	–	(3,223)	–	–	–
At 31 December 2016	83,000	97,252	33,226	(48,289)	194,947	360,136	(88)	360,048

Note a: The balance included (1) share premium of RMB95,745,000 arising from the issue of shares at a price in excess of par value per share; and (2) revaluation gain of RMB1,507,000 arising upon the transfer of owner-occupied properties to investment properties in previous years.

Note b: On 30 May 2014, the Company entered into a sale and purchase agreement with the ultimate holding company of the Company to acquire 49% equity interests in Nanjing Millennium Ankang International Media Co., Ltd. ("Ankang International") from the ultimate holding at a consideration of approximately RMB63,750,000. The balance represented the excess of the net assets of the subsidiary acquired over the consideration paid was recognised as a decrease in non-controlling interests of approximately RMB48,289,000.

Note c: In accordance with the relevant PRC regulations and the articles of association of the Group, the Group shall appropriate 10% of their respective annual statutory net profits (after offsetting any prior years' losses) to the statutory surplus reserve. When the balance of such reserve reaches 50% of the respective share capital of the Group, any further appropriations are optional. The statutory surplus reserve can be utilised to offset prior years' losses or to issue bonus shares or registered capital, where appropriate. However, such statutory surplus reserve must be maintained at a minimum of 25% of respective share capital or registered capital of the Group, where appropriate, after such issuance.

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	Notes	2016 *RMB'000*	2015 *RMB'000* *(restated)*
OPERATING ACTIVITIES			
Profit before taxation	11	**37,153**	35,105
Adjustments for:			
Interest income	9	**(625)**	(449)
Interest expense	10	**21,338**	21,077
Share of losses of an associate		**1,934**	676
Depreciation of property, plant and equipment		**21,306**	22,864
Fair value gain on investment properties		**(212)**	(632)
Gain on disposal of a subsidiary		**—**	(1,990)
Amortisation of prepaid lease payments		**57**	57
Amortisation of intangible assets		**225**	225
Loss on disposals of property, plant and equipment		**910**	1,822
Impairment losses (reversed) recognised on trade receivables		**(5,555)**	13,320
Operating cash flows before movements in working capital		**76,531**	92,075
Decrease in inventories		**5,809**	7,259
Increase in trade and bills receivables		**(115,379)**	(66,604)
Decrease (increase) in rental deposits		**2,010**	(898)
Decrease (increase) in other receivables, deposits and prepayments		**18,790**	(112,234)
(Increase)decrease in amounts due from a related company		**(245)**	88
Decrease in accounts due to related companies		**(196)**	(237)
Decrease (increase) in amount due from fellow subsidiaries		**5,207**	(4,941)
Decrease in amounts due to fellow subsidiaries		**(764)**	(210)
Increase in trade payables		**11,853**	27,903
(Decrease) increase in other payables, deposits received and accruals		**(1,436)**	19,477
(Decrease)increase in deferred advertising income		**(7,433)**	7,829
Increase in other tax payables		**444**	1,744
Cash generated used in operations		**(4,809)**	(28,749)
Income tax paid		**(12,016)**	(12,842)
NET CASH USED IN OPERATING ACTIVITIES		**(16,825)**	(41,591)

Consolidated Statement of Cash Flows (Continued)

For the year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000 (restated)
INVESTING ACTIVITIES			
Interest received		**625**	449
Proceeds from disposal of property, plant and equipment		**268**	1,110
Purchase of property, plant and equipment		**(35,971)**	(2,420)
Acquisition of investment properties		**(8,500)**	—
Placement of pledged bank deposits		**(140,200)**	(80,000)
Withdrawal of pledged bank deposits		**150,000**	40,000
Acquisition of additional interest in an associate	32	**—**	(664)
Proceeds from disposal of a subsidiary	33	**8,660**	11,001
Advance to the ultimate holding company		**(579)**	(523)
NET CASH USED IN INVESTING ACTIVITIES		**(25,697)**	(31,047)
FINANCING ACTIVITIES			
Bank borrwoings raised		**76,306**	184,428
Loan from a financial institution		**—**	40,000
Endorsed bill borrowings raised		**220,000**	140,000
Repayment of bank borrowings		**(50,934)**	(205,428)
Repayment to a financial institution		**(7,567)**	(24,730)
Repayment of endorsed bills borrwoings		**(200,000)**	(70,000)
Interest paid	32	**(21,338)**	(21,077)
NET CASH FROM FINANCING ACTIVITIES	33	**16,467**	43,193
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(26,055)**	(29,445)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**67,050**	96,495
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**40,995**	67,050

1. GENERAL

Dahe Media Co., Ltd. is a joint stock company established in the People's Republic of China (the "PRC") with limited liability and its H shares were listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 13 November 2003. The address of its registered office and principal place of business are No.18 Jialingjiang East Street, Jianye District, Nanjing, the PRC. The immediate and ultimate holding company of the Group is Dahe Investment Holdings Group, Co., Ltd. (大賀投資控股集團有限公司) (" Dahe Investment"), which is limited liability company established in the PRC.

The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in the media dissemination, media production, terminal dissemination and trading of artworks. The principal activities of the subsidiaries and associate of the Company are set out in notes 36 and 22 respectively.

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

2. PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

In the current year, the directors of the Company decided to change the classification of certain line items in the consolidated statement of financial position, the consolidated statement of profit or loss and other comprehensive income and the consolidated statement of cash flow to better reflect the financial information of the Group's activities. Prior year figures have been represented to reflect the new presentation. The reclassification has had no net effect on the results of the Group for the year ended 31 December 2015 and 2016.

The effect of changes in presentation for the preceding year by line items presented in the consolidated statement of financial position, the consolidated statement of profit or loss and other comprehensive income and the consolidated statement of cash flows is as follows:

2. PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

	Original stated *RMB'000*	Adjustments *RMB'000*	Restated *RMB'000*
Consolidated statement of financial position:			
Interest in a joint venture	1,934	(1,934)	—
Interest in an associate	—	1,934	1,934
Finance lease payables - non-current	(8,333)	8,333	—
Finance lease payables - current	(6,937)	6,937	—
Bank borrowings - non-current	—	(8,333)	(8,333)
Bank borrowings - current	(336,500)	(6,937)	(343,437)
Trade and bill receivable	280,409	7,586	287,995
Other receivables, deposits and prepayments	175,628	(13,057)	162,571
Prepaid lease payment - current	—	57	57
Rental deposits	—	5,414	5,414
	N/A	—	N/A
Consolidated statement of profit or loss and other comprehensive income:			
Revenue	459,036	(2,466)	456,570
Cost of sales	(323,665)	2,466	(321,199)
Share of results of a joint venture	(179)	179	—
Share of results of an associate	(497)	(179)	(676)
Administrative expenses	(53,893)	7,608	(46,285)
Research and development costs	—	(7,608)	(7,608)
	N/A	—	N/A
Consolidated statement of cash flows:			
Share of results of a joint venture	179	(179)	—
Share of results of an associate	497	179	676
Interest paid	(19,817)	19,817	—
Interest paid for finance lease	(1,260)	1,260	—
Increase in amounts due from the ultimate holding company	(523)	523	—
Increase in trade and bill receivable	(59,018)	(7,586)	(66,604)
Increase in other receivables, deposits and prepayments	(128,480)	16,246	(112,234)
Increase in other payables, deposits received and accruals	21,313	(1,836)	19,477
Net cash generated from operating activities	N/A	28,424	N/A
Acquisition of an associate	—	(664)	(664)
Acquisition of a joint venture	(664)	664	—
Advance to the ultimate holding company	—	(523)	(523)
Proceeds from disposal of a subsidiary	19,661	(8,660)	11,001
Purchase of property, plant and equipment	(4,256)	1,836	(2,420)
Net cash used in investing activities	N/A	(7,347)	N/A

2. PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

	Original stated *RMB'000*	Adjustments *RMB'000*	Restated *RMB'000*
New bank borrowings	301,500	(117,072)	184,428
Repayments of bank borrowings	(252,500)	47,072	(205,428)
New finance lease payables	40,000	(40,000)	—
Repayment of finance lease payables	(24,730)	24,730	—
Loan from a financial institution	—	40,000	40,000
Endorsed bills borrowings raised	—	140,000	140,000
Repayment to a financial institution	—	(24,730)	(24,730)
Repayment to endorsed bills borrowings	—	(70,000)	(70,000)
Interest paid	—	(21,077)	(21,077)
Net cash used in financing activities	N/A	(21,077)	N/A

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS")

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
Amendments to HKAS 1	*Disclosure Initiative*
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	*Investment Entities: Applying the Consolidation Exception*
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2012 – 2014 Cycle*

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

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS") (continued)

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 9	*Financial Instruments*[1]
HKFRS 15	*Revenue from Contracts with Customers and the related Amendments*
HKFRS 16	*Leases*[2]
Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[1]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[1]
Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to HKAS 7	*Disclosure Initiative*[4]
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[4]
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2014-2016 Cycle*[5]

1 Effective for annual periods beginning on or after 1 January 2018.
2 Effective for annual periods beginning on or after 1 January 2019.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 January 2017.
5 Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate

HKFRS 9 Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9, which are relevant to the Group, are described below:

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

Based on the Group's financial instruments and risk management policies as at 31 December 2016, application of HKFRS 9 in the future may have a material impact on the measurement of the Group's financial assets. The expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost.

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 Leases and the related interpretations when it becomes effective.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS") (continued)

HKFRS 16 Leases (continued)

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing/operating cash flows.

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2016, the Group has non-cancellable operating lease commitments of RMB3,459,000 (2015: RMB6,154,000) as disclosed in note 34. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors of the Company complete a detailed review.

Other than disclosed above, the directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the financial performance and the financial position of the Group.

4. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 Share-based Payment, leasing transactions that are within the scope of HKAS 17 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 Inventories or value in use in HKAS 36 Impairment of Assets.

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

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

The principal accounting policies are set out below.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation

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

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

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

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

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations

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

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

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes and HKAS 19 Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment at the acquisition* date (see the accounting policy below); and
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

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

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (which cannot exceed one year from the acquisition date), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Merger accounting for business combination involving entities under common control

The consolidated financial statements incorporate the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or bargin purchase gain at the time of common control combination.

The consolidated statement of profit or loss and other comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the end of the previous reporting period or when they first came under common control, whichever is shorter.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

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

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

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

The Group's policy for goodwill arising on the acquisition of associate is described below.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Interest in an associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

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

An interest in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the interest in an associate, any excess of the cost of the interest over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Interest in an associate (continued)

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate and the retained interest is a financial asset within the scope of HKAS 39, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

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

Property, plant and equipment

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

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

When buildings are in the course of development for production or for administrative purposes, the amortisation of prepaid lease payments provided during the construction period is included as part of costs of buildings under construction. Buildings under construction are carried at cost, less any identified impairment losses. Depreciation of buildings commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

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

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

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are classified and accounted for as investment properties and are measured using the fair value model. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

Construction costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

Intangible assets

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment losses on tangible assets other than goodwill (see the accounting policy in respect of goodwill above)

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

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Financial instruments

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets

The Group's financial assets are classified into one of the two categories, including available-for-sale ("AFS") financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

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

AFS financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables or (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss (FVTPL).

Equity and debt securities held by the Group that are classified as AFS financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of AFS monetary financial assets relating to interest income calculated using the effective interest method and dividends on AFS equity investments are recognised in profit or loss. Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established. Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment of financial assets below).

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

AFS financial assets (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and bills receivables, other receivables and deposits, amount due from the ultimate holding company, amount due from a related company, amounts due from fellow subsidiaries, pledged bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets

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

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

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

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or

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

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables and amounts due from related companies, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade and other receivable or amount due from a related company is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

AFS financial assets (continued)

Impairment of financial assets (continued)

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

In respect of AFS equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to impairment loss is recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve.

Financial liabilities and equity instruments

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

Equity instruments

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

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis (other than those financial liabilities classified as at FVTPL, of which the interest expense is included in net gains or losses).

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Other financial liabilities

Other financial liabilities including trade payables, other payables, amount due to a related company, amounts due to fellow subsidiaries and borrowings are subsequently measured at amortised cost, using the effective interest method.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by the Group initially measured at fair values and, if not designated as at fair value through profit or loss, are subsequently measured at the higher of:

(i) the amount of the obligation under the contract, as determined in accordance with *HKAS 37 Provisions, Contingent Liabilities and Contingent Assets*; and

(ii) the amount initially recognised less, where appropriate, cumulative amortization recognised in accordance with the revenue recognition policies.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Inventories of are stated at the lower of cost and net realisable value. Cost of artworks is calculated using the specific identification method. Cost of other goods is calculated using first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Revenue recognition

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

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Revenue from the media dissemination is recognised on a straight-line basis over the term of the relevant contracts. Receipts in advance from customers are recognized as deferred advertising income prior to provision of media dissemination.

Revenue from the media production and terminal dissemination and trading of artworks is recognised when the artworks are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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

The Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy for leasing below.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing

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

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset. Other than investment properties measured under fair value model, such costs are recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as “prepaid lease payments” in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Government grants

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

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statements of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Exchange differences arising on monetary items, are recognised in profit or loss in the period in which they arise.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement benefit costs

Payments to state-managed retirement benefits schemes which are classified as defined contribution plans are recognised as an expense when employees have rendered service entitling them to the contributions.

Taxation

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

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

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

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

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

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

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

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, management of the Company are required to make various estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experiences, expectation of the future and other information/factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The key sources of estimation uncertainties at the end of the reporting period, that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year are disclosed below.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Impairment of trade receivables

The policy for impairment assessment for receivables of the Group is based on the evaluation of collectability and ageing analysis of receivables and on the judgement of management. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional impairment may be required.

As at 31 December 2016, the carrying amount of trade receivables is RMB407,919,000 (net of allowance for bad and doubtful debts of RMB163,785,000) (31 December 2015: carrying amount of RMB286,395,000, net of allowance for bad and doubtful debts of RMB169,340,000).

Allowance for artworks in inventories

The management of the Group reviews and assess the artworks market conditions at the end of each reporting period, and makes allowance for obsolete items identified that are no long suitable for sales, if necessary. The management estimates that the net realisable value for artworks based primarily on the latest invoice prices and current market conditions. Where the net realisable value is less than the carrying amount, impairment loss may arise. As at 31 December 2016, the carrying amount of artworks is approximately RMB34,915,000 (2015: RMB40,698,000).

Useful lives and residual value of property, plant and equipment

The Group reviews the estimated useful lives and residual value of property, plant and equipment at the end of the reporting period. During the reporting period, management is satisfied there is no change in the estimated useful lives of the property, plant and equipment from prior year. The carrying amounts of property, plant and equipment at the end of the reporting period are disclosed in note 17.

Deferred taxation on investment properties

For the purpose of measuring deferred tax liabilities arising from investment properties that are measured using the fair value model, the directors have reviewed the Group's investment properties and concluded that the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, in determining the Group's deferred taxation on investment properties, the directors have determined that the presumption that investment properties measured using the fair value model are recovered through sale is rebutted.

Accordingly, the Group recognises deferred tax in respect of the changes in fair value of the investment properties based on director's best estimate assuming future tax consequences through usage of such properties for rental purpose, rather than through sale. The final tax outcome could be different from the deferred tax liabilities recognised in the consolidated financial statements should the investment properties are subsequently disposed by the Group, rather than consumed substantially all of the economic benefits embodied in the investment properties by leasing over time. In the event the investment properties are being disposed, the Group may be liable to higher tax upon disposal considering the impact of enterprise income tax and land appreciation tax.

6. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of bank borrowings and equity attributable to the owners of the Company, comprising issued share capital, reserves and retained profits.

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on the recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, issue of shares and the raising of borrowings.

7. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2016	2015
	RMB'000	*RMB'000*
Financial assets		
Loans and receivables (including bank balances and cash)	**524,625**	456,185
Available-for-sale investment	**52**	52
	524,677	456,237
Financial liabilities		
Amortised cost	**474,826**	429,395

Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale financial investments, trade receivables, other receivables, amount due from the ultimate holding company, amounts due from fellow subsidiaries, amount due from a related company, pledged bank deposits, bank balances and cash, trade payables, other payables, amount due a related company, amounts due to fellow subsidiaries and borrowings. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. The risks associated with these financial instruments and the management policies remain unchanged from prior year.

7. FINANCIAL INSTRUMENTS (continued)

Market risk

Currency risk

The Group mainly operates in the PRC with most of the transactions settled in RMB and does not have significant exposure to risk resulting from changes in foreign currency exchange rates.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to its restricted bank deposits, unsecured bank borrowings, endorsed bills borrowings, and loan from a financial institution. The Group is also exposed to cash flow interest rate risk which arises from bank balances which carry interests at prevailing market rates.

If interest rates had been 10 basis points (2015: 10 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2016 would increase/decrease by RMB31,000 (2015: increase/decrease by RMB50,000).

Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. At the end of the reporting period, the Group's maximum exposure is arising from the carrying amount of the respective recognised financial assets as stated in the consoliated statement of financial position. The credit risk on liquid funds are limited because the counterparties are banks with high credit ratings and stated-owned banks with good reputation.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

In respect of trade receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customers' past history of making payments when due and current ability to pay, and take into account information specific to the customers as well as pertaining to the economic environment in which the customers operate. Ongoing credit evaluation is performed on the financial condition of trade receivables. For other receivables, the Group performs an ongoing individual credit evaluation of their counterparts financial conditions, and the management is of the opinion that the outstanding debts are recoverable.

The Group has concentration of credit risk on amounts due from the ultimate holding company, fellow subsidiaries and a related company as at 31 December 2016 and 2015. Credit risk is considered limited because the ultimate holding company, fellow subsidiaries and a related company have good credit standing.

Other than concentration of credit risk on amounts due from the ultimate holding company, fellow subsidiaries and a related company, the Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

7. FINANCIAL INSTRUMENTS (continued)

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents as well as undrawn banking facilities deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following tables detail the Group's remaining contractual maturities for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

	Weight average interest rate	On demand, or less than 30 days	31-90 days	91-365 days	Over 1 year	Total undiscounted cash flows	Carrying amounts
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2016							
Trade payables	—	81,596	—	—	—	81,596	81,596
Other payables	—	3,520	—	—	—	3,520	3,520
Amounts due to fellow subsidiaries	—	135	—	—	—	135	135
Borrowings	4.35% - 7.5%	57,060	52,259	293,931	1,697	404,947	389,575
		142,311	52,259	293,931	1,697	490,198	474,826
At 31 December 2015							
Trade payables	–	69,743	–	–	–	69,743	69,743
Other payables	–	6,787	–	–	–	6,787	6,787
Amounts due to a related company	–	196	–	–	–	196	196
Amounts due to fellow subsidiaries	–	899	–	–	–	899	899
Borrowings	5% - 7.5%	14,491	60,692	275,688	8,794	359,665	351,770
		92,116	60,692	275,688	8,794	437,290	429,395
Financial guarantees issued							
Maximum amount guaranteed		15,000	–	–	–	15,000	–

7. FINANCIAL INSTRUMENTS (continued)

Liquidity risk (continued)

The total undiscounted cash flows of financial guarantee contracts disclosed above was the maximum amount the Group could be required to settle under the arrangement for the full guaranteed amount if that amount was claimed by the counterparties to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

Fair value

The fair value of financial assets and financial liabilities at amortised cost is determined in accordance with generally accepted pricing model based on discounted cash flow analysis.

The directors of the Company consider the carrying amounts of financial assets and financial liabilities recorded at amortised cost in consolidated financial statements approximate their fair value.

8. REVENUE AND SEGMENT INFORMATION

HKFRS 8 Operating Segments requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the executive directors and chief executive officer, the chief operating decision maker (the "CODM"), in order to allocate resources to the segments and to assess their performance. The Group's operating and reportable segments are as follows:

- Media dissemination
- Media production
- Terminal dissemination
- Trading of artworks

8. REVENUE AND SEGMENT INFORMATION (continued)

Segment revenue and results

	Media dissemination *RMB'000*	Media production *RMB'000*	Terminal dissemination *RMB'000*	Trading of artworks *RMB'000*	Total *RMB'000*
For the year ended 31 December 2016					
Segment revenue:					
Sales to external customers	**405,940**	**9,684**	**172,765**	**7,981**	**596,370**
Reportable segment results	**76,103**	**1,579**	**39,486**	**2,198**	**119,366**
Other income, expenses and other gains and losses					**6,327**
Selling and distribution expenses					**(32,247)**
Administrative expenses					**(21,017)**
Research and development costs					**(11,564)**
Share of losses of an associate					**(1,934)**
Finance costs					**(21,778)**
Profit before tax					**37,153**
For the year ended 31 December 2015					
Segment revenue:					
Sales to external customers	281,205	26,618	127,809	20,938	456,570
Reportable segment results	93,486	2,942	32,674	6,269	135,371
Other income, expenses and other gains and losses					7,179
Selling and distribution expenses					(31,593)
Administrative expenses					(46,285)
Research and development costs					(7,608)
Share of losses of an associate					(676)
Finance costs					(21,283)
Profit before tax					35,105

8. REVENUE AND SEGMENT INFORMATION (continued)

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 4. Segment results represents the profit earned by each segment without allocation of other income, expenses and other gains and losses, selling and distribution expenses, administrative expenses, share of losses of an associate and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Other segment information

The followings are included in the measure of segment results and segment assets:

	Depreciation and amortisation Year ended 31 December		Additions to non-current assets Year ended 31 December	
	2016	2015	**2016**	2015
	RMB'000	*RMB'000*	**RMB'000**	*RMB'000*
Media dissemination	**18,923**	20,349	**32,634**	1,570
Media production	**—**	—	**—**	—
Terminal dissemination	**—**	—	**—**	—
Trading of artworks	**—**	—	**—**	—
Unallocated	**2,665**	2,797	**9,692**	2,686
	21,588	23,146	**42,326**	4,256

The unallocated depreciation and amortisation amounted to approximately RMB2,665,000, RMB2,797,000 for the years ended 31 December 2016 and 31 December 2015 respectively.

Non-current assets included property, plant and equipment, prepaid lease payment and intangible assets.

Segment assets

Segment information reported to CODM for the purposes of resources allocation and performance assessment does not include any assets and liabilities. Accordingly, no segment assets and liabilities are presented.

Geographical information

All of the Group's revenue and assets are derived from customers in the PRC and located in the PRC, no geographical segment information is presented.

Information about major customers

There was no revenue from individual customers of the Group contributing over 10% of the total revenue of the Group during both years.

9. OTHER INCOME, EXPENSES AND OTHER GAINS AND LOSSES, NET

	2016 RMB'000	2015 RMB'000
Other income and expenses		
Government grants (note a)	**3,925**	2,617
Interest income	**625**	449
Rental income	**2,479**	2,350
Guarantee fee income	**100**	700
Others	**(104)**	263
Total other income and expenses, net	**7,025**	6,379
Other gains and losses		
Fair value gain of investment properties (note 16)	**212**	632
Gain on disposal of a subsidiary	**—**	1,990
Loss on disposal of property, plant and equipment	**(910)**	(1,822)
Total other gains and loss, net	**(698)**	800
Total	**6,327**	7,179

(Note a):

During the year, the relevant government authority granted one-off and unconditional subsidies to the Group amounting to RMB3,925,000 (2015: RMB2,617,000) in relation to support the Group's development in the local district with no future related costs, which were received and recognised in the profit or loss in the year.

10. FINANCE COSTS

	2016 *RMB'000*	2015 *RMB '000*
Interest on:		
– bank borrowings	**16,127**	18,149
– endorsed bills borrowings (note 29)	**5,211**	2,928
– bank charges	**440**	206
	21,778	21,283

11. PROFIT FOR THE YEAR

	2016 RMB'000	2015 RMB'000
Profit for the year has been arrived at after charging (crediting):		
Directors' remuneration (including retirement benefit scheme contributions)	**1,093**	882
Other staff:		
Salaries and other benefits	**28,702**	32,585
Retirement benefits schemes contributions	**5,633**	5,788
	35,428	39,255
Cost of inventories recognised as an expense	**5,797**	7,274
(Reversed of) impairment losses recognised on trade receivables	**(5,555)**	13,320
Research and development costs	**11,564**	7,608
Depreciation of property, plant and equipment	**21,306**	22,864
Amortisation of prepaid lease payments	**57**	57
Amortisation of other intangible assets	**225**	225
Auditor's remuneration	**1,000**	1,210
Loss on disposals of property, plant and equipment	**910**	1,822
Gain on disposal of a subsidiary	**—**	(1,990)
Rental income from investment properties	**(2,479)**	(2,350)

12. INCOME TAX EXPENSES

	2016 RMB'000	2015 RMB'000
PRC Enterprise Income Tax ("EIT"):		
– Current tax	**6,223**	14,053
– Over provision in prior years	**(3)**	(899)
	6,220	13,154
Deferred tax charge (note 30)	**242**	346
	6,462	13,500

12. INCOME TAX EXPENSES (continued)

Pursuant to the Enterprise Income Tax Law and Implementation Regulations of the Law of the PRC (the "New PRC Tax Law") which became effective on 1 January 2008, the applicable tax rate of the Company and its subsidiaries is 25% during the two years.

The Company has been qualified as "High-tech enterprise" since 2013, and the certificate of which was jointly authorised by Jiangsu Science and Technology Department, Jiangsu Finance Department, Jiangsu Provincial Office of State Administration of Taxation and Jiangsu Local Taxation Bureau (the "Authorities") subjected to renewal of every three years. In 2016, the Authorities has further extended the preferential tax rate for three years from 2016 to 2018. Accordingly, the tax rate of the Company is 15% for both years.

The taxation charge for the year can be reconciled to the profit before tax per consolidated statement of profit or loss as follows:

	2016 ***RMB'000***	2015 *RMB'000*
Profit before taxation	**37,153**	35,105
Tax at the applicable income tax rate of 25% (2015: 25%)	**9,289**	8,776
Tax effect of expenses not deductible for tax purposes	**306**	3,022
Additional tax benefit on research and development expenses (note a)	**(1,292)**	(587)
Tax effect of tax losses not recognised	**392**	9
Tax effect of share of losses of an associate	**483**	169
Tax effect of deductible temporary differences not recognised	**—**	5,192
Utilisation of deductible temporary differences not recognised	**(874)**	—
Over provision in prior years	**(3)**	(899)
Effect of tax exemption and relief granted	**(1,839)**	(2,182)
Income tax expenses	**6,462**	13,500

Note:

(a) Tax benefit represents an incentive scheme that, in addition to the research and development cost deductible before tax, a further 50% of the research and development cost incurred is deductible.

13. DIVIDENDS

The directors do not recommend the payment of any dividend for both years.

14. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the year attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

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

	2016	2015
	RMB'000	*RMB'000*
Earnings:		
Profit attributable to the owners of the Company	**31,185**	21,993
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**830,000**	830,000

No diluted earnings per share is presented for the year ended 31 December 2016 and 31 December 2015 as the Company did not have any potential ordinary shares outstanding.

15. DIRECTORS', CHIEF EXECUTIVE OFFICER'S, SUPERVISORS' AND EMPLOYEES' EMOLUMENTS

The emoluments paid or payable to the Directors, chief executive officer and supervisors of the Company are as follows:

	2016				2015			
		Other emoluments				Other emoluments		
	Fees	Salaries and other benefits	Retirement benefits scheme contributions	Total	Fees	Salaries and other benefits	Retirement benefits scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors								
He Chaobing (Note 3)	–	250	52	302	–	241	43	284
Lu Yin (Note 2)	–	–	–	–	–	42	17	59
Huang Hongxing (Note 1 and 4)	–	402	73	475	–	212	63	275
Sub-total	–	652	125	777	–	495	123	618
Non-executive directors								
He Pengjun	36	–	–	36	36	–	–	36
He Lianyi	36	–	–	36	36	–	–	36
Li Huafei (Note 2)	–	–	–	–	36	–	–	36
Geng Qiang (Note 1)	33	–	–	33	–	–	–	–
Zhang Ge (Note 1)	33	–	–	33	–	–	–	–
Sub-total	138	–	–	138	108	–	–	108
Independent non-executive directors								
Ge Jianya	59	–	–	59	48	–	–	48
Ye Jianmei	59	–	–	59	48	–	–	48
Xu Haoran	60	–	–	60	60	–	–	60
Sub-total	178	–	–	178	156	–	–	156
Supervisors								
Wang Mingmei	–	–	–	–	–	–	–	–
Liu Jianbo (Note 2)	–	–	–	–	12	–	–	12
Xue Guiyu	–	13	1	14	–	80	14	94
Xia Keying (Note 1)	–	240	25	265	–	62	–	62
Sub-total	–	253	26	279	12	142	14	168
Total	316	905	151	1,372	276	637	137	1,050

15. DIRECTORS', CHIEF EXECUTIVE OFFICER'S, SUPERVISORS' AND EMPLOYEES' EMOLUMENTS (continued)

Notes:

1. Huang Hongxing, Geng Qiang, Zhang Ge and Xia Keying were appointed as a director and supervisor of the Company with effect from 23 December 2015.
2. Lu Yin, Li Huafei and Liu Jianbo were retired as a director and supervisor of the Company with effect from 23 December 2015.
3. He Chaobing was the chief executive officer during the year ended 2015. On 24 March 2016, He Chaobing ceased to be the chief executive officer of the Company.
4. Huang Hongxing was appointed as the chief executive officer of the Company on 24 March 2016.

Employees

The five highest paid employees of the Group during the year included 3 directors (2015: 2 directors), details of whose remuneration are set out above. Details of the remuneration for the year of the remaining 2 (2015: 3) highest paid employees who are neither a director, a supervisor nor chief executive officer of the Company are as follows:

	2016	2015
	RMB'000	*RMB'000*
Salaries and other benefits	**436**	603
Retirement benefits schemes contributions	**30**	48
	466	651

During both years, the emoluments of remaining employees were within HKD1,000,000 band.

During both years, no emoluments were paid by the Group to any of the directors, chief executive officer and supervisors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors, the chief executive officer and the supervisors of the Company has waived any emoluments during both years.

16. INVESTMENT PROPERTIES

	RMB'000
Fair Value	
At 1 January 2015	41,168
Net increase in fair value recognised in profit or loss (note 9)	632
At 31 December 2015	41,800
Net increase in fair value recognised in profit or loss (note 9)	212
Addition during the year	8,500
At 31 December 2016	50,512

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

The fair value of the Group's investment properties as at 31 December 2016 and 31 December 2015 has been arrived at on the basis of a valuation carried out on the respective dates by Jiangsu Tianren Assets Appraisal office Limited (江蘇天仁資產評估事務所有限公司), independent professional valuer (the "Valuer"). The address of the valuer is 11 Floor, Block E, Wanda Plaza, No. 98 Jiangdong Zhong Road, Jianye District, Nanjing, PRC.

The valuation was arrived at by making reference to the market transactions of properties and on the basis of capitalization of the rental income derived from existing tenancies with due allowance for reversionary income potential of the properties, where appropriate.

In determining the fair value of the relevant properties, the board of directors of the Company has set up a valuation team, which is headed up by the chief financial officer of the Company, to determine the appropriate valuation techniques and inputs for fair value measurements.

16. INVESTMENT PROPERTIES(continued)

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

Investment property	Valuation technique(s)	Significant unobservable input(s)	Sensitivity
Commercial building: Building C, Floor 13, Shanxi Road, Nanjing	Direct comparison	Price per square meter ("sqm") using market direct comparable and taking into account of age adjustments and floor level adjustment of the property.	The higher the level, the higher the fair value. The older the property, the lower the fair value.
Industrial buildings No.8 Hengfei Road, Economic and Technology Development Zone, Nanjing	Income capitalisation	Capitalisation rate, taking into account the capitalisation nature of the property, prevailing market condition of 7%.	A slight increase in the capitalisation rate used would result in a significant decrease in fair value, and vice versa.
		Monthly market rent, taking into account the differences in location, and individual factors, such as frontage and size, between the comparables and the property, at an average of RMB34 per sqm per month, with annual growth rate of 3%.	A slight increase in the market rent used would result in a slight increase in fair value, and vice versa.

16. INVESTMENT PROPERTIES(continued)

Details of the Group's investment properties and information about the fair value hierarchy as at the end of the reporting period are as follows:

	Level 3	**Fair value as at 31/12/2016**
	RMB'000	***RMB'000***
Commercial building located in the PRC	**2,500**	**2,500**
Industrial buildings in the PRC	**48,012**	**48,012**
	50,512	**50,512**

	Level 3	Fair value as at 31/12/2015
	RMB'000	*RMB'000*
Commercial building located in the PRC	2,395	2,395
Industrial buildings in the PRC	39,405	39,405
	41,800	41,800

There were no transfers into or out of Level 3 during both years.

17. PROPERTY, PLANT AND EQUIPMENT

	Outdoor advertising displays	Buildings	Leasehold improvements	Production equipment	Furniture, fixtures and equipment	Motor vehicles	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
COST							
At 1 January 2015	171,826	20,272	16,121	78,654	19,230	9,232	315,335
Additions	1,570	371	1,220	–	891	204	4,256
Disposals	(1,162)	(87)	–	(51,967)	(1,761)	(1,856)	(56,833)
Disposal of a subsidiary	–	–	–	(16,403)	(1,986)	(911)	(19,300)
At 31 December 2015	172,234	20,556	17,341	10,284	16,374	6,669	243,458
Additions	32,634	–	737	–	304	151	33,826
Disposals	(3,311)	–	–	–	(519)	(699)	(4,529)
At 31 December 2016	**201,557**	**20,556**	**18,078**	**10,284**	**16,159**	**6,121**	**272,755**
DEPRECIATION							
At 1 January 2015	91,497	6,201	5,150	68,225	15,946	5,931	192,950
Provided for the year	19,231	481	504	893	797	958	22,864
Disposals	(1,162)	–	–	(49,337)	(1,668)	(1,734)	(53,901)
Disposal of a subsidiary	–	–	–	(9,497)	(1,552)	(621)	(11,670)
At 31 December 2015	109,566	6,682	5,654	10,284	13,523	4,534	150,243
Provided for the year	18,698	481	674	–	675	778	21,306
Disposals	(2,259)	–	–	–	(452)	(640)	(3,351)
At 31 December 2016	**126,005**	**7,163**	**6,328**	**10,284**	**13,746**	**4,672**	**168,198**
CARRYING VALUES							
At 31 December 2016	**75,552**	**13,393**	**11,750**	**—**	**2,413**	**1,449**	**104,557**
At 31 December 2015	62,668	13,874	11,687	–	2,851	2,135	93,215

17. PROPERTY, PLANT AND EQUIPMENT (continued)

The estimated useful lives of each category of property, plant and equipment are as follows:

Outdoor advertising displays	
– Highway boards	20 years
– Enkon board	10 -12 years
Buildings	40 years
Leasehold improvements	Over the term of lease
Production equipment	8 years
Furniture, fixtures and equipment	5 years
Motor vehicles	6 years

As at 31 December 2016 and 31 December 2015, certain of the Group's property, plant and equipment with an aggregate net carrying amount of approximately RMB19,600,000 (2015: RMB28,130,000) were pledged to the loan from a financial institution (note 29).

18. PREPAID LEASE PAYMENTS

	2016 ***RMB'000***	2015 *RMB'000*
CARRYING VALUES		
At beginning of the year	**2,060**	2,117
Amortised during the year	**(57)**	(57)
At end of the year	**2,003**	2,060
Analysed for reporting purposes as:		
Non-current assets	**1,946**	2,003
Current assets	**57**	57
	2,003	2,060

The prepaid lease payments represented land use rights in the PRC held under medium-term lease of 50 years.

19. GOODWILL

	2015 and 2016
	RMB'000
Cost and carrying amounts	
Ankang International	12,871
Beijing Dahe Shuanglong Advertising Co., Ltd. (北京大賀雙龍廣告有限公司) ("Beijing Dahe")	1,574
Shanghai Dahe Yasi Advertising Co., Ltd. (上海大賀雅思廣告有限公司) ("Shanghai Dahe")	1,234
	15,679

Particulars regarding impairment testing on goodwill are disclosed in note 21.

20. INTANGIBLE ASSETS

	RMB'000
COST	
At 1 January 2015, 31 December 2015 and 31 December 2016	4,540
AMORTISATION	
At 1 January 2015	2,894
Charge for the year	225
At 31 December 2015	3,119
Charge for the year	225
At 31 December 2016	3,344
CARRYING VALUES	
At 31 December 2016	1,196
At 31 December 2015	1,421

The amounts represent the advertising concession right in certain highways in the PRC, which are initially measured at cost and amortised on a straight-line basis over their estimated useful lives of 20 years, less any impairment losses.

21. IMPAIRMENT TESTING ON GOODWILL

For the purposes of impairment testing, goodwill set out in note 19 has been allocated to three individual cash generating units (CGUs), comprising three subsidiaries in the advertising segments.

During the year ended 31 December 2016 and 2015, the management of the Group determines that there is no impairment of any of its CGUs containing goodwill.

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

The recoverable amount of three units have determined based on a value in use calculations. Those calculations use cash flow projections based on financial budgets approved by management covering a five year period, with discount rate of 5% (2015: 5%), and growth rate of 5% to 7% (2015: 5% to 7%). Those growth rates are based on the relevant growth forecasts and do not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the unit's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the CGUs to exceed the aggregate recoverable amounts.

22. INTEREST IN AN ASSOCIATE

	2016	2015
	RMB'000	*RMB'000*
		(restated)
Cost of unlisted investments in an associate	**2,364**	2,364
Share of post-acquisition losses and other comprehensive income	**(2,364)**	(430)
	—	1,934
The unrecognised share of loss of an associate	**(1,209)**	—

22. INTEREST IN AN ASSOCIATE (continued)

Particulars of the Group's associate at the end of the reporting period were as follows:

Name of associate	Place of establishment and operations	Fully paid registered capital (RMB'000)	Attributable equity interest to the Group 2016	2015	Principal activity
江蘇新浪互聯信息服務有限公司 Jiangsu Sina Information Service Ltd. ("Jiangsu Sina")	PRC	5,000	47.28%	47.28%	Design, production and dissemination of advertisement

The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with HKFRSs.

Jiangsu Sina

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Current assets	**14,880**	14,049
Non-current assets	**1,732**	1,828
Current liabilities	**(19,509)**	(12,125)
Non-current liabilities	**—**	—

	For the year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Revenue	**30,830**	25,537
Loss for the year	**(6,649)**	(511)
Other comprehensive expense for the year	**—**	—
Total comprehensive expense for the year	**(6,649)**	(511)

22. INTEREST IN AN ASSOCIATE (continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in Jiangsu Sina recognised in the consolidated financial statements:

	2016	2015
	RMB'000	*RMB'000*
Net (liabilities) assets of Jiangsu Sina	**(2,897)**	3,752
Proportion of the Group's ownership interest in Jiangsu Sina	**47.28%**	47.28%
Share of net (liabilities) assets of an associate	**(1,370)**	1,774
Goodwill derived from the acquisition of interests in an associate	**160**	160
Carrying amount of the Group's interest in an associate	**—**	1,934

23. AVAILABLE-FOR-SALE INVESTMENT

	2016	2015
	RMB'000	*RMB'000*
Unlisted equity investment, at cost:		
Hangzhou Ultralon Advertising Co., Ltd. (“Hangzhou Ultralon”)	**52**	52

The above unlisted equity investment is measured at cost at the end of the reporting period because the management of the Company are of the opinion that its fair value cannot be measured reliably.

24. INVENTORIES

	2016	2015
	RMB'000	*RMB'000*
Raw materials	**575**	715
Work-in-progress	**323**	49
Finished goods	**624**	784
Artworks	**34,915**	40,698
	36,437	42,246

25. TRADE AND BILLS RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2016 *RMB'000*	2015 *RMB'000*
Trade receivables	**571,704**	455,735
Less: allowance for doubtful debts of trade receivables	**(163,785)**	(169,340)
	407,919	286,395
Bills receivables	**1,010**	1,600
Total trade and bills receivables	**408,929**	287,995

The Group generally allows a credit period from 90 days to 180 days (2015: from 90 days to 180 days). The aged analysis of the Group's trade receivables, based on invoice date, at the end of respective reporting periods are as follows:

	2016 *RMB'000*	2015 *RMB'000*
0-90 days	**130,559**	139,592
91 to 180 days	**76,380**	37,470
181 to 365 days	**101,693**	36,049
1 to 2 years	**58,593**	70,242
Over 2 years	**40,694**	3,042
	407,919	287,995

Before accepting any new customers, the management of the Group will base on the credit quality of the potential customers to define credit limits. Credit limits to customers are reviewed annually.

The trade receivable balances of RMB206,939,000 (2015: RMB177,062,000) are neither past due nor impaired at the end of the reporting period for which the Group has not provided for impairment loss since they are mainly the customers with good quality.

Included in the Group's trade receivable balances are debtors with aggregate carrying amount of RMB200,980,000 (2015: RMB109,333,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss, as there has not been a significant change in credit quality and the Group believes that the amounts are still recoverable as there are continuing subsequent settlement.

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of RMB163,785,000 (2015: RMB169,340,000) which have either been placed under liquidation or in financial difficulties. The Group does not hold any collateral over these balances.

25. TRADE AND BILLS RECEIVABLES AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)

Ageing of trade receivables which are past due but not impaired

	2016	2015
	RMB'000	*RMB'000*
181 - 365 days	**101,693**	36,049
1 - 2 years	**58,593**	70,242
Over 2 years	**40,694**	3,042
Total	**200,980**	109,333

Movement in the allowance for doubtful debts for trade receivables

	2016	2015
	RMB'000	*RMB'000*
Balance at beginning of the year	**169,340**	157,159
Impairment losses (reversed) recognised on trade receivables	**(5,555)**	13,320
Disposal of a subsidiary	**—**	(1,139)
Balance at end of the year	**163,785**	169,340

Other receivables and prepayments

	2016	2015
	RMB'000	*RMB'000*
Prepaid rental for the outdoor advertising displays	**133,517**	148,711
Deposit for tendering	**976**	1,559
Deferred cash consideration on disposal of a subsidiary (note 33)	**—**	8,660
Other receivables	**628**	3,641
	135,121	162,571

26. AMOUNTS DUE FROM/TO ULTIMATE HOLDING COMPANY/A RELATED COMPANY AND FELLOW SUBSIDIARIES (continued)

	2016 RMB'000	2015 RMB'000
Amount due from the ultimate holding company		
Dahe Investment	**7,964**	7,385
Amounts due from fellow subsidiaries:		
Nanjing Dahe Decoration Co., Ltd. 南京大賀裝飾工程有限公司	**17,162**	22,258
DHA Pay Business Services Co., Ltd. 江蘇大賀會支付商務服務有限公司	**6,670**	6,377
Nanjing Huigou Auction Co., Ltd. 南京會購拍賣有限公司	**282**	230
Nanjing Dahe Advertising and Decoration Ltd. 南京大賀廣告裝飾工程有限公司	**272**	266
Nanjing Dahe Weihan Advertising and Distribution Co., Ltd. 南京大賀威漢廣告傳播有限公司	**—**	469
Nanjing Huigou Media Co., Ltd. 南京會購傳媒有限公司	**36**	36
Jiangsu Micro 3.0 Info Technology Co., Ltd. 江蘇微三點零信息科技有限公司	**259**	255
Nanjing Culture Ownership Transaction Co., Ltd. 金陵文化產權交易中心有限公司	**7**	4
	24,688	29,895
Amount due from a related company:		
Hangzhou Ultralo Advertising Co., Ltd. 杭州歐特龍廣告有限公司	**245**	—
Amounts due to fellow subsidiaries:		
Nanjing Huigou Media Co., Ltd. 南京會購傳媒有限公司	**120**	40
Nanjing Dahe Decoration Co., Ltd. 南京大賀裝飾工程有限公司	**—**	859
Jiangsu Micro 3.0 Info Technology Co., Ltd. 江蘇微三點零信息科技有限公司	**15**	—
	135	899
Amount due to a related company:		
Hangzhou Ultralo Advertising Co., Ltd. 杭州歐特龍廣告有限公司	**—**	196

26. AMOUNTS DUE FROM/TO ULTIMATE HOLDING COMPANY/A RELATED COMPANY AND FELLOW SUBSIDIARIES

The following is an analysis of the amount due from ultimate holding company based on the invoice date at the end of each reporting period:

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Within 1 year	**644**	765
1 to 2 years	**700**	1,300
Over 2 years	**6,620**	5,320
	7,964	7,385

The following is an analysis of the amount due from fellow subsidiaries, based on the invoice date at the end of each reporting period:

	2016	2015
	RMB'000	*RMB'000*
Within 1 year	**2,716**	8,258
1 to 2 years	**8,056**	15,833
Over 2 years	**13,916**	5,804
	24,688	29,895

The following is an analysis of the amount due from a related company, based on the invoice date at the end of each reporting period:

	2016	2015
	RMB'000	*RMB'000*
Within 1 year	**245**	—

The Group has not granted any credit period and all balances are past due but not impaired.

The amount due from the ultimate holding company represents the receivable from guarantee service as set out in note 35a, and is unsecured, interest free and repayable on demand.

For the outstanding amounts due from/to a related company and fellow subsidiaries, the amounts are trading in nature, unsecured, interest free and repayable on demand.

27. BANK BALANCES AND CASH/PLEDGED BANK DEPOSITS

At the end of the reporting period, the pledged bank deposits carry fixed interest rate of 0.35% (2015: 0.35%) per annum and are pledged to secure the endorsed bills borrowings (note 29).

At the end of the reporting period, bank balances carry interest at prevailing market deposit rate of 0.35% (2015: 0.35%) per annum.

28. TRADE PAYABLES, OTHER PAYABLES, DEPOSITS RECEIVED AND ACCURALS

	2016	2015
	RMB'000	*RMB'000*
Trade payables	**81,596**	69,743

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

	2016	2015
	RMB'000	*RMB'000*
0 - 30 days	**40,086**	17,229
31 - 60 days	**14,066**	22,520
61 - 180 days	**10,144**	9,907
181 - 365 days	**6,722**	5,914
Over 365 days	**10,578**	14,173
	81,596	69,743

The credit period from trade creditors is 90 days (2015: 90 days).

Other payables, deposits received and accruals:

	2016	2015
	RMB'000	*RMB'000*
Deposits received	**150**	308
Payroll and welfare payables	**1,852**	2,008
Audit fee payables	**1,220**	1,606
Payables for the acquisition of property, plant and equipment	**1,500**	3,645
Others	**800**	1,536
	5,522	9,103

29. BORROWINGS

	2016 RMB'000	2015 RMB'000
Unsecured bank borrowings	**271,095**	246,500
Borrowings from a financial institution (note a)	**8,480**	15,270
Endorsed bills borrowings (note b)	**110,000**	90,000
	389,575	351,770

Carrying amounts repayable:	2016 RMB'000	2015 RMB'000
Within one year or on demand	**387,999**	343,437
More than two years but not more than five years	**1,576**	8,333

All borrowings are denominated in RMB for both years, and carry the fixed interest rate of 4.35% - 7.5% (2015: 5% - 7.5%) per annum.

As at the end of the reporting period, the Group's unsecured bank borrowings of RMB271,095,000 (2015: RMB246,500,000) was guaranteed by (1) corporate guarantee from the ultimate holding company, and (2) guaranteed by Mr. He Chaobing, a shareholder and director of the Company and his spouse.

Note a:

On 14 January 2015, one of the Group's subsidiary, Nanjing Millennium Ankang Technology Co., Ltd. ("Ankang Technology") entered into sales and purchases contracts for certain items of property, plant and equipment for its business of media dissemination (the "Equipment") with carrying amounts of approximately RMB36,669,000, with a financial institution at cash considerations of RMB20,000,000. At the same time, Ankang Technology entered into finance lease contracts with the financial institution to lease back the Equipment. Pursuant to the finance lease agreement, the lease term is 3 years with fixed interest at 7.2% (2015: 7.2%) per annum and Ankang Technology could repurchase the manufacturing equipment at a nominal value of RMB10,000 at the end of the lease term. In the opinion of the directors, the sales and lease back arrangement is solely for financing purpose. As such, the arrangements are accounted for as borrowings secured by the Equipment.

Details of assets pledged by the Group at the end of the reporting period are set out in note 17.

Note b:

During the years ended 31 December 2016 and 2015, the Group has entered into purchase agreements with a related company and the Group arranged bank bills to settle such proposed purchases.

These purchase transactions were subsequently cancelled and did not eventuate, and the related bank bills have not been cancelled and implemented. The bills were used for funding purpose by the Group. The Group has ceased such bills financing arrangement since December 2016. In addition, in the opinion of the directors, the Group has sufficient fund to settle the endorsed bills, when the banks demand for immediate repayment. During the years ended 31 December 2016 and 2015, the total amounts of endorsed bills arrangement entered by the Group are RMB220,000,000 and RMB140,000,000 respectively.

After seeking legal advice, the directors of the Company have the view that bills financing arrangement will have no material financial impact to the Group.

30. DEFERRED TAX LIABILITIES

The followings are the major deferred tax liabilities recognised by the Group and movements thereon during the year:

	Fair value gain of investment properties *RMB'000*
At 1 January 2015	4,777
Charged to profit or loss	346
At 31 December 2015	5,123
Charged to profit or loss	242
At 31 December 2016	5,365

The following is the analysis of the deferred tax balances for financial reporting presentation purposes:

	2016 ***RMB'000***	2015 *RMB'000*
Deferred tax liabilities	**5,365**	5,123

At 31 December 2016, the Group has unrecognised tax losses of RMB2,106,000 (2015: RMB538,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. The unrecognised tax losses, which the loss was originated to offset future taxable profits, will be expired as followings:

Unrecognised tax losses with expiry in:

	2016 ***RMB'000***	2015 *RMB'000*
– 2016	**—**	2
– 2017	**2**	2
– 2018	**2**	2
– 2019	**2**	2
– 2020	**530**	530
– 2021	**1,570**	—
	2,106	538

At 31 December 2016, the Group has deductible temporary differences of RMB165,844,000 (31 December 2015: RMB169,340,000). No deferred tax asset has been recognised in relation to such deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

31. SHARE CAPITAL

	Number of shares (in thousand)	Amount *RMB'000*
Ordinary shares of RMB0.10 each		
Issued and fully paid:		
At 1 January 2015, 31 December 2015 and 31 December 2016	830,000	83,000

Details of the movement of the number of shares comprising the domestic shares and H shares are shown as below:

	Number of shares (in thousand)	Amount *RMB'000*
580,000,000 unlisted domestic shares of RMB0.10 each	580,000	58,000
250,000,000 H shares of RMB0.10 each	250,000	25,000
At 1 January 2015, 31 December 2015 and 31 December 2016	830,000	83,000

32. ACQUISITION OF ADDITIONAL INTERESTS IN AN ASSOCIATE

On 9 November 2015, the Company entered into a sale and purchase agreement with an independent third party, Beijing Sina Information Service Limited ("Beijing Sina") (北京新浪互聯信息服務有限公司), pursuant to which, the Company acquired 13.28% equity interests in Jiangsu Sina from Beijing Sina at a consideration of approximately RMB664,000. Upon completion of such acquisition on 3 December 2015, the Company held a 47.28% equity interests in Jiangsu Sina.

	2015 *RMB'000*
Consideration paid to Beijing Sina	664
Carrying amount of an associate acquired	(504)
Excess of consideration paid recognised as goodwill included in interest in an associate (note 22)	160

33. DISPOSAL OF A SUBSIDIARY

On 21 August 2015, the Company disposed of its 90% interests in Nanjing Dahe Colour Printing Co., Ltd. ("Dahe Printing") to Mr. Lu Xiaolin, an independent third party, for a consideration of approximately RMB20,140,000. The disposal was completed on 21 August 2015, the date on which the control of Dahe Printing was transferred to the acquirer. Net assets of the Dahe Printing at the date of disposal were as follows:

	2015
	RMB'000
Property, plant and equipment	7,630
Available-for-sale investment	12,500
Interest in an associate	3,892
Inventories	1,027
Trade and bills receivables	7,029
Other receivables, deposits and prepayments	19,389
Bank balances and cash	479
Trade payables	(3,967)
Other payables, deposits received and accruals	(17,670)
Other tax payables	(149)
Borrowings - unsecured bank borrowing	(10,000)
	20,160
Non-controlling interests	(2,010)
Gain on disposal of a subsidiary (note 9)	1,990
Total consideration	20,140
Satisfied by:	
Cash received (restated)	11,480
Deferred cash consideration (restated)	8,660

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

	RMB'000
Cash consideration received	11,480
Less: Cash and bank balances disposed of	(479)
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	11,001

34. OPERATING LEASES

The Group as a lessor

Property rental income earned during the year was RMB2,479,000 (2015: RMB2,350,000). At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments in respect of investments properties:

	2016 RMB'000	2015 RMB'000
Within one year	1,790	1,790
In the second to fifth years inclusive	5,683	6,440
After five years	—	1,033
	7,473	9,263

The Group as lessee

	2016 RMB'000	2015 RMB'000
Minimum lease payments paid under operating leases during the year	4,807	5,279

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

	2016 RMB'000	2015 RMB'000
Within one year	3,249	4,799
In the second to fifth years inclusive	210	1,355
	3,459	6,154

Operating lease payments represent rentals payable by the Group for certain of its office properties and warehouse. Leases are negotiated for terms ranging from one to three years.

35. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, the Group entered into the following significant transaction with related parties during the year:

(a) The Group had the following material transactions with its related companies:

Name of related company	Relationship	Nature of transaction	2016	2015
			RMB'000	*RMB'000*
Dahe Investment	Holding company	Guarantee service (note 1)	**100**	700
Nanjing Dahe Decoration Co., Ltd. 南京大賀廣告裝飾工程有限公司 ("Dahe Decoration")	Fellow subsidiary	Sales	**2,336**	2,042
		Rental income	**229**	240
南京開心印電子商務有限公司 ("Kaixinyin") (note 2)	Associate	Sales	**—**	807
		Rental income received	**—**	30

(Note)

1. During the year ended 31 December 2016 and 2015, the Group has provided the financial guarantee to Dahe Investment in respect of its bank loans amounted of RMB5,000,000 for the period from 29 December 2014 to 28 December 2015 and amounted of RMB15,000,000 for the period from 28 February 2015 to 28 February 2016. Pursuant to the master guarantee agreement signed on 20 May 2015, the Group will receive 4% of the guaranteed amount as the fee for the issue of guarantee, which is RMB100,000 (2015: RMB700,000). As at the end of the reporting period, no guarantee was provided to Dahe Investment (2015: RMB15,000,000).

2. The Group has disposed all the equity interest in Kaixinyin on 21 August 2015.

(b) Compensation of key management personnel

The remuneration of Directors and other members of key management during the year was as follows:

	2016	2015
	RMB'000	*RMB'000*
Salaries and other benefits	**905**	637
Retirement benefits schemes contributions	**151**	137
	1,056	774

The remuneration of Directors and other members of key management is determined by the remuneration committee having regard to the performance of individuals and market trends.

36. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Particulars of the Company's principal subsidiaries at 31 December 2016 and 2015 are as follows:

Name of subsidiary	Date and place/ country of establishment	Issued and fully paid registered capital RMB'000	Proportion ownership interest held by the Company				Principal activities
			Directly		Indirectly		
			2016 **%**	2015 %	**2016** **%**	2015 %	
Beijing Dahe	PRC 30 September 2001	2,500	**95.1**	95.1	**4.41**	4.41	Dissemination of outdoor advertisement
Nanjing Dahe Colour Printing Co., Ltd. (note) (南京大賀彩色印刷有限公司)	PRC 27 April 2007	20,000	**–**	–	**–**	–	Design, printing and production of posters
Nanjing Dahe Media Training Centre (南京大賀傳媒培訓中心)	PRC 1 May 2014	100	**100**	100	**–**	–	Provision of training services
Jiangxi Dahe Media Co., Ltd. (江西大賀傳媒有限公司)	PRC 20 December 2012	2,000	**67**	67	**–**	–	Design, printing and production of posters
Ankang International	PRC 10 March 2004	1,000	**100**	100	**–**	–	Design, production and dissemination of advertisement on and franchising of the "Advertising Board"
Nanjing Millennium Ankang Culture and Technology Co., Ltd. (南京千禧安康文化科技有限公司) (formerly known as Nanjing Ankang Technology Co., Ltd. (南京安康科技有限公司)	PRC 8 May 2008	43,000	**–**	–	**100**	100	Design, production and dissemination of advertisement on and franchising of the "Ankang Advertising Board
Nanjing Ultralon Investment Management Co., Ltd. (南京歐特龍投資管理有限公司)	PRC 22 August 2002	5,000	**90**	90	**–**	–	Investment holding
Shanghai Dahe	PRC 11 April 1994	500	**100**	100	**–**	–	Dissemination of outdoor advertisement

The English names of those companies name is for reference only. In the event of inconsistency between the Chinese names and their English translations, the Chinese names shall prevail.

Note: The Company disposed of 90% equity interests in Nanjing Dahe Colour Printing Co., Ltd. to an independent third party during the year 2015 (note 33).

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

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

	2016	2015
	RMB'000	*RMB'000*
Non-current assets		
Property, plant and equipment	**48,171**	57,411
Prepaid lease payments	**1,946**	2,003
Investment properties	**50,512**	41,800
Investments in subsidiaries	**35,927**	35,927
Intangible assets	**600**	700
Rental deposits	**2,864**	3,386
Interests in an associate	**—**	2,364
	140,020	143,591
Current assets		
Inventories	**36,437**	42,246
Prepaid lease payments	**57**	57
Trade and bills receivables	**314,483**	188,643
Other receivables, deposits and prepayments	**141,806**	165,411
Amount due from the ultimate holding company	**7,864**	7,285
Amounts due from fellow subsidiaries	**24,553**	29,895
Amount due from a related company	**245**	—
Amounts due from subsidiaries	**78,612**	77,422
Pledged bank deposits	**40,100**	50,000
Bank balances and cash	**37,561**	64,170
	681,718	625,129
Total assets	**821,738**	768,720

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

	2016 *RMB'000*	2015 *RMB'000*
Current liabilities		
Trade payables	**66,582**	62,725
Other payables, deposits received and accruals	**3,576**	3,141
Deferred advertising income	**16,897**	24,973
Amounts due to subsidiaries	**23,719**	40,157
Amount due to a related company	**—**	196
Amounts due to fellow subsidiaries	**—**	899
Tax liabilities	**5,546**	5,054
Other tax payables	**2,698**	2,757
Borrowings	**376,000**	326,500
	495,018	466,402
Net current assets	**186,700**	158,727
Total assets less current liabilities	**326,720**	302,318
Non-current liability		
Deferred tax liabilities	**5,365**	5,123
NET ASSETS	**321,355**	297,195
Capital and reserves		
Share capital	**83,000**	83,000
Reserves	**238,355**	214,195
Total equity	**321,355**	297,195

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Movement in reserves

	Share premium and capital reserve *RMB'000*	Statutory surplus reserve *RMB'000*	Other reserve *RMB'000* *(restated)*	Retained profits *RMB'000*	Total *RMB'000* *(restated)*
At 1 January 2015	97,252	23,415	(48,289)	126,725	199,103
Profit for the year	–	–	–	15,092	15,092
Appropriations to statutory surplus reserve	–	707	–	(707)	–
At 31 December 2015	97,252	24,122	(48,289)	141,110	214,195
Profit for the year	–	–	–	24,160	24,160
Appropriations to statutory surplus reserve	–	2,465	–	(2,465)	–
At 31 December 2016	97,252	26,587	(48,289)	162,805	238,355

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five years is set out below. In the current year, the Directors decided to change the classification of certain line items in the consolidated statement of financial position, the consolidated statement of profit or loss and other comprehensive income and the consolidated statement of cash flow to better reflect the financial information of the Group' s activities. Figures from prior years have been represented to reflect the new presentation.

RESULTS

	Year ended 31 December				
	2016	2015	2014	2013	2012
	RMB	RMB	RMB	RMB	RMB
	'000	*'000*	*'000*	*'000*	*'000*
		(restated)	*(restated)*	*(restated)*	*(restated)*
Revenue	**596,370**	456,570	422,060	428,954	454,801
Cost of sales	**(477,004)**	(321,199)	(250,402)	(271,417)	(294,322)
Gross profit	**119,366**	135,371	171,658	157,537	160,479
Other revenue and other gains, net	**6,327**	7,179	7,956	12,235	3,748
Selling and distribution expenses	**(32,247)**	(31,593)	(37,789)	(40,283)	(39,012)
Administrative expenses	**(21,017)**	(46,285)	(75,974)	(72,987)	(66,854)
Research and development costs	**(11,564)**	(7,608)	(8,115)	(10,684)	(10,606)
Share of results of a joint venture	**(11,564)**	(7,608)	(8,115)	(10,684)	(10,606)
Share of results of an associate	**(1,934)**	(676)	284	222	(321)
Finance costs	**(21,778)**	(21,283)	(19,819)	(21,127)	(19,379)
Profit before tax	**37,153**	35,105	38,201	24,913	28,055
Income tax expense	**(6,462)**	(13,500)	(21,741)	(11,269)	(15,867)
Profit for the year	**30,691**	21,605	16,460	13,644	12,188
Attributable to:					
Owners of the Company	**31,185**	21,993	13,396	6,163	8,860
Non-controlling interests	**(494)**	(388)	3,064	7,481	3,328
	30,691	21,605	16,460	13,644	12,188

Five Year Financial Summary (Continued)

ASSETS AND LIABILITIES

	31 December				
	2016	2015	2014	2013	2012
	RMB	RMB	RMB	RMB	RMB
	'000	*'000*	*'000*	*'000*	*'000*
		(restated)			
Non-current assets	**177,346**	161,518	201,328	210,032	253,527
Current assets	**694,636**	647,199	496,310	580,943	432,570
Current liabilities	**(504,993)**	(465,904)	(383,099)	(421,182)	(330,550)
Net current assets	**189,643**	181,295	113,211	159,761	102,020
Non-current liabilities	**(6,941)**	(13,456)	(4,777)	(1,334)	(582)
Net assets	**360,048**	329,357	309,762	368,459	354,965

Note:

1. The consolidated financial information as at 31 December 2014, 2013 and 2012 are extracted from the Company's published annual reports. The consolidated financial information of the Group as at 31 December 2016 and 2015 are as set out in page 59 to 61 of the annual report.