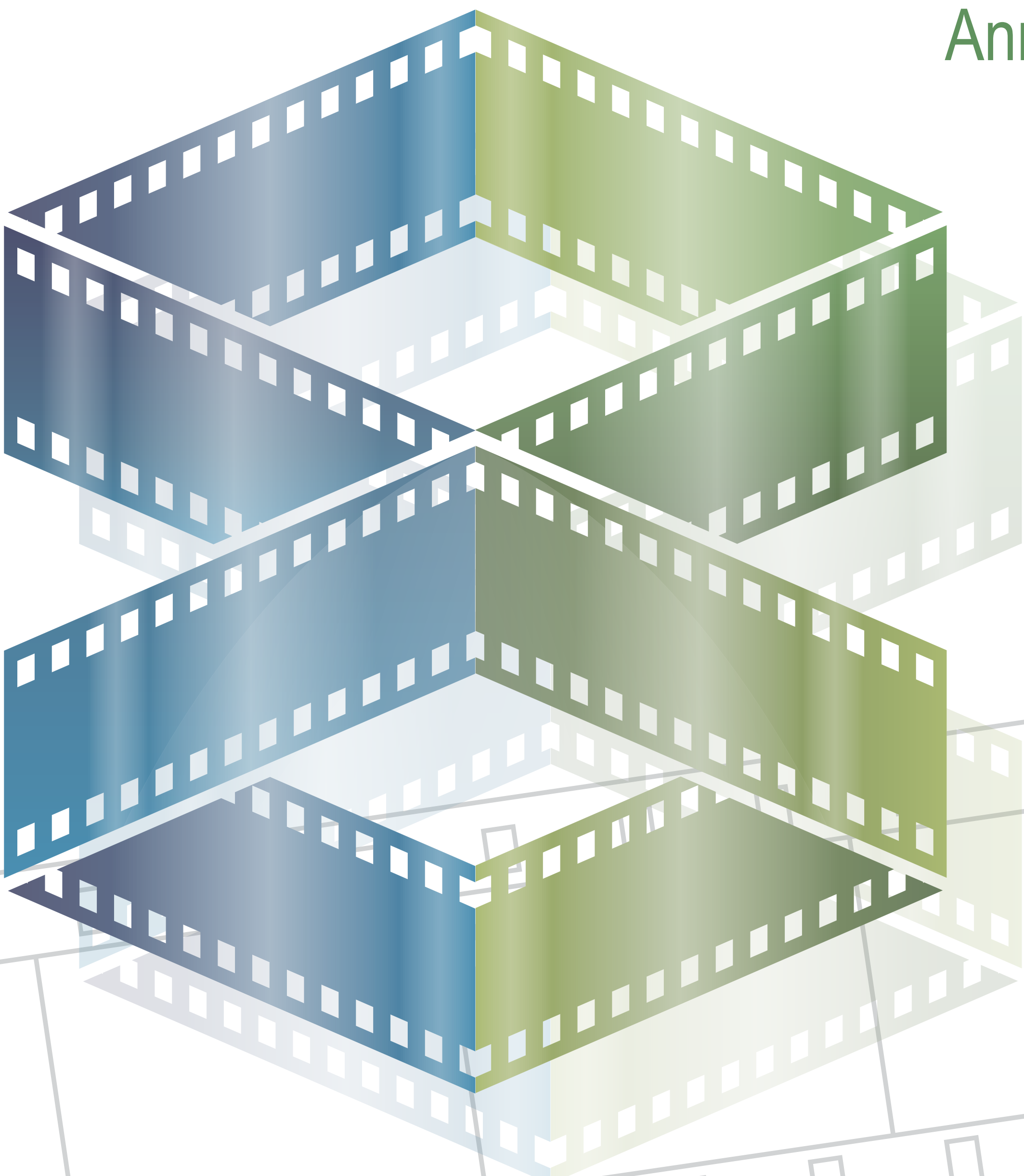
CHINA 33 MEDIA GROUP LIMITED
中國三三傳媒集團有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code : 8087

Annual Report 2016



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

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

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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Ruan Deqing *(Chairman)*
Mr. Peng Lichun
Mr. Ma Pun Fai

Non-Executive Director

Mr. Wang Fuqing (retired on 13 May 2016)

Independent Non-Executive Directors

Ms. Tay Sheve Li
Ms. Yu Shun Yan Verda
Mr. Yau Kit Yu

LEGAL ADVISERS

As to Hong Kong law:

Robertsons
57/F, The Centre
99 Queen's Road Central
Hong Kong

As to PRC law:

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

AUDITOR

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

AUTHORISED REPRESENTATIVES

Mr. Ruan Deqing
Mr. Siu Shing Tak

COMPANY SECRETARY

Mr. Siu Shing Tak, *HKICPA, AICPA*

COMPLIANCE OFFICER

Mr. Ruan Deqing

AUDIT COMMITTEE MEMBERS

Ms. Tay Sheve Li *(Chairperson)*
Ms. Yu Shun Yan Verda
Mr. Yau Kit Yu

REMUNERATION COMMITTEE MEMBERS

Ms. Tay Sheve Li
Mr. Ruan Deqing
Ms. Yu Shun Yan Verda

NOMINATION COMMITTEE MEMBERS

Ms. Yu Shun Yan Verda *(Chairperson)*
Mr. Peng Lichun
Ms. Tay Sheve Li

REGISTERED OFFICE

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

HEAD OFFICE IN THE PRC

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Haiyunxuan
99 Lianhui Road
Xizhimen North Street
Haidian District
Beijing
China

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

Suite 2001
Tower 1
China Hong Kong City
33 Canton Road
Tsimshatsui
Hong Kong

PRINCIPAL BANKERS

China Construction Bank (Asia) Corporation Limited
Industrial and Commercial Bank of China (Asia) Limited
Industrial Bank Co., Ltd.

HONG KONG BRANCH SHARE REGISTRAR

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

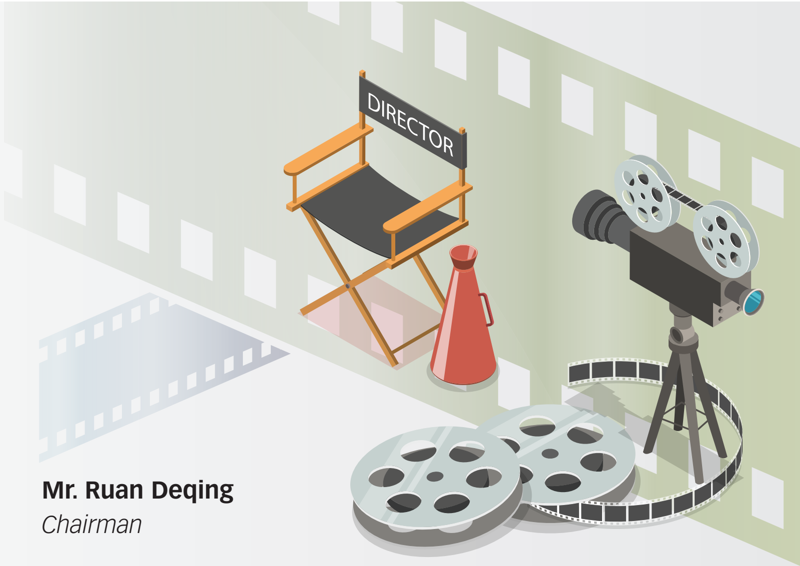
WEBSITE ADDRESS

http://www.china33media.com

STOCK CODE

8087

CHAIRMAN'S STATEMENT



Mr. Ruan Deqing
Chairman

Dear Shareholders,

I hereby present the audited annual results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2016 (the "Year").

2016 was a new chapter in the Group and we saw the Group entering into a new development stage. 2016 is a year that the Group reflect the new business focus which are 1) the third-party payment business and 2) planning and distribution of television and film production.

We obtained the Stored Value Facility ("SVF") License in November 2016, and as of December 31st 2016, the group has sold over 30,000 prepaid mastercard card in Hong Kong. We are expecting to launch other types of prepaid products such as the China UnionPay prepaid card in second quarter of 2017.

FINANCIAL HIGHLIGHTS

During the Year, the Group's revenue decreased from approximately RMB92,209,000 to RMB57,494,000, representing a decrease of 37.6% as compared to last year, on the account that the Group did not renew the cooperation agreement entered into between the Group and 中國鐵道出版社 (China Railway Publisher) which grants the Group an exclusive right (the "Right") to operate and distribute printed monthly nationwide periodical at China Railway High-speed train and expired in 2016, so there was less customers secured in 2016, causing drop in revenue. During the Year, the total comprehensive expense attributable to the owner of the Company was approximately RMB27,661,000, representing a decrease of approximately RMB11,243,000 or 28.9% from RMB38,904,000 as compared to last year.

The cooperation agreement entered into between the Group and 中國鐵道出版社 (China Railway Publisher) which grants the Group an exclusive right (the "Right") to operate and distribute printed monthly nationwide periodical at China Railway High-speed train routes was expired in 2016. With high operating cost, our Group decides to phase out the printed media business gradually, but widen its source of revenue and maintain the sustainability of the Group's business, by (i) expanding its stored value card business following the obtaining of stored value facilities licence in November; (ii) continuing its investment in the movie and content production industry through Motion Arts Entertainment Limited and other movie related business; (iii) investing in entertainment concerts and events and (iv) seeking opportunities to transform into digital advertising media.

PROSPECTS

The cultural and media industry throughout the world, and especially in the People's Republic of China (the "PRC") is presented with a huge opportunity. China has become the world's second largest film market country. With mature online and offline entertainment platforms, PRC's content demand is soaring in a historical rate. In 2016 and 2015, the total box office in PRC is RMB45.7 billions and RMB44 billions respectively. PRC movie attendance reached 1.3 billion in 2016. We are committed to delivering quality entertainment content. We select, evaluate and produce good film and TV projects. We also pursue the opportunity to co-invest in various film projects led by other studios. During the reporting period we started to produce 11 movies, which most of them are in line to broadcast in 2017.

In 2016, Hong Kong's economic growth moderated to 1.9% in real terms. The growth of private consumption expenditure slowed to 1.6% (from 4.8% for 2015). However, the alternative payment industry thrived in 2016 and is gaining place in Hong Kong payment market. Apple Pay, Samsung Pay and Android Pay have entered the mobile payment market. WeChat Pay and Alipay are ready to compete and capture the share. On the stored value facilities side, in addition to the local market leaders of HKT and Octopus, other players from Mainland (eg Transforex, ePayLinks) have also entered the market. With the growing number of players in the industry, the Hong Kong Monetary Authority launched the Payment Systems and Stored Value Facilities Ordinance to enforce supervision of the players which could help strengthen public confidence in using SVF products and services as well as facilitate developments and innovations in the local retail payment industry. SVF licence were granted to 13 companies in 2016. The licensees are with diverse backgrounds, including industry giants, mainland companies and local players offering various products, including eWallet, mobile payment and prepaid card.

2016 is a year of fast-growing development for alternative payment methods in Hong Kong. In 2017, players would strive to establish a sold foothold in this highly competitive market. Despite the keen competition, we believe there're ample opportunities and we will provide products and services with creativity and innovative value to win and gain in the market so as to contribute to the Group's sustainable growth.

For the printed media business, in view that (i) the traditional printed media business has been decreasing since the year ended 31 December 2014; and (ii) the gradual shift of business focus from traditional media to new media opportunities in order to diversify the Group's existing businesses, we decided not to proceed with the distribution of the printed periodical business following the expiry of the then cooperation agreement on 31 December 2016.

ACKNOWLEDGEMENT

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

Ruan Deqing
Chairman

Hong Kong, 27 March 2017

FINANCIAL REVIEW

The Group's revenue for the Year amounted to approximately RMB57,494,000, representing a decrease of approximately RMB34,715,000 or 37.6% as compared to that of approximately RMB92,209,000 for last year, which include RMB89,309,000 from continuing operations and RMB2,900,000 from discontinued operations of money lending business. The Group recorded a total comprehensive expense attributable to owners of the Company for the Year of approximately RMB27,661,000, representing decrease of approximately 28.9% as compared to that of approximately RMB38,904,000 for last year.

REVENUE BY SEGMENT

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

	2016	2015		**2016**	2015
	RMB'000	RMB'000	**Change (%)**	**% of total revenue**	
Printed media advertising	51,465	80,673	(36.2)	89.5	90.3
Outdoor advertising	5,166	8,636	(40.2)	9.0	9.7
Film and entertainment investment	–	–	–	–	–
Prepaid card	863	–	100.0	1.5	–
	57,494	89,309	(35.6)	100.0	100.0

Printed Media Advertising

Revenue from printed media advertising was the main source of revenue for the Year, representing approximately 89.5% thereof. It is expected that printed media advertising income would drop due to the down sizing of the business, but would remain as one of the dominate income for the Group in the future. Revenue from printed media advertising mainly represented the amount generated from the sales of the advertising space on the periodicals operated by the Group and was recognised upon the publication of the periodicals in which the respective advertisement was published. "旅伴" (Fellow Traveller) is a monthly nationwide periodicals distributed on China Railway High-speed ("CRH") trains and selected regular trains in the PRC. Revenue from "旅伴" (Fellow Traveller) was the major source of revenue for the Year which contributed approximately 82.8% of the Group's total revenue from printed media advertising.

The significant decrease was mainly due to decrease in number of customers for periodical "旅伴" (Fellow Traveller) and "都市生活" (City Life), as the Group's coverage for trains with placing right was reduced due to high operating cost.

Outdoor Advertising

Revenue from outdoor advertising represented the advertising income generated from the sales of advertising spaces on the billboards and LEDs installed at certain selected train stations.

The significant drop in revenue was mainly due to immaterial revenue generated from station campaigns when compared to last year.

Film and Entertainment Investment

Revenue from film and entertainment investment represents profit sharing on box office of movies and concerts and distribution income of film rights and television drama. The Group expects will start generating revenue from this new segment from next year with launch of movies and other entertainment projects.

Prepaid Card

The Group obtained the Stored Value Facilities License ("SVF License") in November 2016, and started generating income from the new business in 2016. Revenue from prepaid card mainly represent the transaction fees recognised when the prepaid cardholders made payments of fares using the prepaid card and the card related fees when the service is provided.

Money Lending Interest Income from Discontinued Operation

Revenue from money lending business represented interest income from provision of mortgage loans and short-term loans in Hong Kong. Revenue from money lending business was approximately RMB2,900,000 for the last year. Since the management of the Group decided to concentrate on the resources of the Group on the business of printed media advertising and new segment of film investment, on 16 September 2015, the Group disposed of the entire equity interest in 33 Consultants Services Limited which engaged in money lending business to two independent third parties. Accordingly, the Group's money lending operation was discontinued last year.

SEGMENT RESULTS AND PROFIT/(LOSS) MARGIN OF SEGMENT

Analysis of segment results from continuing operations is as follows:

	Revenue		Cost		Segment results		Change	
	2016	2015	**2016**	2015	**2016**	2015		
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	%
Printed media advertising	**51,465**	80,673	**32,432**	51,061	**19,033**	29,612	**(10,579)**	(35.7)
Outdoor advertising	**5,166**	8,636	**12,027**	17,591	**(6,861)**	(8,955)	**2,094**	23.4
Film and entertainment investment	**–**	–	**1,425**	350	**(1,425)**	(350)	**(1,075)**	(307.1)
Prepaid card	**863**	–	**17,612**	–	**(16,749)**	–	**(16,749)**	(100.0)
	57,494	89,309	**63,496**	69,002	**(6,002)**	20,307	**(26,309)**	(129.6)

During the Year, the segment results of printed media advertising recorded a segment profit of approximately RMB19,033,000, representing a decrease of approximately 35.7% as compared to that of approximately RMB29,612,000 for last year. The decrease in segment profit was mainly due to less revenue generated while the Group still needs to bear fixed cost for magazine placing rights at first quarter of 2016 before the relevant contracts expired. Segment results of outdoor advertising recorded a segment loss of approximately RMB6,861,000 for the Year, while it was approximately RMB8,955,000 for last year. The improvement in segment result was contributed by early termination of all the advertising agency agreements with expiry dates in mid-2015 with the local PRC railway authorities for the outdoor advertising spaces at various railway stations in the PRC, thus the monthly fixed advertising agency fee payment was highly reduced. By late 2015, the Group started to engage in a new operating segment, film and entertainment investment in the PRC, as the films have not yet launched by the Year end, thus there was no profit sharing on box office of movies and distribution income of film rights and television drama. By late 2016, the Group obtained SVF License, and started generating income from prepaid card. However, as a start-up business, lots of expenses were incurred on professional team, network system and regulation compliance, resulting a relatively large segment loss.

In overall, there was a decrease in the segment results of approximately RMB26,309,000 to loss of RMB6,002,000, representing a decrease of approximately 129.6% from profit of approximately RMB20,307,000 as compared to that of last year mainly contributed by the large loss from prepaid card business.

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

	Profit/(loss) margin of segment	
	2016	2015
	%	%
Printed media advertising	**37.0**	36.7
Outdoor advertising	**(132.8)**	(103.7)
Film and entertainment investment	**(100.0)**	(100.0)
Prepaid card	**(1,940.8)**	–
(Loss)/profit margin of all segments	**(10.4)**	22.7

Profit margin of printed media advertising segment has remained constant from approximately 36.7% for last year to approximately 37.0% for the Year.

Loss margin of outdoor advertising segment increased from approximately 103.7% last year to approximately 132.8% for the Year. The drop in margin was due to the significant reduction in revenue from station campaign which has a high margin over 90%.

The segment on film and entertainment investment has not yet launched by the Year end, thus there was no profit sharing on box office of movies and distribution income of film rights and television drama.

Prepaid card business was at a start-up stage in 2016, lots of expenses were incurred on professional team, network system and regulation compliance, resulting a relatively large loss margin.

The margin of segment as a whole decreased from approximately 22.7% profit margin for last year to approximately 10.4% loss margin for the Year. This was mainly contributed by the huge loss recorded by prepaid card business during its start-up stage.

Other Income

There was other income of approximately RMB1,577,000, compared to last year of RMB2,517,000, among which RMB2,456,000 was from continuing operations and RMB61,000 was from discontinued operations, representing a decrease of approximately 37.3%. The decrease was due to reduction in non-operating income generated from providing tailor made typesetting and design services upon customers requests on need basis.

Cost of Sales

Cost of sales mainly consists of agency fee, printing cost for magazines, system cost for prepaid card networks and direct labor cost. Cost of sales decreased from approximately RMB63,264,000 for last year among which RMB63,208,000 was from continuing operations and RMB56,000 was from discontinued operations, to RMB36,762,000 for the Year, representing a decrease of approximately 41.9%. The sharp decrease was contributed by the expiration of the magazine placing right in first quarter of 2016 resulting in drop in agency fee. Also there was decrease in staff cost since the Group has closed down some branch offices due to the down-sized printed media business.

Selling and Distribution Expenses

Selling and distribution expenses mainly include salaries, bonuses, commissions to sales staff and travelling and related expenses. It accounted for approximately 26.6% and 40.7% of the Group's total revenue from both continuing and discontinued operations for the years ended 31 December 2015 and 2016, respectively. The amount decreased by approximately 4.6% from approximately RMB24,539,000 for last year which was solely derived from the continuing operations to approximately RMB23,420,000, such decrease was primarily attributable to the decrease in sales commission due to decrease in sales, and cost control policies applied resulting overall costs including entertainment and office expenses being lowered. The decrease was partly offset by the selling expense incurred by prepaid card business which covers salary for marketing team and advertising expenses for promotion of prepaid cards.

Administrative Expenses

Administrative expenses mainly consists of salaries, rental expense and legal and professional fees. Administrative expenses increased by approximately 4.3% from approximately RMB38,063,000 for the last year, among which RMB37,085,000 was from continuing operations and RMB978,000 was from discontinuing operation to approximately RMB39,685,000 for the Year. The increase in administrative expenses was mainly due to the 60,000,000 share options granted to the consultants of the Company on December 2016, incurring an amount of approximately RMB2,481,000 share-based payment expenses.

Other Gains and Losses

Other gains and losses, net, increased by 49.2% from loss of RMB12,866,000, among which RMB10,711,000 was from continuing operations and RMB2,155,000 was from discontinued operation to approximately RMB19,191,000 loss, due to impairment loss on deposits paid for advertising agency rights and other.

Income Tax Expense

The income tax expense of the Group for the Year was approximately RMB151,000 (2015: RMB808,000) at the effective tax rate of 0.2% (2015: 1.8%).

Liquidity and Financial Resources

As at 31 December 2016, the Group's cash and cash equivalents, including bank balances and cash on hand, and short-term bank deposits with original maturities of more than three months, amounted to approximately RMB147,963,000 representing a decrease of approximately RMB272,371,000, as compared to the position as at 31 December 2015. The significant decrease was mainly due to the investments in movies, film rights and prepayments for entertainment business. Besides, the Group has further purchased more securities during the Year.

As at 31 December 2016 the current ratio was approximately 11.12 (2015: 11.63) and the gearing ratio of the Group was approximately 0.34 (2015: 2.75) which was calculated based on the Group's net debt divided by the equity attributable to owners of the Company plus net debt. The Group satisfied its working capital needs principally from internally generated cash flow from operating activities and from the funds raised in October 2015 in connection with the open offer of 5,040,000,000 new shares issued by the Company at a subscription price of HK$0.1 per new share on the basis of seven new shares for every existing shares.

Pledge of Assets

As at 31 December 2016, the Group has approximately RMB15,375,000 (2015: RMB15,613,000) pledged bank deposits to secure banking facilities, denominated in HKD (2015: denominated in RMB).

Restricted cash
As at 31 December 2016, the Group has approximately RMB5,616,000 (2015: Nil) monies received from sale and reloading of prepaid cards maintained in one or more segregated bank accounts.

Contingent Liabilities
As at 31 December 2016, the Group did not have any significant contingent liabilities (2015: Nil).

Capital Commitments
As at 31 December 2016, the Group did not have any significant capital commitments (2015: Nil).

Total Comprehensive Expense Attributable to Owners of the Company and Net Loss Margin
Total comprehensive expense attributable to the owners of the Company for the Year amounted to approximately RMB27,661,000, representing a decrease of approximately 28.9%, as compared to approximately RMB38,904,000 for last year. Net loss margin of the Group was approximately 105.5% as compared to approximately 49.1% for last year, contributed by high loss margin from prepaid card business, and impairment loss on deposits paid for advertising agency rights and other.

Capital Structure
During the Year, the Group had net assets of approximately RMB516,671,000 (2015: RMB542,944,000), comprising non-current assets of approximately RMB125,427,000 (2015: RMB80,845,000), and current assets of approximately RMB429,916,000 (2015: RMB505,561,000). The Group recorded a net current asset position of approximately RMB391,244,000 (2015: RMB462,099,000), which primarily consists of film rights amounted to approximately RMB104,388,000 (2015: nil), prepayment for film and entertainment business amounted to approximately RMB84,953,000 (2015: nil), cash and bank equivalents, restricted cash and bank deposits amounted to approximately RMB168,954,000 (2015: RMB435,947,000), prepayments, deposits and other receivables amounted to approximately RMB45,421,000 (2015: RMB47,833,000), held for trading investments amounted to approximately RMB18,589,000 (2015: RMB6,137,000) and trade and bills receivables amounted to approximately RMB7,611,000 (2015: RMB15,644,000). Major current liabilities were trade payables and other payables and accruals amounted to approximately RMB13,799,000 (2015: RMB21,667,000) and approximately RMB24,342,000 (2015: RMB17,370,000), respectively. The Group has no bank borrowings.

Foreign Exchange Risk
The Group mainly operates in the PRC with most of the transactions settled in Renminbi for media business, while film and entertainment investment and prepaid card business were mainly settled in Hong Kong Dollars. Part of the Group's cash and bank deposits are denominated in Hong Kong Dollars and Renminbi. The Directors consider that the Group's risk in foreign exchange is insignificant. During the Year, the Group did not hedge any exposure in foreign currency risk.

Human Resources
As at 31 December 2016, the Group employed a total of 181 employees (2015: 289 employees) situated in the PRC and Hong Kong. Such decrease was primarily attributable to the reduction in the number of staff in each subsidiaries as a result of cost control and down sizing of printed media business in 2016 as well as termination of some periodicals. The Group's emolument policy is formulated based on industry practices and performance of individual employees. During the Year under review, the total staff costs (including Directors' emoluments) from continuing and discontinued operations amounted to approximately RMB31,986,000 (2015: RMB33,137,000).

Material Acquisition and Disposal
The Group disposed the entire equity interest in an associate, Beijing Zhong Shi Xin Ke Media Advertising Co., Ltd which engaged in provision of advertising agency services during the Year. The details of disposal are set out in note 18 to the consolidated financial statements.

CORPORATE GOVERNANCE PRACTICES

Recognising the importance of a listed company's responsibilities to enhance its transparency and accountability, the Company is committed to maintain a high standard of corporate governance in the interests of its shareholders. The Company devotes to best practice on corporate governance and to comply, to the extent practicable, with the code provisions as set out in the Corporate Governance Code (the "Code") contained in Appendix 15 to the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules"). The Directors consider that the Company has complied with the Code during the year ended 31 December 2016. The Company will continue to review its corporate governance practices in order to enhance its corporate governance standard, to comply with the increasingly tightened regulatory requirements and to meet the rising expectations of shareholders of the Company and investors.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all the Directors, all the Directors confirmed that they have complied with the code of conduct and required standard of dealings concerning securities transactions by the directors during the year ended 31 December 2016.

BOARD COMPOSITION

The Board comprises the following Directors:

Executive Directors
Mr. Ruan Deqing *(Chairman)*
Mr. Peng Lichun
Mr. Ma Pun Fai

Non-Executive Director
Mr. Wang Fuqing (retired on 13 May 2016)

Independent Non-Executive Directors
Ms. Tay Sheve Li
Ms. Yu Shun Yan Verda
Mr. Yau Kit Yu

The biographical details of the Directors and other senior management are disclosed in the section headed "Biographical Details of Directors and Senior Management" on pages 28 to 30 in this annual report. The composition of the Board is well balanced. Each of the Directors has relevant expertise and extensive corporate and strategic planning experiences that can contribute to the business of the Group. During the year ended 31 December 2016, the Company has complied with Rules 5.05A, 5.05(1) and (2) of the GEM Listing Rules relating to the appointment of at least three Independent Non-Executive Directors representing more than one-third of the Board and at least one of them has appropriate professional qualifications or accounting or related financial management expertise. All Independent Non-Executive Directors also meet the guidelines for assessment of their independence pursuant to Rule 5.09 of the GEM Listing Rules. The Board has received an annual confirmation of independence from each of the Independent Non-Executive Directors. The Company considers all the Independent Non-Executive Directors to be independent.

THE BOARD

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

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

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

RESPONSIBILITIES AND DELEGATION OF FUNCTIONS

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

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

Mr. Ruan Deqing, being the Executive Director, has entered into a service contract and supplement service contract with the Company for an initial term of three years with effect from 17 December 2010 and 11 November 2013, respectively. The service contract shall be automatically renewed and extended for successive terms of one year unless and until terminated by not less than three months' prior notice in writing served by either party on the other or by payment of three months' fixed salary in lieu of such notice at the end of the initial term or at any time thereafter. Mr. Peng Lichun and Mr. Ma Pun Fai being Executive Directors, have no fixed term of service with the Company and they will hold office until they retire by rotation from the Board and will be eligible for re-election at the annual general meeting in accordance with the provisions of the bye-law.

Mr. Wang Fuqing (who retired on 13 May 2016), being Non-Executive Director, has entered into an appointment letter with the Company for a term of one year commencing from 19 July 2013. Ms. Tay Sheve Li, being an Independent Non-Executive Director, has entered into an appointment letter with the Company for a term of one year commencing from 30 September 2013. The aforementioned appointment letter for the Independent Non-Executive Director is for a term of one year which shall be automatically renewed and extended for successive terms of one year and may be terminated after the initial term by either party by giving at least three months' written notice. The appointment is subject to the provisions of the articles of association with regard to vacation of office of directors, removal and retirement by rotation of directors. Ms. Yu Shun Yan Verda and Mr. Yau Kit Yu, being Independent Non-Executive Directors, have no fixed term of service with the Company and they will hold office until they retire by rotation from the Board and will be eligible for re-election at the annual general meeting in accordance with the provisions of the bye-law.

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

BOARD DIVERSITY POLICY

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

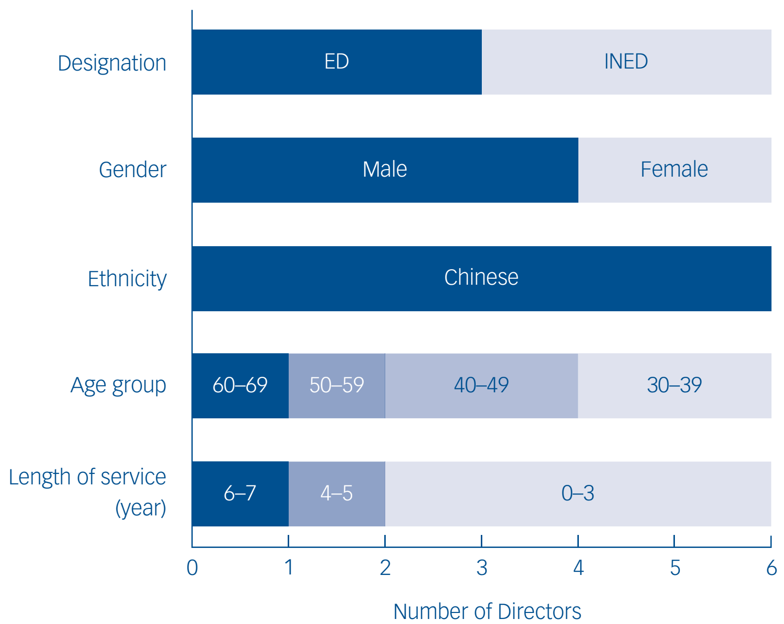
Summary of the Board Diversity Policy

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

Measurable objectives

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

Board Diversity



INED: Independent Non-Executive Director
ED: Executive Director

Implementation and monitoring

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

BOARD MEETING, GENERAL MEETING AND PROCEDURES

For the year ended 31 December 2016, the Board convened a total of nine Board meetings. The following is the Directors' attendance record of the board meetings held by the Board and the general meeting of the Company:

	Number of attendance/ number of Board meeting	Number of attendance/ number of general meeting
Mr. Ruan Deqing	9/9	0/2
Mr. Peng Lichun	9/9	0/2
Mr. Ma Pun Fai	9/9	1/2
Mr. Wang Fuqing (retired on 13 May 2016)	2/3	0/0
Ms. Tay Sheve Li	9/9	2/2
Ms. Yu Shun Yan Verda	9/9	1/2
Mr. Yau Kit Yu	9/9	0/2

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

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

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

CONTINUOUS PROFESSIONAL DEVELOPMENT

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

For the financial year ended 31 December 2016, all Directors had participated in continuous professional development in the following manner in compliance with Paragraph A.6.5 of the Code:

	Type of trainings
Mr. Ruan Deqing	A, C
Mr. Peng Lichun	A, C
Mr. Ma Pun Fai	A, C
Mr. Wang Fuqing	C
Ms. Tay Sheve Li	A, B, C
Ms. Yu Shun Yan Verda	A, C
Mr. Yau Kit Yu	A, C

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

BOARD COMMITTEES

As at 31 December 2016, the Board has established three board committees, namely the audit committee (the "Audit Committee"), remuneration committee (the "Remuneration Committee") and nomination committee (the "Nomination Committee"), with written terms of reference which are available for viewing on the website of the Stock Exchange and the Company to assist them in the efficient implementation of their functions. Specific responsibilities have been delegated to the above committees.

AUDIT COMMITTEE

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

As at 31 December 2016, the Audit Committee has three members comprising Ms. Tay Sheve Li (Chairperson), Ms. Yu Shun Yan Verda and Mr. Yau Kit Yu. During the year ended 31 December 2016, the Audit Committee had held four meetings to review the final results of the Group for 2015, the 2015 annual report of the Company, the 2016 interim results and report of the Company and the quarterly results and report for the periods ended 31 March 2016 and 30 September 2016, the Group's internal controls for the year and corporate governance of the Group. The Group's final results for the year ended 31 December 2016 had been reviewed by the Audit Committee before submission to the Board for approval. Members of the Audit Committee were of the opinion that the preparation of such results complied with the applicable accounting standards, the GEM Listing Rules and that adequate disclosure have been made.

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

	Number of attendance/ number of meeting
Ms. Tay Sheve Li *(Chairperson)*	4/4
Ms. Yu Shun Yan Verda	4/4
Mr. Yau Kit Yu	4/4

REMUNERATION COMMITTEE

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

As at 31 December 2016, the Remuneration Committee has three members comprising Ms. Tay Sheve Li (Chairperson), Mr. Ruan Deqing and Ms. Yu Shun Yan Verda. The remuneration of the directors was determined with reference to their respective experience, responsibilities with the Group and general market conditions. During the year ended 31 December 2016, no meeting of the Remuneration Committee was held.

NOMINATION COMMITTEE

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

The Nomination Committee has three members comprising Ms. Yu Shun Yan Verda (Chairperson), Ms. Tay Sheve Li and Mr. Peng Lichun. During the year ended 31 December 2016, no meeting of the Nomination Committee was held.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

INDEPENDENT AUDITOR'S REMUNERATION

The amount of fees charged by the auditor generally depends on the scope and volume of the auditor's work. During the year ended 31 December 2016, the remuneration paid or payable to the auditor of the Company in respect of the statutory audit services was approximately RMB1,355,000. Non-audit services provided by the auditor of the Company during the year includes services rendered in connection with the assurance report on continuing connected transactions.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for the establishment, maintenance and review of the Group's risk management and internal control systems. The Board must ensure that the Company establishes and maintains effective risk management and internal control systems to meet the objectives and safeguard the interests of the Shareholders and the assets of the Company.

The Board oversees the Group's overall risk management and internal control systems on an ongoing basis. At the same time, the Group endeavors to identify risks, control impact of the identified risks and facilitate implementation of coordinated mitigating measures. The risk management and internal control systems which are compatible with the Committee of Sponsoring Organizations of the Treadway Commission (COSO) – Integrated Framework 2013 principles. They are designed to manage rather than eliminate the risk of failures in order to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

The Group has established a risk management policy which sets out the process of identification, evaluation and management of the principal risks affecting the business.

1. Each division is responsible for identifying and assessing principal risks within its divisions on a quarterly basis and establishing mitigation plans to manage the risks identified.

2. The management is responsible for overseeing the Group's risk management and internal control activities, attending quarterly meetings with each division to ensure principal risks are properly managed, and new or changing risks are identified and documented.

3. The Board is responsible for reviewing and approving the effectiveness and adequacy of the Group's risk management and internal control systems.

The risk management framework, coupled with our internal controls, ensures the risk associated with our different business units are effectively controlled in line with the Group's risk appetite.

The Group does not have an internal audit department. The Group, yet it has conducted an annual review on whether there is a need for an internal audit such department is required. Given the Group's relatively simple corporate and operation structure, as opposed to diverting resources to establish a separate internal audit department, the Board, as supported by the Audit Committee, is directly responsible for risk management and internal control systems of the Group and for reviewing its effectiveness.

The Group engaged an external consultant, CT Partners Consultants Limited, for internal control to conduct review on the internal control system of the Group during the Year. The review covers certain procedures on the operation and distribution of the printed media and prepaid card businesses and makes recommendations for improving and strengthening the internal control system. No significant area of concern that may affect the financial, operational, compliance, control and risk management of the Group has been identified.

The Group's risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss. The Board has the overall responsibility to maintain the adequacies of resources, staff qualifications and experience training programs and budget of accounting and financial reporting function and the Board concluded that the Group's risk management and internal control systems were in place and effective.

With respect to the monitoring and disclosure of inside information, the Group has adopted a policy on disclosure of inside information with the aim to ensure the insiders are abiding by the confidentiality requirement and are fulfilling the disclosure obligation of the inside information.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

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

SHAREHOLDERS' RIGHT

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

Procedures for shareholders to convene an extraordinary general meeting

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

Procedures for raising enquiries

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

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

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

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

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

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

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

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

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

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

INTRODUCTION

This is the first year for the Group to prepare the Environmental, Social and Governance Report. It discloses the Group's performance on Environmental, Social and Governance ("ESG") focusing on the accomplishments over the period between 1 January 2016 and 31 December 2016 ("2016" or "the Year").

The report is in compliance with the Environmental, Social and Governance Reporting Guide in Appendix 20 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("HKEX ESG Reporting Guide").

The Group commits to fully integrating corporate social and environmental well-being into various aspects of daily operations of the business. To achieve sustainable development, the Group also promotes environmental protection, makes positive contribution and creates long-term value in the communities through various approaches with a range of charitable organisations. During the Year under review, the Group committed to a high standard of corporate social responsibility and strictly complied with the requirements of relevant laws and regulations on ESG reporting.

ENVIRONMENTAL

As the Group's core business activity focuses on printed media advertising and outdoor advertising, the operations of the Group do not have significant impact to the environment and do not generate hazardous waste. To demonstrate the Group's commitment to sustainable development and compliance with laws and regulations relating to environment protection, we strive to minimise negative impact to the environment, and maintain green operations and green office practices. Based on the nature of core business activities, we have narrowed down to the following key areas where we should exert our effort on:

- Usage of resources;
- Waste disposal management; and
- Energy consumption.

Our Current Environmental Policies

Our main task is to measure and report our efforts in reducing carbon footprints, promote waste reduction at source, enhance our waste disposal management and set targets on environmental performance. To minimise the environmental impacts concerning our activities, products and services, we shall identify the environmental impacts associated with the Group's activities and set targets to continually improve our environmental performance and minimise any potential negative impacts. Apart from that, the Group is fully committed to comply with environmental policies and standards that meet all legal requirements and integrate industry best practices into our operations and services. In all daily operations, we educate and actively promote the 4Rs: reduce, recycle, reuse and replace to enhance employees' environmental awareness.

I. Emissions

The Group's core business activities are comprised of printed media advertising, outdoor advertising, film and entertainment investment and prepaid card issuing. Since we merely engaged in the design and writing of the periodicals, the operations of the Group do not have significant impact to the environment with relatively low energy, power and water consumption and we do not generate hazardous waste. Thus, the main contributor to the Group's carbon footprint is the indirect greenhouse gas (GHG) emissions from electricity consumption, which is mainly attributed to the use of lighting system, air-conditioning and computer system. However, the Group takes steps to closely monitor and manage environmental effect of the operations, which includes applying energy saving measures in the workplace. For instance, installation of an energy-saving lighting system, switching off the lighting and air-conditioning after office hours.

We strive to reduce, reuse and recycle throughout our operations to minimize the disposal of waste to the landfill. Our property management company provides recycle bins outside our office and we engage our employees to facilitate source separation and waste recycling.

There were no non-compliance cases noted in relation to environmental laws and regulations for the year ended 31 December 2016.

II. Use of Resources

Our commitment to protect the environment is well reflected by our continuous efforts in promoting green office practices and awareness in all business operations and contribute to the sustainable development of the environment. The Group aim to reduce our operating costs as well we our carbon footprints. We are committed to a series of resource procedures to fully utilise and recycle resources (e.g. office supplies) in our daily business operations, and they are:

- Deploying energy-efficient devices which carry Energy Label issued by the Electrical and Mechanical Services Department;
- Encouraging the use of digital signature and internet communications for internal operations to reduce usage of papers. We provide tablets to management team for meetings and discussion purpose;
- Minimising the use of paper. We encourage duplex printing and reusing of single-sided printed papers; and
- Reducing the use of disposable cutlery. We provide mugs instead of paper cups to our clients. Water is supplied to wash the reusable dining utensils and cups at our office.

III. Environmental and Natural Resources

Contemporarily, modern technology has disrupted the distribution of printed media as it enables individuals to be a publisher. With high operating cost and increasing concern towards environmental protection, the Group decides to gradually phase out the printed media business, and is currently seeking opportunities to transform into digital advertising media.

As the Group recognises the importance of maintaining a green environment, green messages and practical tips for green living are regularly circulated amongst employees to achieve environmental sustainability. For instance, the paper we used for publishing Annual Report is Forest Stewardship Council ("FSC") certified. FSC's forest management standards expand protection of water quality, prohibit harvest of rare old-growth forest, prevent loss of natural forest cover and prohibit highly hazardous chemicals, which are all unique aspects of the system.

SOCIAL

I. Employment and Labour Practices

Employment and Labour Standards

Employees are regarded as one of the key aspects of success and core competitive advantage, and provide driving force for the continuous innovation of the Group.

In the People's Republic of China ("PRC"), the Group is committed to complying with the laws include but not limited to PRC Labour Contract Law, the PRC Labour Law and the PRC Social Insurance Law. According to the Provision on the Prohibition of Using Child Labour, all newly employed staff will be carefully checked for their identities prior to starting employment in a way to ensure the Group would not use any child labour.

In Hong Kong, we comply strictly with equal opportunities legislation include but not limited to the Sex Discrimination Ordinance, Race Discrimination Ordinance, Disability Discrimination Ordinance and Family Status Discrimination Ordinance, and does not engage in any forced or child labour.

The Group's practices and policies such as employment terms and conditions, employee benefits and staff personal conduct are enclosed in our Human Resources Policy & Procedure Manual, which is readily accessible to all employees.

The Group recognises and rewards performing staff by providing a competitive remuneration package and implementing a sound performance appraisal system with appropriate incentives, and to promote career development and providing opportunities within the Group for career advancement. Employees are also encouraged to discuss their targets in job advancement and career development with their senior management.

There were no non-compliance cases noted in relation to employment and labour standards laws and regulations for the year ended 31 December 2016.

Employee Health and Safety

To safeguard employees' occupational health and safety, the Group has complied to the relevant laws and regulations such as, but not limited to the Employment Ordinance, Laws of Hong Kong and the Labour Law of the People's Republic of China and other applicable regulations. The Group works hard to provide a safe and healthy working environment that we have put various occupational health and safety measures in place and regularly perform check on the work environment and staff facilities. Moreover, the Group offers comprehensive medical benefit package to its employees which covers not only medical insurance but life insurance to all full-time employees, their spouse and children (if any) under the age of 18. To raise up fire safety awareness of employees, the Group is also willing to attend annual fire drill organised by property management company.

There were no non-compliance cases noted in relation to health and safety laws and regulations during the year ended 31 December 2016.

Development and Training

Training is an important way to improve overall quality and provide comprehensive development of the employees. The Group has continuously perfected and modified employee training management system in order to enhance their competence, knowledge and performance.

In daily operations, the Group provides on-the-job training for new employees. Senior employees will act as mentors to guide the new comers. Such arrangements can enhance their communication and team spirit, also improve their technical skills and managerial capability as well as encourage learning and further development of employees at all levels. The Group also updates our employees the latest information of the industry, relevant laws and regulations from time to time.

During the reporting period, employees mainly participated in industrial training of both social media industry and payment card industry, whereas senior management mainly engaged in corporate governance training programme. We encourage our employees to initiate any work-related training programme to management and welcome them to attend during working hours.

II. Operating Practices

Supply Chain Management

The Group has been continuously optimising and improving the supplier management system, regulating the access, supervision, evaluation and departure of suppliers, constantly increasing specialisation and transparency of supply chain management. For the selection of our suppliers, our paramount considerations are the security of their data protection and stability of back-up plan and procedure. After gathering the necessary information, the Group will obtain quotations from three suppliers and choose the best option within them.

Product Responsibility

The Group attaches great importance to customer privacy, for our payment card segment specifically. For this purpose, the Group has established a Privacy Policy as a commitment to protect personal's privacy with compliance to the Personal Data (Privacy) Ordinance and the Payment Card Industry Data Security Standard Requirements and Security Assessment Procedures (PCI DSS). When handling applications from customers, we will perform due diligence checking on all customers to identify the customers and verify their identities.

Computer network and phones are the lifeblood of the Group being able to operate efficiently. Without internet, email or phone connection may downtime our business. Thus, we set up a Business Contingency Plan ("BCP") in place to take-over the provision of our business-critical systems in the event of a delay, power outage or major incident. We are able to operate and retrieve customers' data at our recovery site when the head office is not accessible. During the reporting period, the Group has performed a drill based on our contingency plan and the result was satisfactory. Our business practice is to carry out the drill on at least an annual basis to ensure its feasibility.

The Group aims to achieve high standard with all the services provided. To promptly response in the needs of our customers, we have arranged sufficient channels and staff to handle customers' queries and provide solutions to problems as soon as possible. The Vice President of Customer Services & Administration Department, is responsible to handle complaints from customers and then generate a customer services report for the management review on a quarterly basis.

There were no non-compliance cases noted in relation to data privacy related laws and regulations during the year ended 31 December 2016.

Anti-Corruption

Anti-Corruption is another focus of the Group to ensure the product service quality. During the recruitment process, the Group places great importance on the moral standard and character of the employees in addition to their knowledge and skills. Under the Group's policy, all new staff are to be receiving adequate Anti-Money Laundering ("AML") training during their induction.

The Group is fully committed to complying with local and national legislation on standards of conduct, such as the Prevention of Bribery Ordinance and Anti-Money Laundering & Counter-Terrorist Financing (Financial Institutions) Ordinance in Hong Kong, and relevant legislation on anti-corruption and bribery in the People's Republic of China. We do not tolerate corruption, bribery, extortion, money-laundering and other fraudulent activities in connection with any of our business operations.

We have issued relevant whistle-blowing procedures in setting up a separated channel on reporting suspicious fraudulent actions to the Group's management directly. During the year, no cases of corruption were reported within the Group.

Additionally, the Group has set up an Anti-Money Laundering Committee, which is comprised of Chief Executive Officer, Chief Operating Officer, Chief Compliance Officer and Finance Manager. The Committee is responsible to develop, enhance and maintain the Group's compliance culture with regular training, policies and procedures to raise the compliance awareness of staff.

There were no non-compliance cases noted in relation to corruption or money laundering related laws and regulations during the year ended 31 December 2016.

III. Community Involvement

With social responsibility in mind, the Group is in hope of expanding its efforts in the area of charity network. In May 2016, the Group has participated in a charity event organised by (A Drop of Life) to raise the awareness of cherishing water resources and reducing usage of water. During the race, our team had to carry litres of bottled water on our own. From the event, we experienced the hardship of carrying water from waterhead in downhill in peasants' daily life. We wish our contribution could build water facilities and future through providing them clean water.

On the other hand, the Group is approaching a range of charity organisations to discuss about the future opportunities to cooperate with our prepaid card business, for example, donate part of our revenue to charitable organization.

FUTURE APPROACH TOWARDS SUSTAINABLE DEVELOPMENT

In the future, we will:

- Search for energy-saving and environmentally-friendly equipment and materials for our daily operations;
- Formulate policy to promote awareness and practices on resource usage reduction, waste reduction and energy conservation; and
- Proactively participate in various community programs and contributing to society.

DIRECTORS

Executive Directors

Mr. Ruan Deqing（阮德清）, aged 53, is the Chairman and an Executive Director and is responsible for the operating and financial matters of the Group. He also acts as the compliance officer of the Group. Mr. Ruan was appointed as a Director on 5 May 2010. Mr. Ruan graduated from the Zhengzhou Institute of Railway Mechanics（鄭州鐵路機械學校）in 1986 and obtained an Adult Education Diploma in Advertising from the Xiamen University（廈門大學）in July 2000. Mr. Ruan has more than ten years of experience in the advertising industry. Prior to co-founding the Group with Mr. Lin Pintong, Mr. Ruan worked as a technician of the locomotive depot in Fuzhou of Nanchang Railway Bureau（南昌鐵路局福州機務處）during the period from 1986 to 1997. During the period from 1997 to 1999, Mr. Ruan worked at Fujian Huashui Advertising and Decorating Company Limited（福建華稅廣告裝潢有限公司）. Mr. Ruan was the general manager of Fujian Annual Ring Advertisement Co., Ltd.（福州年輪廣告有限公司）during the period from 1999 to 2002. From August 2002 to April 2010, Mr. Ruan was the general manager of Fujian Ao Shen Media Advertising Co., Ltd.（福建省奧神傳媒廣告有限責任公司）. In the three years preceding the date of this annual report, Mr. Ruan did not hold any directorship in other listed public companies in Hong Kong or overseas. Mr. Ruan is currently a director of Lizhong Limited and Joint Loyal Limited, which have an interest in such number of shares of the Company under Divisions 2 and 3 of Part XV of Securities and Futures Ordinance as disclosed in the section headed "Substantial shareholders' and other persons' interests and short positions in shares and underlying shares of the Company" in this annual report.

Mr. Peng Lichun（彭立春）, aged 35, is an Executive Director appointed on 5 March 2015. Mr. Peng has over 12 years of working experience in financial industry and has solid experience in corporate fund raising and management in Hong Kong and the People's Republic of China (the "PRC"). Mr. Peng obtained a professional certificate of economic management and computer management from Xiangtan University（湘潭大學）, PRC in 2002. He is currently a director in a wealth management company in Shenzhen which focusing securities investment and wealth management in the PRC. In the three years preceding the date of this annual report, Mr. Peng did not hold any directorship in other listed public companies in Hong Kong or overseas.

Mr. Ma Pun Fai（馬彬輝）, aged 48, is an Executive Director appointed on 25 August 2015. Mr. Ma has over 20 years' experience in administration and management. He is currently a managing director in a local electronics company. Mr. Ma had been working in the entertainment and advertising industry over six years, and was responsible for administrative and managerial work in several domestic and foreign enterprises. In the three years preceding the date of this annual report, Mr. Ma did not hold any directorship in other listed public companies in Hong Kong or overseas.

Non-Executive Director

Mr. Wang Fuqing（王福清）, aged 47, was appointed as a Non-Executive Director on 17 December 2010 and re-designated as Executive Director on 1 June 2012. On 19 July 2013, he was re-designated as a Non-Executive Director (details of which are set out in the announcement of the Company dated 19 July 2013 and retired on 13 May 2016). Mr. Wang obtained a bachelor's degree in agricultural economics and administration and a master degree in agricultural economics and administration in 1987 and 1992 respectively, from the Fujian Agriculture and Forestry University（福建農林大學）(then known as Fujian Agriculture University（福建農學院）). Mr. Wang worked at Fujian Agriculture General Development Co., Ltd.（福建省農業綜合開發公司）during the period from 1992 to 1994. Mr. Wang has nearly ten years of experience in the securities and brokerage industry. He worked at the investment banking department of Fujian Industrial Securities Co., Ltd.（福建興業證券公司）from 1994 to 1995 and worked for China Merchants Securities Co., Ltd.（招商證券股份有限公司）in China during the period from 1995 to 2004. During the period from 2004 to 2006, Mr. Wang was the Executive Director of Shenzhen Mindray Bio-medical Electronics Co., Ltd.（深圳邁瑞生物醫療電子股份有限公司）and was responsible for overseeing the capital market activities of the company. Since 2006, Mr. Wang is the general manager of Shenzhen Hui Jie Investment Company Ltd.（深圳市匯傑投資有限公司）and a director of Make Sense Group Limited. In the three years preceding the date of this annual report, Mr. Wang did not hold any directorship in other listed public companies in Hong Kong or overseas.

Independent Non-Executive Directors

Ms. Tay Sheve Li（鄭雪莉）, aged 44, is an Independent Non-Executive Director appointed on 30 September 2013. Ms. Tay graduated from the University of Strathclyde, United Kingdom, in July 1994 with a bachelor's degree in arts majoring in accounting and finance and received her master's degree in applied finance from University of Western Sydney in September 2004. Since 2002, Ms. Tay has been a certified public accountant of the Hong Kong Institute of Certified Public Accountants and a fellow member of Association of Chartered Certified Accountants. Ms. Tay has over 15 years of experience in accounting and auditing experience. From November 1997 to September 2007, she worked at Ernst & Young as a senior manager in audit assurance. From October 2007 to September 2010, Ms. Tay worked at Ernst & Young as a senior manager in the finance department. From October 2010 to June 2011, Ms. Tay was the president of finance and capital management department in Centron Telecom International Holding Ltd., a company listed on the Main Board of the Stock Exchange (stock code: 1155). Ms. Tay was an independent non-executive director of National United Resources Holdings Limited (formerly known as China Outdoor Media Group Limited), a company listed on the Main Board of the Stock Exchange (stock code: 254) from November 2011 to January 2014 and Grand Concord International Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 844), from August 2011 to November 2016. Ms. Tay is the Independent Non Executive Director who has the qualifications and experience (as mentioned above) to meet the requirements under Rule 5.05(2) of the GEM Listing Rules. Save as disclosed herein, in the three years preceding the date of this annual report, Ms. Tay did not hold any directorship in other listed public companies in Hong Kong or overseas.

Ms. Yu Shun Yan Verda (余舜茵), aged 35, is an Independent Non-Executive Director appointed on 5 March 2015. Ms. Yu graduated from The Hong Kong Institute of Education with a bachelor's degree in Education in 2004. She has almost 10 years of experience in business promotion, corporate communication and relationship management in different business sectors including public relation company and financial institutes. She is currently working in a public relation company as a marketing director and had worked in financial institutes over 8 years. In the three years preceding the date of this annual report, Ms. Yu did not hold any directorship in other listed public companies in Hong Kong or overseas.

Mr. Yau Kit Yu (邱潔如), aged 63, is an Independent Non-Executive Director appointed on 24 November 2015. Mr. Yau has over 30 years of experience in the trading and marketing industries. He started his career in sales activities in 1978, and has since 2000 served in various companies selling agricultural products as marketing directors, mainly responsible for the overall management of sales and marketing. In the three years preceding the date of this annual report, Mr. Yau did not hold any directorship in other listed public companies in Hong Kong or overseas.

SENIOR MANAGEMENT

Mr. Siu Shing Tak (蕭承德), aged 33, joined the Company in May 2013. He is currently the Chief Financial Officer and Company Secretary of the Company. Mr. Siu graduated from Walter A. Haas School of Business of the University of California, Berkeley, with a Bachelor degree in Science in Business Administration. He is a certified public accountant of American Institute of Certified Public Accountant and Hong Kong Institute of Certified Public Accountant. He has over ten years of experience in accounting, auditing and internal control. Before joining the Group as the group investor director and internal control director in May 2013, he held various senior management positions in United States and Hong Kong listed companies, in which he was responsible for the internal audit and daily financial operation and assist in their transactions and compliance with the applicable rules and regulations. He also worked in PriceWaterhouseCoopers in both United States and Hong Kong offices during which he engaged in auditing work of listed companies and initial public offering projects.

Mr. Lau Kwok Ki (劉國基), aged 57, is appointed as the Chief Executive Officer of 33 Financial Services Limited and is responsible for developing and managing payment product business. Mr. Lau holds a Diploma in Management Studies at Hong Kong Polytechnic University in 1989 and Professional Diploma in Quality Project and Service Management at ABRS Centre for Professional Development in 2009. Mr. Lau is a full member of the Hong Kong Computer Society. With over 30 years Information Technology, Cards and Bank Operations experiences including 25 years in managerial role, Mr. Lau was the Director of Technologies, Director of Management Services and Director of Interactive and Business Systems, Asia Pacific of American Express International Incorporation as well as American Express Bank Limited. Mr. Lau has extensive depth of experience in regional project management; business systems development; data center management; bank and cards operations. Mr. Lau later joined China Yinsheng Finance (Holding) Limited as Vice President-Operations to lead the Operations team to overall manage the launch and on– going support of the China UnionPay Prepaid Cards. Mr. Lau also helped China Yinsheng Finance to successfully apply for the MasterCard Credit and Prepaid Card licenses.

The Directors are pleased to present their report and the audited consolidated financial statements for the year ended 31 December 2016.

RAISING OF FUNDS AND USE OF PROCEEDS

Pursuant to Open Offer completed on 8 October 2015, the Company has raised HK$497 million (RMB423 million), net of commission and related expenses, which are intended to be applied in the following manner:

(a) approximately HK$293 million, representing 59% of the net proceeds from the Open Offer for the investments in movie industry through indirectly non-wholly owned subsidiary of the Company;

(b) approximately HK$154 million, representing approximately 31% of the net proceeds from the Open Offer for investment opportunities in the movie industry when opportunities arise;

(c) remaining balance of approximately HK$50 million, representing 10.0% of the net proceeds from the Open Offer for the general working capital for the existing businesses of the Group.

Upon receipt of the proceeds, the actual use of the proceeds as of 31 December 2016 by the Company was as follow:

(i) approximately HK$258 million were invested for 11 projects covering films and television drama series through indirectly non-wholly owned subsidiary of the Company;

(ii) approximately HK$36 million were invested for 2 projects covering film and television drama series through indirectly wholly owned subsidiary of the Company;

(iii) approximately HK$21 million were invested for 2 projects in entertainment industry;

(iv) approximately HK$30 million has been used for the general working capital for the existing businesses of the Group; and

(v) the remaining balance of approximately HK$152 million being held as bank balance.

With the fund raising from the Open Offer completed on 8 October 2015, the Group has been actively exploring opportunities for investment in the movie and television dramas industry. As of 31 December 2016, the Group has invested on total of 15 projects, with 2 projects invested in 2015. Projects covers various types of movies and television dramas, including comedy, drama and action. Investment cost for each project ranges from HK$8 million to HK$80 million. As of the report date, 7 movies completed filming procedures and is in post-production stage, the rest of the movie scripts have been finalized, with casting in progress and will be filmed in both Hong Kong and China. For risk management, 4 movies is confirmed to invest with other investors and the company is actively seeking other co-investing opportunities in the movie projects. All non-completed projects are targeting to start filming in second and third quarter of 2017, and return on the movie projects is expected to be in 2017.

REPORT OF THE DIRECTORS

PRINCIPAL ACTIVITIES

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

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 December 2016 and the state of affairs of the Company and the Group at that date are set out in the consolidated financial statements on pages 51 to 123 of this annual report.

The Directors do not recommend the payment of any dividend for the year ended 31 December 2016 (2015: Nil).

CLOSURE OF THE REGISTER OF MEMBER

The register of members of the Company will be closed from 15 May 2017 to 18 May 2017, both dates inclusive, during which period no transfer of shares (the "Shares") of the Company could be registered for determination of entitlement of shareholders of the Company to the attendance at the forthcoming annual general meeting of the Company.

FIVE YEAR FINANCIAL SUMMARY

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the past five financial years, as extracted from the audited consolidated financial statements, is set out on page 124 of this annual report. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 26 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

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

During the year ended 31 December 2016, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

RESERVES

Details of movements in the reserves of the Group and the Company during the Year are set out in pages 55 and 123 respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2016, the Company's reserves available for distribution, calculated in accordance with the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to approximately RMB443,709,000 (2015: RMB421,269,000).

MAJOR CUSTOMERS AND SUPPLIERS

Sales to the Group's five largest customers accounted for approximately 21.4% (2015: 16.8%) of the total sales for the year and sales to the largest customer included therein amounted to approximately 6.9% (2015: 5.7%) of the total sales for the year. Services supplied from the Group's five largest suppliers accounted for approximately 46.6% (2015: 50.6%) of the total cost of sales for the year and service supplied from the Group's largest supplier included therein amounted to approximately 24.6% (2015: 20.8%) of the total cost of sales for the year. None of the Directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers and suppliers.

SHARE OPTION SCHEME

Particulars of the share option scheme adopted by the Group are set out in note 27 to the consolidated financial statements.

REPORT OF THE DIRECTORS

DIRECTORS

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

Executive Directors

Mr. Ruan Deqing *(Chairman)*
Mr. Peng Lichun
Mr. Ma Pun Fai

Non-Executive Director

Mr. Wang Fuqing (retired on 13 May 2016)

Independent Non-Executive Directors

Ms. Tay Sheve Li
Ms. Yu Shun Yan Verda
Mr. Yau Kit Yu

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

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

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of Directors and senior management of the Group are disclosed in the section headed "Biographical Details of Directors and Senior Management" on pages 28 to 30 of this annual report.

DIRECTORS' SERVICE AGREEMENTS

Mr. Ruan Deqing, being the Executive Director, has entered into a service contract and supplement service contract with the Company for an initial term of three years with effect from 17 December 2010 and 11 November 2013, respectively. The service contract shall be automatically renewed and extended for successive terms of one year unless and until terminated by not less than three months' prior notice in writing served by either party on the other or by payment of three months' fixed salary in lieu of such notice at the end of the initial term or at any time thereafter. Mr. Peng Lichun and Mr. Ma Pun Fai, being Executive Directors, have no fixed term of service with the Company and they will hold office until they retire by rotation from the Board and will be eligible for re-election at the annual general meeting in accordance with the provisions of the bye-law.

Mr. Wang Fuqing, being Non-Executive Director, has entered into an appointment letter with the Company for a term of one year commencing from 19 July 2013 and retired on 13 May 2016. Ms. Tay Sheve Li, being an Independent Non-Executive Director, has entered into an appointment letter with the Company for a term of one year commencing from 30 September 2013. The appointment letter for independent non-executive Director is for a term of one year which shall be automatically renewed and extended for successive terms of one year and may be terminated after the initial term by either party by giving at least three months' written notice. The appointment is subject to the provisions of the articles of association with regard to vacation of office of directors, removal and retirement by rotation of directors. Ms. Yu Shun Yan Verda and Mr. Yau Kit Yu, being Independent Non-Executive Directors, have no fixed term of service with the Company and they will hold office until they retire by rotation from the Board and will be eligible for re-election at the annual general meeting in accordance with the provisions of the bye-law.

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

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended 31 December 2016, the Directors were not aware of any business or interest of each of the Directors, controlling shareholders and their respective associates (as defined in the GEM Listing Rules) that competes or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group.

NON-COMPETE UNDERTAKING

On 17 December 2010, Mr. Lin Pintong, Mr. Ruan Deqing, Lizhong Limited, Broad Win Limited and Joint Loyal Limited (collectively, the "Controlling Shareholders"), have given an irrevocable non-compete undertaking (the "Non-compete Undertaking") in favour of the Group pursuant to which each of them irrevocably, unconditionally, jointly and severally undertaken, among other matters, not to, directly or indirectly, carry on, invest in or be engaged in any business which would or might compete with the business of the Group. Details of the Non-compete Undertaking have been set out in the section headed "Relationship with our Controlling Shareholders" of the prospectus of the Company dated 22 February 2011.

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

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

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

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

As at 31 December 2016, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meanings of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange, pursuant to the required standard of dealings by directors of listed issuer referred to in Rule 5.46 of the GEM Listing Rules, were as follows:

Long positions in the ordinary Shares of the Company

Name of director	Nature of interest	Number of Shares held	Approximate percentage of shareholding (%)
Mr. Ruan Deqing	Interest of a controlled corporation	576,020,000 ordinary Shares *(Note 1)*	10.00

Notes:

(1) These Shares are registered in the name of Lizhong Limited ("Lizhong"), 48.73% of the entire issued share capital of which is owned by Joint Loyal Limited ("Joint Loyal"). The entire issued share capital of Joint Loyal is owned by Mr. Ruan Deqing ("Mr. Ruan"), an Executive Director. Mr. Ruan is deemed to be interested in all the Shares in which Joint Loyal is interested by virtue of the SFO. Mr. Ruan is the sole director of Joint Loyal.

Save as disclosed above, as at 31 December 2016, none of the Directors and chief executive of the Company had any other interests or short positions in any shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO.

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

So far as is known to the Directors, as at 31 December 2016, the following persons (not being a Director or chief executive of the Company) had, or were deemed to have interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Long positions in Shares and underlying Shares of the Company

Name of shareholder	Nature of interest	Number of Shares held	Approximate percentage of shareholding (%)
Mr. Lin Pintong *(Note 1)*	Interest of a controlled corporation	576,020,000	10.00
Lizhong *(Note 1)*	Beneficial owner	576,020,000	10.00
Broad Win *(Note 1)*	Interest of a controlled corporation	576,020,000	10.00
Ms. Pan Xiaoying *(Note 2)*	Interest of spouse	576,020,000	10.00
Joint Loyal *(Note 1)*	Interest of a controlled corporation	576,020,000	10.00
Ms. Liu Sibin *(Note 3)*	Interest of spouse	576,020,000	10.00
New Express Investment Limited *(Note 4)*	Beneficial owner	403,622,000	7.01
China Investment and Finance Group Limited *(Note 4)*	Interest of a controlled corporation	403,622,000	7.01

Notes:

(1) These Shares are registered in the name of and beneficially owned by Lizhong, 48.73% and 48.73% of the entire issued share capital of Lizhong is owned by Broad Win Limited ("Broad Win") and Joint Loyal respectively. The entire issued share capital of Broad Win and Joint Loyal is owned by Mr. Lin Pintong ("Mr. Lin") and Mr. Ruan respectively. Under the SFO, each of Mr. Lin, Mr. Ruan, Broad Win and Joint Loyal is deemed to be interested in all the Shares held by Lizhong. The directors of Lizhong are Mr. Lin, Mr. Ruan and Mr. Han Wenqian.

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

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

(4) These Shares were registered in the name of and beneficially owned by New Express Investment Limited ("New Express Investment"). The entire issued share capital of New Express Investment was owned by China Investment and Finance Group Limited ("China Investment"). China Investment is deemed to be interested in all the Shares in which New Express Investment was interested by virtue of the SFO.

Save as disclosed above, as at 31 December 2016, the Directors are not aware of any other persons (other than Directors or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

CORPORATE GOVERNANCE

The Company is committed to maintaining the highest standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 11 to 21 of this annual report.

EMOLUMENT POLICY

The Remuneration Committee is responsible for making recommendations to the Board on Company's policy and structure for all Directors and senior management remuneration, having regard to market competitiveness, individual performance and achievement. The Company has adopted a share option scheme as an incentive to directors and eligible participants, details of the scheme is set out in note 27 to the consolidated financial statements.

The remuneration of the senior management of the Group by band for the year ended 31 December 2016 is set out below:

Remuneration bands	**Number of senior management**
RMB500,001 to RMB1,000,000	1
RMB1,000,001 to RMB1,500,000	1

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

RELATED PARTY TRANSACTIONS

Details of related party transactions of the Group during the year ended 31 December 2016 are set out in note 35 to the consolidated financial statements. Those related party transactions constitute continuing connected transactions exempted from the reporting, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules. The Company confirmed that it has complied with the disclosure requirements in accordance with Chapter 20 of the GEM Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

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

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

For reason as disclosed in the section headed "Connected transactions" in the prospectus of the Company dated 22 February 2011, a series of contracts (the "Structure Agreements") were entered into by, among others, Aoshen Technology Service (Fuzhou) Co., Ltd. ("Aoshen Technology"), Hongkong Ao Shen Investment Co., Limited ("Aoshen Hong Kong"), Mr. Lin, Mr. Ruan and the Contracting Entities on 17 December 2010 which include:

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

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

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

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

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

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

BUSINESS ACTIVITIES OF THE CONTRACTING ENTITIES AND THEIR SIGNIFICANCE TO THE GROUP

The Contracting Entities, namely Fujian Ao Shen and Beijing Datisu, were the two operating companies established in the PRC for the purpose of implementing the Contractual Arrangements and were owned as to 50% and 50% by Mr. Lin and Mr. Ruan. As at 31 December 2016 and up to the date of this annual report, Fujian Ao Shen and Beijing Datisu were principally engaged in the daily operation and distribution of the printed media business of the Group, namely, "旅伴" (Fellow Traveller) (a monthly nationwide periodicals distributed on all CRH trains and selected regular trains in the PRC).

Pursuant to the prevailing laws and regulations in China, enterprises with foreign ownership are prohibited from engaging in the business of publication and general distribution of books, periodicals and newspapers in China. Therefore the Group entered into cooperation agreements with our publishing partners in the PRC through the Contracting Entities for the operation and distribution of our printed media, namely, "旅伴" (Fellow Traveller), and the revenue from printed media advertising contributed approximately 89.5% of the total revenue of the Group for the year ended 31 December 2016. Accordingly, the Board considers that the Contracting Entities and the Contractual Arrangements are very significant to the printed media advertising business of the Group.

The table below sets out the revenue and loss for the year of the Contracting Entities for the year ended 31 December 2016 and the total assets and total liabilities of the Contracting Entities, including intercompany balances, as at 31 December 2016:

	For the year ended 31 December 2016 RMB million	**Percentage of contribution to the Group** (%)
Revenue	2.313	4.0
Loss for the year	3.285	5.4

	As at 31 December 2016 RMB million	**Percentage of contribution to the Group** *(note)* (%)
Total assets	50.812	9.1
Total liabilities	35.784	92.5

Note: The total assets and total liabilities of the Contracting Entities (i.e. the numerator in calculation of the percentage) include a significant amount of intercompany balances of the Group of approximately RMB43.147 million and RMB35.484 million, respectively. Assuming such intercompany balances of the Group are excluded from the total assets and total liabilities of the Group in calculation of the percentage, the total assets of the Contracting Entities account for approximately 1.4% of the total assets of the Group as at 31 December 2016 whereas the total liabilities of the Contracting Entities account for approximately 0.8% of the total liabilities of the Group as at 31 December 2016.

RISKS RELATING TO THE CONTRACTUAL ARRANGEMENTS AND ACTIONS TAKEN BY THE COMPANY TO MITIGATE THE RISKS

There is no assurance that the Contractual Arrangements are in compliance with future PRC laws and regulations

Although the PRC legal advisers of the Company confirms that the Structure Agreements constitute valid and binding contractual arrangements between the parties thereto and are in compliance with the prevailing and applicable laws or regulations in China, there is no assurance that there will be no future laws and regulations promulgated by the PRC government that would limit the implementation of the arrangements under the Structure Agreements.

If the Structure Agreements are considered to be in breach of the applicable laws and regulations in China in the future, the Group could be subject to penalty imposed by the PRC government or that the arrangements under the Structure Agreements would need to discontinue or be subject to such other conditions or requirements that the Group may not be able to comply with.

Moreover, if the ownership structure, contractual arrangements and businesses under the Contractual Arrangements are found to be in violation of any existing or future laws or regulations in China, the PRC government would have discretion in dealing with such violations, including:

– revoking the business licence of Aoshen Technology, which business and operations are essential to the operation of the Group's business;

– levying fines;

– confiscating the income of Aoshen Technology;

– discontinuing or restricting the Group's operations;

– imposing conditions or requirements with which the Group's operations may not be able to comply with;

– requiring the Group to restructure its relevant ownership structure, operations or contractual arrangements; and

– taking other regulatory or enforcement actions that could be harmful to the Group's business.

If the PRC government takes any of the above mentioned measures against the Group, the Group may have to cease its business and the Group's operating results could be adversely affected.

The Company relies on the Contractual Arrangements to control and obtain economic benefits from the Operating Entities, which may not be as effective in providing operational control as direct ownership

As the Company obtains the revenue generated by the Operating Entities from the arrangements under the Structure Agreements, if Mr. Lin, Mr. Ruan and/or the Contracting Entities breach their obligations under the Structure Agreements or if the Contracting Entities loses effective control over the Operating Entities for any reason, there might be cessation of the Structure Agreements.

Cessation of the arrangements under the Structure Agreements could result in the Operating Entities ceasing to contribute revenue to the Group until alternative arrangements are found. There might be disruption or discontinuance of the Group's operations if alternative arrangements cannot be found or if any new arrangements cannot be put into effect in a timely manner. Any of these incidents could have a material adverse effect on the Group's business, operating results and financial condition.

Actions taken by the Company to mitigate the risks

In light of the risks set out above, the Company would seek legal advice from its PRC legal advisers regarding the legality, validity and enforceability of Contractual Arrangements every year so as to identify and mitigate the adverse impact brought by the Contractual Arrangements in a timely manner as a result of the future PRC laws and regulations.

In addition, it is the intention of the Group to unwind the Contractual Arrangements when foreign investment in the business of publication and general distribution of books, periodicals and newspapers in China is no longer restricted in the PRC. However, as at the date of this announcement, such restrictions remain subsisted in the PRC and therefore the Contractual Arrangements are still subsisting as at the date of this announcement.

Confirmation of Independent Non-Executive Directors:

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

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

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

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

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

Assurance Engagement on Continuing Connected Transactions:

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

PUBLIC FLOAT

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

EVENT AFTER THE REPORTING PERIOD

The Group has no significant events after the reporting period.

AUDITOR

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

On Behalf of the Board
Ruan Deqing
Chairman

Hong Kong, 27 March 2017

Deloitte.

德勤

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

OPINION

We have audited the consolidated financial statements of China 33 Media Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 51 to 123, 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 International Financial Reporting Standards ("IFRSs") 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 Hong Kong Institute of Certified Public Accountants ("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.

100 Making another century of impact
德勤百年慶 開創新紀元

Key audit matter	How our audit addressed the key audit matter
Valuation of film rights	
We identified the valuation of film rights of RMB104,388,000 as disclosed in note 22 to the consolidated financial statements as a key audit matter due to the judgment and estimation uncertainty associated with the impairment assessment as disclosed in note 4 to the consolidated financial statements. The management of the Group assesses the impairment of film rights on a film-by-film basis. The recoverable amount of the film rights was determined based on the present value of the expected future revenue generated from the film less future cost of sales. If the recoverable amount is lower than the carrying amount, the carrying amount of the film rights will be written down to its recoverable amount. Since the carrying value of film rights accounted for approximately 19% of the Group's total assets, impairment loss on the film rights will have significant impact on the results of the Group for the year ended 31 December 2016.	Our procedures in relation to valuation of film rights included: • Obtaining all agreements for the sales of film rights entered into after the end of the reporting period; • Examining the supporting documents for the installments received from the buyers for the sales of film rights; and • Assessing and challenging the management's assessment on the recoverability for those film rights not yet sold after the end of the reporting period.
Prepayment for film and entertainment business	
We identified the prepayment for film and entertainment business amounting to RMB180,843,000 as disclosed in note 22 to the consolidated financial statements as a key audit matter in view of the significant balance. The amount represents the prepayment to the production companies who are responsible for the production of movies and television dramas, concert production services and concert event management. The prepayment for film and entertainment business will be reclassified to film rights upon commencement of production of the related films.	Our procedures in relation to prepayment for film and entertainment business included: • Obtaining cooperative agreements signed with the production companies; • Checking the payment details against the terms of the cooperative agreements; • Obtaining confirmations to confirm the prepayment for film and entertainment business balance; • Conducting company searches on the production companies to ensure they are not related parties; and • Conducting interviews, on a sample basis, with the production companies to understand the progress of the production.

Key audit matter	How our audit addressed the key audit matter
Valuation of trade receivables	
We identified the valuation of trade receivables derived from the printed media advertising, outdoor advertising and prepaid card business of RMB7,611,000 as disclosed in note 21 to the consolidated financial statements as a key audit matter due to the use of judgment and estimation uncertainty associated with the impairment assessment as disclosed in note 4 to the consolidated financial statements. In determining the allowance for trade receivables, the management considers the credit history including default or delay in payments, the settlement records, subsequent settlements and aging analysis of trade receivables.	Our procedures in relation to valuation of trade receivables included: • Obtaining an understanding of how allowance for doubtful debts is estimated by the management; • Testing on a sample basis, the accuracy of ageing profile on trade receivables by checking to the underlying sales invoices; • Testing on a sample basis, the subsequent settlement of trade receivables balances; and • Assessing and challenging management's assessment on the recoverability of the trade receivables which are past due but not impaired and corroborating explanations with historical settlement pattern of the relevant customers.

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 IFRSs 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 the 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 Lui Chi Wang, Robert Andrew.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

27 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
Continuing operations			
Revenue	*5*	**57,494**	89,309
Cost of sales		**(36,762)**	(63,208)
Gross profit		**20,732**	26,101
Other income	*7*	**1,577**	2,456
Other gains and losses, net	*8*	**(19,191)**	(10,711)
Selling and distribution expenses		**(23,420)**	(24,539)
Administrative expenses		**(39,685)**	(37,085)
Share of results of associates		**–**	2
Share of results of a joint venture		**(538)**	(421)
Loss before taxation	*9*	**(60,525)**	(44,197)
Taxation	*11*	**(151)**	(808)
Loss for the year from continuing operations		**(60,676)**	(45,005)
Discontinued operations			
Loss for the year from discontinued operations	*13*	**–**	(247)
Loss for the year		**(60,676)**	(45,252)
Other comprehensive income for the year			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**31,922**	6,278
Total comprehensive expense for the year		**(28,754)**	(38,974)
Loss for the year attributable to owners of the Company:			
– from continuing operations		**(59,583)**	(44,935)
– from discontinued operations		**–**	(247)
		(59,583)	(45,182)
Loss for the year attributable to non-controlling interests from continuing operations		**(1,093)**	(70)
		(60,676)	(45,252)

	Notes	2016 RMB'000	2015 RMB'000
Total comprehensive expense for the year attributable to:			
Owners of the Company		**(27,661)**	(38,904)
Non-controlling interests		**(1,093)**	(70)
		(28,754)	(38,974)
		RMB cents	RMB cents
Basic loss per share	*14*		
From continuing and discontinued operations		**(1.03)**	(2.18)
From continuing operations		**(1.03)**	(2.17)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
Non-current assets			
Property, plant and equipment	*15*	**25,076**	20,168
Other non-current assets	*16*	**–**	–
Interest in a joint venture	*17*	**607**	1,145
Interests in associates	*18*	**–**	6,241
Available-for-sale investments	*19*	**–**	–
Prepayments and deposits	*21*	**3,854**	14,286
Prepayment for film and entertainment business	*22*	**95,890**	35,305
Trade receivables	*21*	**–**	3,700
		125,427	80,845
Current assets			
Film rights	*22*	**104,388**	–
Trade and bills receivables	*21*	**7,611**	15,644
Prepayments, deposits and other receivables	*21*	**45,421**	47,833
Prepayment for film and entertainment business	*22*	**84,953**	–
Held for trading investments	*20*	**18,589**	6,137
Pledged bank deposits	*23*	**15,375**	15,613
Restricted cash	*23*	**5,616**	–
Cash and cash equivalents	*23*	**147,963**	420,334
		429,916	505,561
Current liabilities			
Trade payables	*24*	**13,799**	21,667
Other payables and accruals	*24*	**24,342**	17,370
Amount due to an associate	*25*	**–**	3,000
Tax payable		**531**	1,425
		38,672	43,462
Net current assets		**391,244**	462,099
Net assets		**516,671**	542,944

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	Notes	**2016** **RMB'000**	2015 RMB'000
Capital and reserves			
Share capital	*26*	**36,721**	36,721
Reserves		**482,469**	500,576
Equity attributable to owners of the Company		**519,190**	537,297
Non-controlling interests		**(2,519)**	5,647
Total equity		**516,671**	542,944

The consolidated financial statements on pages 51 to 123 were approved and authorised for issue by the Board of Directors on 27 March 2017 and are signed on its behalf by:

Ruan Deqing
DIRECTOR

Ma Pun Fai
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 RMB'000	Capital reserve RMB'000 *(Note i)*	Statutory reserve RMB'000 *(Note ii)*	Share redemption reserve RMB'000	Exchange reserve RMB'000	Share option reserve RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2015	3,957	224,984	26,239	13,174	19	(6,549)	–	(119,924)	141,900	5,387	147,287
Loss for the year	–	–	–	–	–	–	–	(45,182)	(45,182)	(70)	(45,252)
Exchange differences on translation of foreign operations	–	–	–	–	–	6,278	–	–	6,278	–	6,278
Total comprehensive income (expense) for the year	–	–	–	–	–	6,278	–	(45,182)	(38,904)	(70)	(38,974)
Deemed contribution from non-controlling interest	–	–	–	–	–	–	–	–	–	330	330
Issue of subscription shares	743	20,358	–	–	–	–	–	–	21,101	–	21,101
Issue of shares by rights issue	32,021	382,200	–	–	–	–	–	–	414,221	–	414,221
Transaction costs attributable to issue of shares	–	(1,021)	–	–	–	–	–	–	(1,021)	–	(1,021)
At 31 December 2015	36,721	626,521	26,239	13,174	19	(271)	–	(165,106)	537,297	5,647	542,944
Loss for the year	–	–	–	–	–	–	–	(59,583)	(59,583)	(1,093)	(60,676)
Exchange differences on translation of foreign operations	–	–	–	–	–	31,922	–	–	31,922	–	31,922
Total comprehensive income (expense) for the year	–	–	–	–	–	31,922	–	(59,583)	(27,661)	(1,093)	(28,754)
Reclassified upon dissolution of a subsidiary	–	–	–	–	–	–	–	7,073	7,073	(7,073)	–
Recognition of equity-settled share-based payments *(Note 26)*	–	–	–	–	–	–	2,481	–	2,481	–	2,481
At 31 December 2016	36,721	626,521	26,239	13,174	19	31,651	2,481	(217,616)	519,190	(2,519)	516,671

Notes:

(i) The capital reserve represents the aggregate of:

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

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	2016 RMB'000	2015 RMB'000
OPERATING ACTIVITIES		
Loss before taxation		
– continuing operations	**(60,525)**	(44,197)
– discontinued operations	**–**	(247)
Adjustments for:		
Depreciation of property, plant and equipment	**3,103**	2,455
Bank interest income	**(816)**	(626)
Loss on disposal of property, plant and equipment	**39**	186
Loss on disposal of an associate	**241**	–
Loss on disposal of other non-current assets	**–**	5,668
Loss on disposal of a subsidiary	**–**	19
Loss on capital contribution to a subsidiary	**–**	330
Share-based payment expenses	**2,481**	–
Amortisation of other non-current assets	**–**	642
Allowance for bad and doubtful debts, net	**6,783**	501
Impairment loss on amount due from a former subsidiary	**1,434**	–
Impairment loss on deposits paid for advertising agency rights and other	**12,399**	–
Impairment loss on loans receivables	**–**	2,155
Impairment loss on other receivables	**–**	640
Share of results of a joint venture	**538**	421
Share of results of associates	**–**	(2)
Fair value changes of held for trading investments	**(391)**	2,211
Imputed interest income on non-current deposits, net	**(479)**	(723)
Operating cash flows before movements in working capital	**(35,193)**	(30,567)
Increase in film rights	**(104,388)**	–
Decrease in loans receivables	**–**	27,354
Decrease (increase) in trade and bills receivables	**691**	(573)
Decrease in prepayments, deposits and other receivables	**39,550**	4,646
Increase in prepayment on film and entertainment business	**(180,843)**	(35,305)
Increase in restricted cash	**(5,616)**	–
Decrease in trade payables	**(9,177)**	(3,652)
Increase (decrease) in other payables and accruals	**8,191**	(4,088)
Purchase of held for trading investments	**(23,451)**	(10,823)
Proceeds from disposal of held for trading investments	**12,318**	2,744
Cash used in operations	**(297,918)**	(50,264)
PRC tax paid	**(1,045)**	(1,432)
NET CASH USED IN OPERATING ACTIVITIES	**(298,963)**	(51,696)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
INVESTING ACTIVITIES			
Bank interest received		**816**	626
Deposits paid for acquisition of property, plant and equipment		**–**	(750)
Proceeds from disposal of property, plant and equipment		**5**	116
Purchase of property, plant and equipment		**(2,436)**	(7,589)
Repayment from a former subsidiary		**9,483**	1,070
Net cash inflow (outflow) on disposal of a subsidiary	*29*	**425**	(5,394)
Proceeds from disposal of an associate		**5,879**	–
Withdrawal of pledged bank deposits		**19,010**	10,350
Placement of pledged bank deposits		**(15,193)**	–
NET CASH FROM (USED IN) INVESTING ACTIVITIES		**17,989**	(1,571)
FINANCING ACTIVITIES			
Proceeds from issue of subscription shares		**–**	21,101
Proceeds from rights issue		**–**	414,221
Expense on issue of shares		**–**	(1,021)
Repayment to an associate		**(3,000)**	–
NET CASH (USED IN) FROM FINANCING ACTIVITIES		**(3,000)**	434,301
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(283,974)**	381,034
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**420,334**	29,790
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**11,603**	9,510
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	*23*	**147,963**	420,334

1. GENERAL

China 33 Media Group Limited ("the Company") was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and its shares are listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The registered office address of the Company is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands and the principal place of business of the Company is Suite 2001, Tower 1, China Hong Kong City, 33 Canton Road, Tsimshatsui, Kowloon, Hong Kong.

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

The Company is an investment holding company. The principal activities of its subsidiaries, a joint venture and associates are set out in notes 36, 17 and 18 respectively.

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

Amendments to IFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board ("IASB") for the first time in the current year:

Amendments to IFRS 11	Accounting for acquisitions of interest in joint operations
Amendments to IAS 1	Disclosure initiative
Amendments to IAS 16 and IAS 38	Clarification of acceptable methods of depreciation and amortisation
Amendments to IAS 16 and IAS 41	Agriculture: Bearer plants
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment entities: Applying the consolidation exception
Amendments to IFRSs	Annual improvements to IFRSs 2012-2014 cycle

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

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (continued)

Amendments to IAS 1 Disclosure initiative

The Group has applied the amendments to IAS 1 Disclosure initiative for the first time in the current year. The amendments to IAS 1 clarify that an entity needs not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material, and give guidance on the bases of aggregating and disaggregating information. However, the amendments reiterate that an entity should consider providing additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users of financial statements to understand the impact of particular transactions, events and conditions on the entity's financial position and financial performance.

As regards the structure of the financial statements, the amendments provide examples of systematic ordering or grouping of the notes.

The Group has applied these amendments retrospectively. The grouping and ordering of notes have been revised to give prominence to the areas of the Group's activities that management considers to be most relevant to an understanding of the Group's financial performance and financial position. Specifically, information to financial instruments were reordered to note 33. Other than the above presentation and disclosure changes, the application of the amendments to IAS 1 has not resulted in any impact on the financial performance or financial position of the Group in these consolidated financial statements.

New and amendments to IFRSs in issue but not yet effective

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

IFRS 9	Financial instrument[1]
IFRS 15	Revenue from contracts with customers and the related Amendments[1]
IFRS 16	Leases[2]
Amendments to IFRS 2	Classification and measurement of share-based payment transactions[1]
Amendments to IFRS 4	Applying IFRS 9 financial instruments with IFRS 4 insurance contracts[1]
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture[3]
Amendments to IAS 7	Disclosure initiative[4]
Amendments to IAS 12	Recognition of deferred tax assets for unrealised losses[4]
Amendments to IFRSs	Annual improvements to IFRSs 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.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (continued)

IFRS 9 "Financial Instruments"

IFRS 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 IFRS 9 which are relevant to the Group are:

- All recognised financial assets that are within the scope of IFRS 9 are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

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

Based on the Group's financial instruments and risk management policies as at 31 December 2016, the application of IFRS 9 in the future may have a material impact on the classification and 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.

IFRS 15 "Revenue from Contracts with Customers"

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

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSS") (continued)

IFRS 15 "Revenue from Contracts with Customers" (continued)

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

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

In 2016, the HKICPA issued Clarifications to IFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of IFRS 15 in the future may result in more disclosures, however, the directors of the Company do not anticipate that the application of IFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

The directors of the Company anticipate that the application of IFRS 15 in the future will not have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements based on the existing business model of the Group as at 31 December 2016.

IFRS 16 "Leases"

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

IFRS 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.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSS") (continued)

IFRS 16 "Leases" (continued)

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 operating lease payments as operating cash flows. Under the IFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 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 IFRS 16.

As at 31 December 2016, the Group has non-cancellable operating lease commitments of HK$3,360,000 as disclosed in note 30. A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 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 IFRS 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.

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

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange ("Listing Rules") 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 IFRS 2 Share-based payment, leasing transactions that are within the scope of IAS 17 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 Inventories or value in use in IAS 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.

Basis of consolidation

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

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

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

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

Changes in the Group's ownership interests in existing subsidiaries

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

Investments in associates and joint venture

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.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates and joint venture (continued)

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

When the Group ceases to have significant influence over an associate or joint control over a joint venture, 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. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

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

Revenue recognition

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

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

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

Transaction fees from prepaid card is recognised when the prepaid cardholders made payments of fares using the prepaid card.

Other card related fees are recognised when the service is provided.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Service income is recognised when services are provided.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

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

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

Government grants

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

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

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

Leasing

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

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasehold land and building (continued)

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.

Film rights

Film rights represent films, television programmes and television drama series ("films" or singularly, "film") produced by the Group or acquired by the Group.

Prepayment under film cooperation agreements are transferred to film rights upon commencement of production of the related films.

Film rights are stated at cost less any identified impairment loss.

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

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 are recognised in profit or loss.

Foreign currencies

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

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

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

Retirement benefit costs

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

Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

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

Other non-current assets

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

Amortisation for other non-current assets is provided on a straight-line basis over their respective estimated useful lives, i.e. the term of the expected duration of outdoor advertising activities to be carried out by the Group. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

A non-current asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of a non-current asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment on tangible assets

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

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

Financial assets

The Group's financial assets are classified as financial assets at fair value through profit or loss ("FVTPL"), available-for-sale 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 financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in net gains or losses.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is (i) held for trading, or (ii) it is designated as at FVTPL.

A financial asset is classified as held for trading if:

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)
Financial assets (continued)
Financial assets at FVTPL (continued)
Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets and is included in other gains and losses, net. Fair value is determined in the manner described in note 33.

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Impairment of financial assets (continued)

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments and observable changes in national or local economic conditions that correlate with default on receivables.

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

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

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

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

Financial liabilities and equity instruments

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

Equity instruments

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis.

Financial liabilities at amortised cost

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

Derecognition

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

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable 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 have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Equity-settled share-based payment transactions

Share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve). At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share option reserve. For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical accounting judgements in applying accounting policies

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

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

Control over the Contracting Entities

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

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

Critical accounting judgements in applying accounting policies (continued)

Control over the Contracting Entities (continued)

Framework agreements

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

Option agreements

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

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

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

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

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

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

Critical accounting judgements in applying accounting policies (continued)

Control over the Contracting Entities (continued)

Option agreements (continued)

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

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

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

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

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

Power of attorney

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

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

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

Critical accounting judgements in applying accounting policies (continued)

Control over the Contracting Entities (continued)

Power of attorney (continued)

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

Exclusivity agreements

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

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

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

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

Equity pledge agreements

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

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

Critical accounting judgements in applying accounting policies (continued)

Control over the Contracting Entities (continued)

Equity pledge agreements (continued)

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

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

In the opinion of the directors, all the terms of the Contractual Arrangements are valid, binding and legally enforceable on all parties under the applicable laws in the PRC. Pursuant to the Contractual Arrangements, Mr. Lin and Mr. Ruan assigned all the shareholder's rights of the Contracting Entities and to assign the power to appoint and remove all the members of the board of directors and to govern the financial and operating policies of the Contracting Entities to the Group. The directors of the Company considered such agreements give the Group the current ability to direct the relevant activities of the Contracting Entities. With the power over the Contracting Entities and the ability to use the power over the Contracting Entities to affect the amount of the Group's return, the Group treats the Contracting Entities as wholly-owned subsidiaries of the Company under IFRS 10 and the Contracting Entities' results, assets and liabilities are consolidated with those of the Group. The total assets, total liabilities and the loss for the year of the Contracting Entities and their subsidiaries are RMB50,812,000, RMB35,784,000 and RMB3,285,000 (2015: RMB57,774,000, RMB39,461,000 and RMB4,971,000) respectively.

Key sources of estimation uncertainty

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

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

Key sources of estimation uncertainty (continued)

Impairment of property, plant and equipment

Determining whether an impairment is required requires an estimation of recoverable amounts of the property, plant and equipment or the respective cash generating units ("CGU") in which the property, plant and equipment belong, which is the higher of value in use and fair value less costs of disposal. If there is any indication that an asset may be impaired, recoverable amount shall be estimated for individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the Group shall determine the recoverable amount of the CGU to which the asset belongs. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the assets or CGUs and a suitable discount rate in order to calculate the present value. The discount rate represents a rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted. Where the actual future cash flows or the revision of estimated future cash flows are less than original estimated future cash flow, a material impairment loss may arise. As at 31 December 2016, the carrying amount of property, plant and equipment is RMB25,076,000 (2015: RMB20,168,000).

Estimated impairment of film rights

At the end of the reporting period, the management of the Group assesses the impairment of film rights with reference to its recoverable amount. The assessment was made on a film-by-film basis. The recoverable amount of the film rights was determined based on the present value of the expected future revenue generated from the film less future cost of sales. The cash flow forecast calculation requires the management to estimate the future revenue expected to arise. If the recoverable amount is lower than the carrying amount, the carrying amount of the film rights will be written down to its recoverable amount. Based on the management assessment's on the recoverability of film rights, no impairment loss was recongised. As at 31 December 2016, the carrying amount of the film rights is RMB104,388,000 (2015: nil). Details of the film rights are disclosed in note 22.

Allowance for bad and doubtful debts, amount due from a former subsidiary and refundable deposits and other receivables

The policy for allowance for bad and doubtful debts of the Group is based on the evaluation of collectability, ageing analysis of accounts, the values of underlying collateral and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of those borrowers and customers in default of settlement. If the financial conditions of counterparties and their ability to make payments worsen, additional allowance may be required. Impairment losses of RMB1,434,000 (2015: nil) and RMB12,399,000 (2015: nil) are recognised for amount due from a former subsidiary and deposits paid for the advertising agency rights and other respectively. As at 31 December 2016, the aggregate carrying amount of trade and bills receivables, amount due from a former subsidiary and refundable deposits and other receivables, net of allowance for bad and doubtful debts, are RMB7,611,000, RMB4,191,000 and RMB32,876,000 (2015: RMB18,844,000, RMB14,795,000 and RMB35,505,000) respectively.

5. REVENUE

	2016 RMB'000	2015 RMB'000
An analysis of the Group's revenue for the year from continuing operations is as follows:		
Printed media advertising income	**51,465**	80,673
Outdoor advertising income	**5,166**	8,636
Prepaid card income	**863**	–
Total	**57,494**	89,309

Included in revenue from outdoor advertising income was an amount of RMB1,252,000 in respect of advertising services provided whereby the Group received or will receive residential properties situated in the People's Republic of China (the "PRC") for the year ended 31 December 2015. Revenue is determined based on the fair value of advertising services provided which approximated the fair value of the properties determined with reference to the market value of similar properties in the same location.

6. SEGMENT INFORMATION

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

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

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

(c) film and entertainment investment: investment for profit sharing on box office of movies and concerts and distribution income of film rights and television drama; and

(d) prepaid card: transaction fees earned from participating service providers for the use of the prepaid cards by cardholders and other card related fees upon the provision of services.

During the year ended 31 December 2016, the Group started to engage in a new operating segment, prepaid card business in Hong Kong.

During the year ended 31 December 2015, the Group disposed of the entire equity interest in 33 Consultants Services Limited ("33 Consultants") which engaged in money lending business. Accordingly, the Group's money lending operation is treated as discontinued operation.

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

6. SEGMENT INFORMATION (continued)

Segment revenue and results

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

For the year ended 31 December 2016

	Printed media advertising RMB'000	Outdoor advertising RMB'000	Film and entertainment investment RMB'000	Prepaid card RMB'000	Consolidated RMB'000
Continuing operations					
Revenue – external customers	51,465	5,166	–	863	57,494
Segment profit (loss)	19,033	(6,861)	(1,425)	(16,749)	(6,002)
Bank interest income					816
Unallocated other income, other gains and losses, net					(5,126)
Share of results of a joint venture					(538)
Share-based payment expenses					(2,481)
Corporate and other unallocated expenses					(47,194)
Loss before taxation					(60,525)

For the year ended 31 December 2015

	Printed media advertising RMB'000	Outdoor advertising RMB'000	Film and entertainment investment RMB'000	Prepaid card RMB'000	Consolidated RMB'000
Continuing operations					
Revenue – external customers	80,673	8,636	–	–	89,309
Segment profit (loss)	29,612	(8,955)	(350)	–	20,307
Bank interest income					565
Unallocated other income, other gains and losses, net					(3,374)
Share of results of associates					2
Share of results of a joint venture					(421)
Corporate and other unallocated expenses					(61,276)
Loss before taxation					(44,197)

6. SEGMENT INFORMATION (continued)

Segment revenue and results (continued)

The accounting policies of the reportable and operating segments are the same as the Group's accounting policies described in note 3. Segment result represents the profit earned or loss incurred by each segment without allocation of bank interest income, certain other income and other gains and losses, net, impairment loss on amount due from a former subsidiary, impairment loss on deposits paid for advertising agency rights and other, loss on disposal of an associate, fair value changes of held for trading investments, loss on disposal of property, plant and equipment, share of results of a joint venture and associates and corporate and other unallocated expenses. Corporate and other unallocated expenses included selling and distribution expenses, administrative expenses, share-based payment expenses and other operating expenses. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

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

At 31 December 2016

	Printed media advertising RMB'000	Outdoor advertising RMB'000	Film and entertainment investment RMB'000	Prepaid card RMB'000	Consolidated RMB'000
Continuing operations					
Segment assets	10,386	9,399	305,030	1,710	326,525
Interest in a joint venture					607
Held for trading investments					18,589
Amount due from a former subsidiary					4,191
Corporate and other unallocated assets					36,477
Pledged bank deposits					15,375
Restricted cash					5,616
Cash and cash equivalents					147,963
Consolidated assets					555,343
Continuing operations					
Segment liabilities	13,721	10,246	–	5,886	29,853
Corporate and other unallocated liabilities					8,819
Consolidated liabilities					38,672

6. SEGMENT INFORMATION (continued)

Segment assets and liabilities (continued)

At 31 December 2015

	Printed media advertising RMB'000	Outdoor advertising RMB'000	Film and entertainment investment RMB'000	Prepaid card RMB'000	Consolidated RMB'000
Continuing operations					
Segment assets	20,955	24,539	37,867	–	83,361
Interest in a joint venture					1,145
Interests in associates					6,241
Held for trading investments					6,137
Amount due from a former subsidiary					14,795
Corporate and other unallocated assets					38,780
Pledged bank deposits					15,613
Cash and cash equivalents					420,334
Consolidated assets					586,406
Continuing operations					
Segment liabilities	27,910	5,625	–	–	33,535
Corporate and other unallocated liabilities					9,927
Consolidated liabilities					43,462

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

- all assets are allocated to operating and reportable segments other than property, plant and equipment, held for trading investments, amount due from a former subsidiary, interests in associates and a joint venture, certain prepayments, deposits and other receivables, pledged bank deposits, restricted cash and cash and cash equivalents; and

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

6. SEGMENT INFORMATION (continued)

Other segment information

For the year ended 31 December 2016

	Printed media advertising RMB'000	Outdoor advertising RMB'000	Film and entertainment investment RMB'000	Prepaid card RMB'000	Consolidated RMB'000
Amounts included in the measure of segment results or segment assets from continuing operations:					
Allowance for bad and doubtful debts, net	4,555	2,228	–	–	6,783
Imputed interest income on non-current deposits	–	479	–	–	479
Impairment loss on deposits paid for advertising agency rights	–	7,000	–	–	7,000
Advertising agency fee expense	12,561	2,942	–	–	15,503

For the year ended 31 December 2015

	Printed media advertising RMB'000	Outdoor advertising RMB'000	Film and entertainment investment RMB'000	Prepaid card RMB'000	Consolidated RMB'000
Amounts included in the measure of segment results or segment assets from continuing operations:					
Amortisation of other non-current assets	–	642	–	–	642
(Reversal of) allowance for bad and doubtful debts, net	(256)	757	–	–	501
Loss on disposal of other non-currents assets	–	5,668	–	–	5,668
Imputed interest income on non-current deposits	–	723	–	–	723
Advertising agency fee expense	32,780	8,838	–	–	41,618

6. SEGMENT INFORMATION (continued)

Geographical information

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

	Revenue from external customers		Non-current assets	
	2016	2015	**2016**	2015
	RMB'000	RMB'000	**RMB'000**	RMB'000
Continuing operations:				
Hong Kong	**863**	–	**2,935**	1,704
The PRC	**56,631**	89,309	**122,492**	62,156
	57,494	89,309	**125,427**	63,860

Note: Non-current assets excluded financial assets.

Information about major customers

For the years ended 31 December 2016 and 2015, no revenue is derived from a single customer of the Group which accounted for over 10% of the Group's total revenue from continuing operations.

7. OTHER INCOME

	2016	2015
	RMB'000	RMB'000
Continuing operations		
Bank interest income	**816**	565
Imputed interest income on non-current deposits *(note 21(ii))*	**479**	723
Government grants *(Note)*	**133**	76
Others	**149**	1,092
	1,577	2,456

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

8. OTHER GAINS AND LOSSES, NET

	2016 RMB'000	2015 RMB'000
Continuing operations		
Allowance for bad and doubtful debts, net	**6,783**	501
Impairment loss on amount due from a former subsidiary	**1,434**	–
Impairment loss on deposits paid for advertising agency rights and other	**12,399**	–
Impairment loss on other receivables	**–**	640
Loss on disposal of an associate	**241**	–
Loss on disposal of property, plant and equipment	**39**	186
Loss on disposal of other non-current assets	**–**	5,668
Net exchange loss	**463**	322
Fair value change of held for trading investments	**(391)**	2,211
Others	**(1,777)**	1,183
	19,191	10,711

9. LOSS BEFORE TAXATION

	2016 RMB'000	2015 RMB'000
Loss before taxation from continuing operations has been arrived at after charging:		
Auditor's remuneration	**1,195**	1,175
Depreciation of property, plant and equipment	**3,103**	2,441
Advertising agency fees for printed media and outdoor advertising (included in cost of sales) *(Note)*	**15,503**	41,618
Amortisation of other non-current assets (included in cost of sales)	**–**	642
Minimum lease payments under operating leases on buildings	**6,722**	6,185
Employee benefit expense (including directors' emoluments *(see note 10)*):		
Salaries, bonuses and other benefits	**28,967**	26,661
Contributions to retirement benefits schemes	**3,019**	5,871
Total employee benefit expenses	**31,986**	32,532

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

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

Directors' and chief executive's remuneration

Directors' and Chief executive's remuneration for the year, disclosed pursuant to the applicable Listing Rules and CO, is as follows:

	For the year ended 31 December 2016			
	Directors' fees RMB'000	Salaries and allowances RMB'000	Retirement benefits scheme contributions RMB'000	Total emoluments RMB'000
Executive directors				
Mr. Peng Lichun	154	–	–	154
Mr. Ma Pun Fai	184	–	–	184
Mr. Ruan	–	514	30	544
	338	514	30	882
Non-executive directors				
Mr. Wang Fuqing *(Note)*	133	–	–	133
	133	–	–	133
Independent non-executive directors				
Ms. Tay Sheve Li	154	–	–	154
Ms. Yu Shun Yan Verda	103	–	–	103
Mr. Yau Kit Yu	51	–	–	51
	308	–	–	308
Total emoluments	779	514	30	1,323

Note: Mr. Wang Fuqing retired as a non-executive director on 13 May 2016.

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

Directors' and chief executive's remuneration (continued)

	For the year ended 31 December 2015			
	Directors' fees RMB'000	Salaries and allowances RMB'000	Retirement benefits scheme contributions RMB'000	Total emoluments RMB'000
Executive directors				
Mr. Lin *(Note a)*	–	200	5	205
Mr. Peng Lichun *(Note b)*	120	–	–	120
Mr. Ma Pun Fai *(Note c)*	51	–	–	51
Ms. Yang Kan *(Note d)*	–	–	–	–
Mr. Ruan	–	500	30	530
Mr. Han Wenqian *(Note e)*	–	76	2	78
	171	776	37	984
Non-executive directors				
Mr. Wang Jianqing *(Note f)*	–	–	–	–
Mr. Wang Fuqing	293	–	–	293
	293	–	–	293
Independent non-executive directors				
Mr. Chen Shaofeng *(Note g)*	24	–	–	24
Ms. Tay Sheve Li	146	–	–	146
Mr. Teng Tai *(Note h)*	95	–	–	95
Ms. Yu Shun Yan Verda *(Note i)*	80	–	–	80
Mr. Yau Kit Yu *(Note j)*	5	–	–	5
	350	–	–	350
Total emoluments	814	776	37	1,627

Notes:

(a) Mr. Lin retired as an executive director on 8 May 2015.

(b) Mr. Peng Lichun was appointed as an executive director on 5 March 2015.

(c) Mr. Ma Pun Fai was appointed as an executive director on 25 August 2015.

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

Directors' and chief executive's remuneration (continued)

Notes: (continued)

(d) Ms. Yang Kan was appointed as an executive director on 6 February 2015 and resigned as an executive director on 4 August 2015.

(e) Mr. Han Wenqian resigned as an executive director on 6 February 2015.

(f) Mr. Wang Jianqing resigned as a non-executive director on 5 May 2015.

(g) Mr. Chen Shaofeng resigned as an independent non-executive director on 5 March 2015.

(h) Mr. Teng Tai resigned as an independent non-executive director on 25 August 2015.

(i) Ms. Yu Shun Yan Verda was appointed as an independent non-executive director on 5 March 2015.

(j) Mr. Yau Kit Yu was appointed as an independent non-executive director on 24 November 2015.

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group. The non-executive directors' emoluments shown above were for their services as directors of the Company or its subsidiaries. The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

Employees' emoluments

Of the five individuals with the highest emoluments of the Group, none (2015: none) were directors of the Company. The emoluments of the remaining five (2015: five) individuals are set out as follows:

	2016 **RMB'000**	2015 RMB'000
Salaries, bonuses and other benefits	**3,816**	3,978
Contributions to retirement benefits schemes	**77**	73
	3,893	4,051

Their emoluments are within the following band:

	2016 **Number of employees**	2015 Number of employees
HK$500,001 to HK$1,000,000	**4**	4
HK$1,000,001 to HK$1,500,000	**1**	1
	5	5

During the years ended 31 December 2016 and 2015, no emoluments were paid by the Group to the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived or agreed to waive any emoluments during both years.

11. TAXATION

	2016 **RMB'000**	2015 RMB'000
Continuing operations		
Current tax:		
PRC Enterprise Income Tax	**–**	1,057
Under/(over) provision in prior years	**151**	(249)
	151	808

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

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

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

	2016 **RMB'000**	2015 RMB'000
Loss before taxation from continuing operations	**(60,525)**	(44,197)
Tax credit at applicable tax rate of 25% (2015: 25%)	**(15,131)**	(11,049)
Tax effect of expenses not deductible for tax purpose	**7,421**	4,650
Tax effect of income not taxable for tax purpose	**(1,270)**	(127)
Tax effect of tax losses not recognised	**9,240**	8,810
Tax effect of utilisation of tax losses previously not recognised	**(138)**	–
Tax effect of share of results of a joint venture	**135**	105
Tax effect of share of results of associates	**–**	(1)
Tax effect of deductible temporary differences not recognised	**(257)**	(103)
Under/(over) provision in prior years	**151**	(249)
Others	**–**	(1,228)
Taxation from continuing operations for the year	**151**	808

As at 31 December 2016, the Group had estimated unused tax losses of RMB109,625,000 (2015: RMB78,239,000) available for offset against future profits. Included in unrecognised tax losses are losses of RMB69,056,000 (2015: RMB60,330,000) that can be carried forward for five years from the year in which the losses arose for offsetting against future taxable profits of the companies in which the losses arose. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams.

11. TAXATION (continued)

At the end of the reporting period, the Group has deductible temporary differences of RMB28,022,000 (31 December 2015: RMB29,050,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to RMB34,190,000 (2015: RMB41,272,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

12. DIVIDENDS

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

The directors do not recommend the payment of a dividend in respect of the year ended 31 December 2016 (2015: nil).

13. DISCONTINUED OPERATIONS

Discontinued operation during the year ended 31 December 2015

On 16 September 2015, the Group disposed of the entire equity interest in 33 Consultants to independent third parties at a consideration of HK$500,000 (approximately RMB425,000). Prior to disposal, 33 Consultants was principally engaged in provision of mortgage loans and short-term loans in Hong Kong. Accordingly the Group's operating segment regarding money lending business is presented as discontinued operation.

The loss for the year from the discontinued provision of money lending operating segment is set out below.

	2015 RMB'000
Loss from money lending for the year	(228)
Loss on disposal of a subsidiary	(19)
	(247)

13. DISCONTINUED OPERATIONS (continued)

Discontinued operation during the year ended 31 December 2015 (continued)

The results of the money lending for the period from 1 January 2015 to 16 September 2015, which have been included in the consolidated statement of profit or loss and other comprehensive income, were as follows:

	1/1/2015 to 16/9/2015 RMB'000
Revenue	2,900
Cost of services	(56)
Other income	61
Other gains and losses	(2,155)
Administration expenses	(978)
Loss before taxation	(228)
Taxation	–
Loss for the year	(228)

Loss for the year from discontinued operation include the following:

Impairment loss on loan receivables	2,155
Depreciation for property, plant and equipment	14
Salaries, bonuses and other benefits	583
Contributions to retirement benefits schemes	22

During the year ended 31 December 2015, 33 Consultants contributed RMB30,604,000 and RMB56,000 in respect of the Group's net operating cash flows and investing activities respectively.

The carrying amounts of the assets and liabilities of 33 Consultants at the date of disposal are disclosed in note 29.

14. LOSS PER SHARE

For continuing and discontinued operations

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

	2016 RMB'000	2015 RMB'000
Loss for the purpose of basic loss per share (Loss for the year attributable to owners of the Company)	**(59,583)**	(45,182)

	Number of shares 2016 '000	 2015 '000
Weighted average number of ordinary shares for the purpose of basic loss per share	**5,760,000**	2,076,411

The computation of basic loss per share does not assume the exercise of the share options because the exercise prices of these options were higher than the average market price of the Company's shares for the year ended 31 December 2016.

No diluted loss per share has been presented for the year ended 31 December 2015 as there were no dilutive potential ordinary shares outstanding.

From continuing operations

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

	2016 RMB'000	2015 RMB'000
Loss is calculated as follows:		
Loss for the year attributable to owners of the Company	**(59,583)**	(45,182)
Less: Loss for the year from discontinued operations *(note 13)*	**–**	247
Loss for the purpose of basic loss per share from continuing operations	**(59,583)**	(44,935)

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

From discontinued operations

Basic loss per share from discontinued operations for the year ended 31 December 2015 was RMB0.01 cent per share, which is based on the loss for the year from discontinued operations of RMB247,000 and the denominators detailed above for basic loss per share.

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings RMB'000	Leasehold improvement RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Total RMB'000
COST					
At 1 January 2015	4,364	1,385	6,438	2,513	14,700
Additions	10,162	447	30	800	11,439
Effect of foreign currency exchange difference	–	24	–	50	74
Disposal of a subsidiary *(Note 29)*	–	–	–	(69)	(69)
Disposal/written off	–	(188)	(233)	(126)	(547)
At 31 December 2015	14,526	1,668	6,235	3,168	25,597
Additions	4,864	1,270	–	1,774	7,908
Effect of foreign currency exchange difference	–	87	–	139	226
Disposal/written off	–	–	(142)	–	(142)
At 31 December 2016	19,390	3,025	6,093	5,081	33,589
ACCUMULATED DEPRECIATION					
At 1 January 2015	90	158	1,619	1,365	3,232
Provided for the year	719	629	641	466	2,455
Effect of foreign currency exchange difference	–	2	–	10	12
Eliminated on disposal of a subsidiary *(Note 29)*	–	–	–	(25)	(25)
Eliminated on disposals/written-off	–	(91)	(59)	(95)	(245)
At 31 December 2015	809	698	2,201	1,721	5,429
Provided for the year	722	1,075	623	683	3,103
Effect of foreign currency exchange difference	–	37	–	42	79
Eliminated on disposals/written off	–	–	(98)	–	(98)
At 31 December 2016	1,531	1,810	2,726	2,446	8,513
CARRYING VALUES					
At 31 December 2016	17,859	1,215	3,367	2,635	25,076
At 31 December 2015	13,717	970	4,034	1,447	20,168

15. PROPERTY, PLANT AND EQUIPMENT (continued)

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

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

As at 31 December 2016, the Group is in the process of obtaining the title deeds from relevant government authorities for residential properties in the PRC received by the Group in consideration for advertising services rendered, amounting to RMB16,268,000 (2015: RMB11,169,000). In the opinion of the directors, the Group is not required to incur additional cost in obtaining the title deeds for its buildings in the PRC.

16. OTHER NON-CURRENT ASSETS

	RMB'000
COST	
At 1 January 2015	29,764
Eliminated on disposal	(15,396)
At 31 December 2015 and 2016	14,368
ACCUMULATED AMORTISATION AND IMPAIRMENT	
At 1 January 2015	22,254
Provided for the year	642
Eliminated on disposals	(8,528)
At 31 December 2015 and 2016	14,368
CARRYING VALUES	
At 31 December 2016 and 2015	–

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

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

(b) independent third parties for the costs of installation and construction of the necessary ancillary infrastructure for outdoor advertising spaces at various railway stations in 23 cities in the PRC, for the purpose of displaying the outdoor advertisements. These costs are being amortised over the expected duration of outdoor advertising activities at these advertising spaces to be carried out by the Group ranging from 3 to 5.5 years until 2015 to 2018.

16. OTHER NON-CURRENT ASSETS (continued)

The Group also paid the non-current refundable deposits as set out in note 21(ii) and monthly fixed agency fees to the local PRC airport authorities and local PRC railway authorities recognised as cost of sales.

During the year ended 31 December 2015, the Group early terminated all the advertising agency agreements with expiry dates after 2015 with the local PRC railway authorities for the outdoor advertising spaces at various railway stations in the PRC in relation to the monthly fixed advertising agency fee payment. The ancillary infrastructure at some railway stations was disposed of to independent third parties at an aggregate consideration of RMB1,200,000, resulting in a loss on disposal of other non-current assets of RMB5,668,000.

17. INTEREST IN A JOINT VENTURE

	2016 **RMB'000**	2015 RMB'000
Cost of investment in an unlisted joint venture	**1,470**	1,470
Share of post-acquisition results and other comprehensive expense	**(863)**	(325)
	607	1,145

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

Name	**Place of establishment and operation**	**Paid-up capital**	**Percentage of equity attributable to the Group** **2016**	2015	**Principal activities**
北京國鐵天通文化發展有限公司 Beijing Guo Tie Tian Tong Cultural Development Co., Ltd. ("Guo Tie Tian Tong")	PRC	RMB3,000,000	**49%**	49%	Sale of magazines, newspapers and other electronic reading materials

Summarised financial information of joint venture

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

17. INTEREST IN A JOINT VENTURE (continued)

Summarised financial information of joint venture (continued)

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

	2016 RMB'000	2015 RMB'000
Current assets	**1,407**	4,192
Non-current assets	**–**	41
Current liabilities	**(168)**	(1,896)
Net assets	**1,239**	2,337
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	**884**	2,497
Current financial liabilities (excluding trade payables and provisions)	**(168)**	(957)
Revenue	**3,852**	8,949
Loss and total comprehensive expense for the year	**(1,098)**	(860)
Group's share of loss and total comprehensive expense of joint venture for the year	**(538)**	(421)
The above loss for the year includes the following:		
Depreciation	**5,964**	18,972

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

	2016 RMB'000	2015 RMB'000
Net assets of Guo Tie Tian Tong	**1,239**	2,337
Proportion of the Group's ownership interest in Guo Tie Tian Tong	**49%**	49%
Carrying amount of the Group's interest in Guo Tie Tian Tong	**607**	1,145

18. INTERESTS IN ASSOCIATES

	2016 RMB'000	2015 RMB'000
Cost of investment in unlisted associates	–	6,200
Share of post-acquisition results and other comprehensive income	–	41
	–	6,241
Amount due to an associate *(note 25)*	–	(3,000)

As at 31 December 2016, the Group had interests in the following associates:

Name of entity	Place of establishment/ operation	Paid-up capital	Proportion of nominal value of registered capital held by the Group 2016	2015	Proportion of voting power held 2016	2015	Principal activities
北京鳳凰金龍文化傳媒有限公司 Beijing Phoenix Dragon Culture Media Company Limited	PRC	RMB1,000,000	**20%**	20%	**20%**	20%	Inactive
北京中視新科傳媒廣告有限公司 Beijing Zhong Shi Xin Ke Media Advertising Co., Ltd. ("Zhong Shi Xin Ke") *(Note ii)*	PRC	RMB10,000,000	– *(Note i)*	60%	– *(Note i)*	60%	Provision of advertising agency services

Notes:

(i) On 28 February 2016, the Group entered into a sale and purchase agreement with an independent third party to dispose of its entire 60% equity interest in Zhong Shi Xin Ke, at a cash consideration of RMB6,000,000. Upon the completion of such disposal on 9 April 2016. Zhong Shi Xin Ke ceased to be an associate of the Group.

(ii) The directors considered that Zhong Shi Xin Ke was an associate of the Group as at 31 December 2015 because the Group (i) did not have the right to appoint the majority of directors of Zhong Shi Xin Ke; and (ii) did not have unilateral or joint control over Zhong Shi Xin Ke.

18. INTERESTS IN ASSOCIATES (continued)

Summarised financial information of a material associate

Summarised financial information in respect of the Group's material associate as at 31 December 2015 is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with IFRSs.

The associate was accounted for using the equity method in the consolidated financial statements.

Zhong Shi Xin Ke

	2015 RMB'000
Current assets	6,663
Non-current assets	3,738
Net assets	10,401
Revenue	6,992
Profit and total comprehensive income for the year	3
Group's share of profit and total comprehensive income for the year	2

Reconciliation of the above summarised financial information to the carrying amount of the interest in Zhong Shi Xin Ke recognised in the consolidated financial statements as at 31 December 2015.

	2015 RMB'000
Net assets of Zhong Shi Xin Ke	10,401
Proportion of the Group's ownership interest in Zhong Shi Xin Ke	60%
Carrying amount of the Group's interest in Zhong Shi Xin Ke	6,241

19. AVAILABLE-FOR-SALE INVESTMENTS

	2016 **RMB'000**	2015 RMB'000
Unlisted equity investments, at cost	**1,277**	1,277
Less: Impairment	**(1,277)**	(1,277)
	–	–

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

20. HELD FOR TRADING INVESTMENTS

	2016 **RMB'000**	2015 RMB'000
Listed securities:		
Equity securities listed in Hong Kong	**18,589**	6,137

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

Trade and bills receivables

	2016 **RMB'000**	2015 RMB'000
Trade and bills receivables	**36,073**	41,235
Less: Accumulated allowances	**(28,462)**	(21,891)
	7,611	19,344
Analysed as:		
Current	**7,611**	15,644
Non-current *(Note)*	**–**	3,700
	7,611	19,344

Note: The Group provided advertising services to certain property developers. The consideration for such advertising services being recognised as non-current trade receivables as at 31 December 2015 amounting to RMB3,700,000 had been agreed to be settled by certain residential properties in the PRC. The properties were transferred to the Group during the year ended 31 December 2016. Accordingly, RMB3,700,000 was classified as property, plant and equipment.

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

Trade and bills receivables (continued)

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

	2016 **RMB'000**	2015 RMB'000
Trade receivables:		
Within 90 days	**3,846**	5,731
91 – 180 days	**1,499**	4,571
181 – 365 days	**2,266**	4,842
Over 1 year	**–**	3,700
	7,611	18,844
Bills receivables:		
91 – 180 days	**–**	500
	7,611	19,344

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

	2016 **RMB'000**	2015 RMB'000
At the beginning of the year	**21,891**	29,137
Impairment losses recognised, net	**6,783**	501
Amounts written off as uncollectible	**(212)**	(7,747)
At the end of the year	**28,462**	21,891

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

Trade and bills receivables (continued)

Included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB5,758,000 (2015: RMB15,837,000), which are past due at the reporting date for which the Group has not provided for impairment loss because they were either subsequently settled as at the date of issuance of these consolidated financial statements or there was continuous settlement by the respective customers. The Group does not hold any collateral over these balances. The average age of these receivables is 98 days (2015: 240 days).

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

	2016 **RMB'000**	2015 RMB'000
Within 90 days	**2,031**	4,826
91 – 180 days	**1,487**	3,659
181 – 365 days	**2,240**	3,652
Over 1 year	**–**	3,700
	5,758	15,837

Prepayments, deposits and other receivables

	2016 **RMB'000**	2015 RMB'000
Current:		
Other receivables, deposits and prepayments	**9,711**	5,138
Amount due from a former subsidiary *(Note (i))*	**4,143**	14,795
Prepayments for agency fees for printed media and outdoor advertising	**3,645**	4,342
Prepayment for consultancy fee for film and entertainment business	**1,800**	–
Refundable deposits *(Note (ii))*	**9,024**	6,256
Deposits paid for advertising agency rights and other *(Note (iii))*	**–**	16,877
Refundable deposits for termination of film investments *(Note (iv))*	**17,098**	–
Deferred cash consideration *(Note 29)*	**–**	425
	45,421	47,833
Non-current:		
Other deposits and prepayments	**246**	2,119
Refundable deposits *(Note (ii))*	**3,372**	11,166
Deposits paid for acquisition of property, plant and equipment	**236**	1,001
	3,854	14,286
	49,275	62,119

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

Prepayments, deposits and other receivables (continued)

Notes:

(i) The balance is unsecured, non-interest bearing and repayable within one year. As at 31 December 2016, management of the Group considered the recoverable amount is lower than the carrying amount. Accordingly, impairment loss of RMB1,434,000 is recognised for the year ended 31 December 2016 (2015: nil).

(ii) The balances include a deposit of RMB7,791,000 (2015: RMB7,361,000) paid to an independent third party (see note 16) in 2008 in relation to the selling of advertising spaces on the Towers in the PRC for a period of 9 years till 2017, deposits of RMB283,000 (2015: RMB268,000) paid for the outdoor advertising spaces in various railway stations in 23 cities in the PRC with the expiry dates ranging from 2016 to 2018 and deposits of RMB4,322,000 (2015: RMB9,793,000) paid to the PRC railway authorities for placing magazines inside the trains with the expiry dates ranging from 2015 to 2018. The deposits are fully repayable to the Group upon their respective expiry date of the agreements and are carried at amortised cost in the Group's consolidated statement of financial position using effective interest rates ranging from 4.75% to 5.85% (2015: 4.75% to 5.85%) per annum, resulting in imputed interest income of RMB479,000 (2015: RMB723,000) by assessing the amortised costs of the deposits paid at the end of the reporting period. The above interest income are included in "Imputed interest income on non-current deposits" under "Other income" in the consolidated statement of profit or loss and other comprehensive income.

(iii) As at 31 December 2015, the amounts represented deposits paid for advertising agency rights and other amounting to RMB16,877,000. During the year ended 31 December 2016, amount of RMB4,478,000 were refunded to the Group. The management of the Group considered the remaining balances of RMB12,399,000 cannot be recovered in view of default on repayment terms and therefore, impairment loss of RMB12,399,000 is recognised in profit or loss during the year ended 31 December 2016 (2015: nil).

(iv) Amount represents refundable deposit to be received from a co-investor upon the termination of two film investments on 31 December 2016. The amount is fully settled after the end of reporting period.

22. FILM RIGHTS/PREPAYMENT FOR FILM AND ENTERTAINMENT BUSINESS

Film rights

	RMB'000
COST	
At 1 January 2015 and 31 December 2015	–
Additions	104,388
At 31 December 2016	**104,388**

As at 31 December 2016, management of the Group considered the expected future income of the film rights can recover the film costs. Accordingly, no impairment is recognised for the film rights.

22. FILM RIGHTS/PREPAYMENT FOR FILM AND ENTERTAINMENT BUSINESS (continued)

Prepayment for film and entertainment business

	2016 RMB'000	2015 RMB'000
Current	84,953	–
Non-current	95,890	35,305
	180,843	35,305

Amount represents prepayment for profit sharing rights in films and concerts. The amount for the relevant films or concerts that are expected to broadcast or take place after twelve months from the end of the reporting period is classified as non-current assets.

23. PLEDGED BANK DEPOSITS/RESTRICTED CASH/CASH AND CASH EQUIVALENTS

	2016 RMB'000	2015 RMB'000
Cash and bank balances and restricted cash are denominated in foreign currencies of respective group entities:		
United States dollars ("US$")	186	101
Hong Kong dollars ("HKD")	34	32
Japanese Yen ("JPY")	96	–
Euro ("EUR")	38	–

The cash and bank balances and bank deposits of RMB9,423,000 (2015: RMB17,753,000), denominated in RMB, are not freely convertible into other currencies. However, under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

Pledged bank deposits carry interest at prevailing market rates which range from 0.2%-2.8% (2015: fixed interest rate of 2.6%) per annum and represent deposits pledged to banks to secure short-term banking facilities granted to the Group. As at 31 December 2015, an amount of RMB13,038,000 was denominated in RMB.

23. PLEDGED BANK DEPOSITS/RESTRICTED CASH/CASH AND CASH EQUIVALENTS (continued)

As at 31 December 2016, cash balances of RMB5,616,000 (2015: nil) has been received from and restricted for the use by prepaid card customers. The Group has recognised the corresponding liabilities to respective external clients as receipt in advance from customers of RMB5,389,000 (note 24). However, the Group does not have a currently enforceable right to offset those payables with the restricted cash.

24. TRADE PAYABLES/OTHER PAYABLES AND ACCRUALS

Trade payables

The normal credit period on trade payables is generally ranged from 30 days to 180 days.

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

	2016 **RMB'000**	2015 RMB'000
Within 90 days	**5,890**	6,483
91 – 180 days	**1,487**	3,055
Over 180 days	**6,422**	12,129
	13,799	21,667

Other payables and accruals

	2016 **RMB'000**	2015 RMB'000
Receipts in advance from customers *(Note)*	**16,916**	11,103
Accrued salaries and staff welfare	**1,453**	2,059
Other accruals	**3,606**	2,074
Other tax payable	**2,367**	2,134
	24,342	17,370

Note: Receipt in advance amounting RMB5,389,000 (2015: nil) were payable to external clients in respect of the restricted cash received and held for clients in the course of the conduct of regulated activities. However, the Group does not have a currently enforceable right to offset these payables with the deposits placed.

25. AMOUNT DUE TO AN ASSOCIATE

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

26. SHARE CAPITAL

	Number of shares	Share capital	Shown in the consolidated financial statements as
		US$'000	RMB'000
Ordinary shares of US$0.001 each			
Authorised:			
At 1 January 2015, 31 December 2015 and 31 December 2016	40,000,000,000	40,000	N/A
Issued and fully paid:			
At 1 January 2015	600,000,000	600	3,957
Issue of subscription shares on 22 April 2015 *(Note i)*	120,000,000	120	743
Issue of shares by rights issue on 8 October 2015 *(Note ii)*	5,040,000,000	5,040	32,021
At 31 December 2015 and 2016	5,760,000,000	5,760	36,721

Notes:

(i) On 22 April 2015, the Company issued 120,000,000 ordinary shares of US$0.001 each at the subscription price of HK$0.22 per share to an independent third party totalling HK$26,400,000 (approximately RMB21,101,000). The subscription shares were issued under the general mandate granted to the directors of the Company by shareholders' resolution passed at the annual general meeting of the Company held on 15 May 2014.

(ii) Pursuant to an extraordinary general meeting held on 31 August 2015, an ordinary resolution was passed to approve the rights issue. On 8 October 2015, the Company issued 5,040,000,000 ordinary shares by way of rights issue at a price of HK$0.1 per rights share on the basis of 7 rights shares for every share held.

All the shares issued in 2015 ranked *pari passu* with the existing shares of the Company in all aspects.

27. EQUITY-SETTLED SHARE-BASED TRANSACTIONS

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

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

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

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

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

27. EQUITY-SETTLED SHARE-BASED TRANSACTIONS (continued)

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

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

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

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

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

During the year ended 31 December 2016, aggregate share options of 60,000,000 (2015: nil) were granted to certain consultants on 23 December 2016. The share options granted were vested immediately. The validity period of the share options shall not be more than 2 years from the date of grant. None of these was exercised nor forfeited as at 31 December 2016.

The fair values of the options granted on 23 December 2016 determined using the Binomial Model is RMB2,481,000.

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

27. EQUITY-SETTLED SHARE-BASED TRANSACTIONS (continued)

Details of the movements of the share options granted by the Company pursuant to the Share Option Scheme from the date of grant are as below:

			Number of share options	
Category	**Date of grant**	**Exercise price per share**	**Outstanding at 1 January 2015 and 31 December 2015**	**Granted during the year and outstanding at 31 December 2016**
	(Note i)	HK$		
Consultants	23.12.2016	0.1152	–	60,000,000
Total				60,000,000
Exercisable at 31 December 2016				60,000,000

Notes:

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

(ii) The Group recognised the total expense of RMB2,481,000 for the year ended 31 December 2016 in relation to the share options granted to the consultants of the Company. All the share options were vested during the year ended 31 December 2016.

The fair value of share options granted on 23 December 2016 was calculated using the Binomial Model. The inputs into the model were as follows:

Grant date share price	HK$0.1150
Exercise price	HK$0.1152
Expected volatility	89.909%
Expected life	2 years
Risk-free rate	1.173%
Expected dividend yield	0%

Expected volatility was determined by using the historical volatility of the Company's share price over the previous 2 years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

28. RETIREMENT BENEFIT SCHEMES

The Group operates a MPF Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Group and the employees shall make contributions based on a percentage of the employee's basic salary with a cap of HK$1,500 per month and recognised in profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the plan are held separately from those of the Group in funds under the control of trustees.

The PRC employees of the Group are members of a state-managed retirement benefit scheme operated by the local government. The Group is required to contribute 20%-22% (2015: 20%-22%) of their payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

During the year ended 31 December 2016, the Group made total contributions to the retirement benefits schemes of RMB3,019,000 (2015: RMB5,871,000).

29. DISPOSAL OF A SUBSIDIARY

As referred to in note 13, on 16 September 2015, the Group discontinued its money lending operation at the time of disposal of its subsidiary, 33 Consultants. The net assets of 33 Consultants at the date of disposal were as follows:

	RMB'000
Deferred cash consideration	425

Analysis of assets and liabilities over which control was lost:

	RMB'000
Property, plant and equipment	44
Loans receivables	11,403
Bank balances and cash	5,394
Accruals	(121)
Amount due to ultimate holding company	(16,257)
Net assets disposed of	463

Loss on disposal of a subsidiary:

Consideration receivable	425
Net assets disposed of	(463)
Translation difference of consideration receivable	19
Loss on disposal of a subsidiary	(19)

Cash outflow arising on loss of disposal:

Bank balances and cash disposed of	5,394

The deferred consideration was settled in cash by the purchaser during the year ended 31 December 2016.

The impact of 33 Consultant on the Group's results and cash flows for the year ended 31 December 2015 is disclosed in note 13.

30. OPERATING LEASE COMMITMENTS

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

	2016 RMB'000	2015 RMB'000
Within one year	**2,521**	6,834
In the second to fifth year inclusive	**839**	2,716
	3,360	9,550

Leases are negotiated for terms of one to two years (2015: one to three years).

31. COMMITMENTS

In addition to the operating lease commitments detailed in note 30 above, the Group had the following commitments at the end of the reporting period:

	2016 RMB'000	2015 RMB'000
Contracted, but not provided for:		
Agency fees for printed media and outdoor advertising	**9,044**	15,045
Production costs for film and entertainment business	**78,008**	–
	87,052	15,045

32. CAPITAL RISK MANAGEMENT

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

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

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

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

33. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2016 RMB'000	2015 RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**213,584**	505,591
Held for trading investments	**18,589**	6,137
Financial liabilities		
Amortised cost	**18,858**	28,800

Financial risk management objectives and policies

The Group's major financial instruments include trade and bills receivables, refundable deposits and other receivables, pledged bank deposits, cash and cash equivalents, held for trading investments, trade payables, other payables and accruals and amount due to an associate. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

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

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

	RMB		US$		HK$		JPY		EUR	
	2016 RMB'000	2015 RMB'000	**2016 RMB'000**	2015 RMB'000	**2016 RMB'000**	2015 RMB'000	**2016 RMB'000**	2015 RMB'000	**2016 RMB'000**	2015 RMB'000
Pledged bank deposits	**34**	13,038	**73**	–	**–**	–	**33**	–	**1**	–
Cash and cash equivalents	**–**	–	**113**	101	**34**	32	**63**	–	**37**	–

33. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Market risk (continued)

Currency risk (continued)

Sensitivity analysis

The following table details the Group's sensitivity to a 5% (2015: 5%) increase and decrease in the functional currency of the respective group entities against relevant foreign currencies and all other variables were held constant. 5% (2015: 5%) is the sensitivity rate used by management in the assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% (2015: 5%) change in foreign currency rates. The negative numbers below indicate decrease in post-tax loss for the year ended 31 December 2016 where the functional currency of the respective group entities strengthens 5% (2015: 5%) against the relevant foreign currencies. For a 5% (2015: 5%) weakening of the functional currency of the respective group entities against the relevant foreign currencies, there would be an equal and opposite impact on the result for the year.

	RMB		US$		HK$		JPY		EUR	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Profit or loss	**(1)**	(489)	**(4)**	(4)	**(1)**	–	**(4)**	–	**(1)**	–

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to pledged bank deposits, short-term bank deposits and cash and cash equivalents. The Group currently does not have interest rate hedging policy. However, the management of the Group will consider hedging significant interest rate exposure should the need arise.

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

Other price risk

The Group is exposed to equity price risk through its investments in listed equity securities. The management manages this exposure by maintaining a portfolio of investments with different risks. The Group's equity price risk is mainly concentrated on equity instruments quoted on the Stock Exchange. In addition, the Group has delegated the chief financial officer of the Group to monitor the price risk and will consider hedging the risk exposure should the need arise.

33. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Market risk (continued)

Currency risk (continued)

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risks at the reporting date. For sensitivity analysis purpose, the sensitivity rate is set as 10% as a result of the volatile financial market.

If the prices of the respective equity instruments had been 10% higher/lower, the loss for the year ended 31 December 2016 would decrease/increase by RMB1,859,000 (2015: RMB614,000) as a result of the changes in fair value of held for trading investments.

Credit risk

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

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

The Group has concentration of credit risks with exposure limited to certain customers. For printed media business and outdoor advertising business, the trade receivables (after impairment) from the five largest debtors at 31 December 2016 represented 60% (2015: 37%) of the total trade receivables (after impairment), while 21% (2015: 12%) of the total trade receivables (after impairment) were due from the largest debtor which is a private company engaged in property development in the PRC (2015: a private company engaged in property development in the PRC). The management closely monitors the subsequent settlement of the customers. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has concentration of credit risk as 63% (2015: 42%) of the total refundable deposits for the advertising agency rights were placed to an independent third party for the exclusive rights to sell the advertising spaces on the Towers as at 31 December 2016. The directors of the Company consider that the credit risks of total deposits for advertising agency rights placed are low after considering the good business relationship with this independent third party and the long history of business development of this independent third party.

The management of the Group considered the credit risk of refundable deposits for termination of film investments is limited since the amount is fully settled after the end of the reporting period.

The management of the Group considered the credit risk of amount due from a former subsidiary is limited based on the continuous settlement and assessment of the ultimate realisation of the receivable.

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

33. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group relies on internal fundings as a significant source of liquidity.

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

Fair value measurements of financial instruments

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

The Group's held for trading investments are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

Financial assets	Fair value as at 31 December 2016	Fair value hierarchy	Valuation technique and key inputs
Held for trading investments – listed securities	RMB18,589,000 (2015: RMB6,137,000)	Level 1	Quoted share prices in an active market.

There is no transfer between different levels of the fair value hierarchy for the year ended 31 December 2016.

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

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

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

34. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2016, trade receivables amounting to RMB4,700,000 (2015: RMB350,000) were settled by certain residential properties in the PRC.

During the year ended 31 December 2015, addition of property, plant and equipment of RMB3,500,000 was settled by deposits paid in prior year.

During the year ended 31 December 2015, the consideration for disposal of other non-current assets amounting to RMB1,200,000 was used to settle adverting agency fee payable.

35. RELATED PARTY TRANSACTIONS

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

Related party transactions

	2016 **RMB'000**	2015 RMB'000
Magazine advertising income received from a joint venture	**604**	470
Rental expenses paid to Mr. Lin and Mr. Ruan, executive directors of the Company	**165**	163
Advertising agency fee paid by a related party on behalf of the Group	**2,550**	–

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

Key management personnel compensation

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

	2016 **RMB'000**	2015 RMB'000
Short term employee benefits	**2,345**	3,533
Post-employment benefits	**61**	88
	2,406	3,621

36. PARTICULARS OF PRINCIPAL SUBSIDIARIES

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

Name of subsidiary	Place of incorporation/ establishment and operation	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued share capital/ registered capital held by the Company 2016	2015	Principal activities
Directly owned					
香港奧神投資有限公司 Hong Kong Ao Shen	Hong Kong	HK$100	**100%**	100%	Provision of management services
三七三金融集團有限公司 373 Finance Group Limited (formerly known as 香港奧神製作有限公司 Hong Kong Ao Shen Production Limited)	British Virgin Islands	US$100	**100%**	100%	Investment holding
Level Up Holdings Limited	British Virgin Islands	US$1	**100%**	100%	Investment holding
Indirectly owned					
三三金融服務有限公司 33 Financial Services Limited	Hong Kong	HK$100,000,000	**100%**	100%	monet business (2015: provision of management services)
三三服務有限公司 33 Services Limited (formerly known as 三三信貸服務有限公司 33 Credit Services Limited)	Hong Kong	HK$10,000	**100%**	100%	Film investment
Motion Arts Entertainment Limited	Hong Kong	HK$2,000,000	**80%**	80%	Film investment
奧神技術服務（福州）有限公司[1] Ao Shen Technology	PRC	US$15,000,000	**100%**	100%	Provision of consulting services
福建省奧神傳媒廣告有限責任公司[2,3] Fujian Ao Shen	PRC	RMB31,630,000	**–**	–	Provision of advertising services
北京大提速傳媒廣告有限公司[2,3] Beijing Datisu	PRC	RMB27,000,000	**–**	–	Provision of advertising services
福州海都商旅傳媒有限公司[2,3] Fuzhou Haidu Commercial Travel Media Co., Ltd. ("Fuzhou Haidu")	PRC	RMB1,000,000	**–**	–	Provision of advertising services

36. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation/ establishment and operation	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued share capital/ registered capital held by the Company 2016	2015	Principal activities
北京路網文化傳媒有限公司[2,3] Beijing Luwang Culture Media Co., Ltd. ("Beijing Luwang")	PRC	RMB1,000,000	**–**	60%	Provision of advertising services
北京中視大業廣告傳媒有限公司 Beijing Zhong Shi Da Ye Advertising Media Co., Ltd. ("Beijing Zhong Shi")	PRC	RMB5,000,000	**–**	–	Provision of advertising services
北京奧神傳媒廣告有限公司[3] Beijing Aoshen Media Advertising Co., Ltd. ("Beijing Aoshen")	PRC	RMB20,000,000	**100%**	100%	Provision of advertising services
成都三三廣告有限公司[3] Chengdu Sansan Advertising Co., Ltd.	PRC	RMB2,000,000	**100%**	100%	Provision of advertising services
上海山山傳媒廣告有限公司[3] Shanghai Shanshan Media Advertising Co., Ltd.	PRC	RMB2,000,000	**100%**	100%	Provision of advertising services
廣州奧神廣告有限公司[3] Guangzhou Aoshen Advertising Co., Ltd.	PRC	RMB2,000,000	**100%**	100%	Provision of advertising services
濟南奧神廣告傳媒有限公司[3] Jinan Aoshen Advertising Media Co., Ltd.	PRC	RMB2,010,000	**100%**	100%	Provision of advertising services
瀋陽奧神傳媒廣告有限公司[3] Shenyang Aoshen Media Advertising Co., Ltd.	PRC	RMB2,000,000	**85%**	85%	Provision of advertising services

36. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Notes:

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

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

Fujian Ao Shen holds 70% equity s of Fuzhou Haidu and Beijing Datisu holds 80% equity interests of Beijing Zhong Shi for 2016 and 2015 and 60% equity interests of Beijing Luwang for 2015. Beijing Luwang was deregistered during the year ended 31 December 2016. Pursuant to the respective Memorandum and Articles of Association of Fuzhou Haidu and Beijing Luwang, the daily operating and financial affairs are decided by board of directors with simple majority of votes. Fujian Ao Shen controls two-thirds of the voting powers in the board of directors of Fuzhou Haidu and Beijing Datisu controls over 50% of the voting powers in the board of directors of Beijing Luwang which give the Group the current ability to direct the relevant activities of these entities. Pursuant to the Memorandum and Articles of Association of Beijing Zhong Shi, the daily operating and financial affairs are decided by board of directors with two-thirds of votes. Beijing Datisu controls 100% of the voting powers in the board of directors of Beijing Zhong Shi which give the Group the current ability to direct the relevant activities of this entity. Accordingly, Fuzhou Haidu, Beijing Zhong Shi and Beijing Luwang are treated as subsidiaries of the Company under IFRS 10 and their results, assets and liabilities are consolidated with those of the Group.

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

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results of the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

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

36. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

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

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests held by non-controlling interests		Proportion of voting rights in board of directors' meeting held by non-controlling interests		Loss allocated to non-controlling interests		Accumulated non-controlling interests	
		2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
						RMB'000	RMB'000	**RMB'000**	RMB'000
Beijing Luwang	PRC	**Note**	40%	**Note**	40%	**(1)**	(27)	**–**	7,072
Individually immaterial subsidiaries with non-controlling interests						**(1,092)**	(43)	**(2,519)**	(1,425)
						(1,093)	(70)	**(2,519)**	5,647

Note: Beijing Luwang was deregistered during the year ended 31 December 2016.

Summarised financial information in respect of Beijing Luwang that had material non-controlling interests at 31 December 2015 is set out below. The summarised financial information below represents amounts before intragroup eliminations.

Beijing Luwang

	2015 RMB'000
Current assets	26,420
Current liabilities	(13,613)
Equity attributable to owners of the Company	5,735
Non-controlling interests	7,072

36. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

	Year ended 31.12.2016 RMB'000	Year ended 31.12.2015 RMB'000
Revenue	**–**	–
Other income, gains and losses, net	**(97)**	(64)
Expenses	**(89)**	(4)
Loss and total comprehensive expense for the year	**(186)**	(68)
Loss and total comprehensive expense attributable to		
Owners of the Company	**(112)**	(41)
Non-controlling interests	**(74)**	(27)
	(186)	(68)
Net cash outflow from operating activities	**(186)**	(68)

37. FINANCIAL INFORMATION OF THE COMPANY

	2016 RMB'000	2015 RMB'000
Non-current assets		
Investments in subsidiaries	**64,956**	8,448
Prepayment	**–**	5,000
Amounts due from subsidiaries *(Note (i))*	**262,565**	33,794
	327,521	47,242
Current assets		
Prepayment, deposits and other receivables	**7,593**	7,127
Amount due from a former subsidiary *(Note (ii))*	**4,143**	14,795
Prepayment for film and entertainment business	**16,859**	–
Cash and cash equivalents	**133,275**	396,877
	161,870	418,799
Current liabilities		
Accruals	**1,519**	1,202
Amounts due to subsidiaries *(Note (iii))*	**7,423**	6,830
	8,942	8,032
Net current assets	**152,928**	410,767
Total assets less total liabilities	**480,449**	458,009
Capital and reserves		
Share capital	**36,721**	36,721
Reserves *(Note (iv))*	**443,728**	421,288
	480,449	458,009

37. FINANCIAL INFORMATION OF THE COMPANY (continued)

Notes:

(i) Amounts due from subsidiaries are unsecured, interest-free and have no fixed repayment terms. At 31 December 2016, principal amount of RMB280,071,000 (2015: RMB42,242,000) is expected to be repaid after 3 years. Accordingly, the balance is classified as non-current. The fair value of the amounts due from subsidiaries are determined based on the effective interest rate of 5% (2015: 5%) per annum on initial recognition. The difference between the principal amount and the fair value determined on initial recognition of RMB62,245,000 (2015: RMB8,448,000) is debited to investments in subsidiaries. As 31 December 2016, amount of RMB262,565,000 (2015: RMB33,794,000) represents balance with interest charged at 5% (2015: 5%) per annum.

(ii) Amount due from a former subsidiary is unsecured, non-interest bearing and repayable within one year.

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

(iv) Reserves of the Company

	Share premium	Share redemption reserve	Share option reserve	Exchange reserve	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2015	224,984	19	–	(18,885)	(140,736)	65,382
Loss for the year	–	–	–	–	(54,700)	(54,700)
Exchange differences on translation	–	–	–	9,069	–	9,069
Total comprehensive income (expense) for the year	–	–	–	9,069	(54,700)	(45,631)
Issue of subscription shares	20,358	–	–	–	–	20,358
Issue of shares by rights issue	382,200	–	–	–	–	382,200
Transaction costs attributable to issue of shares	(1,021)	–	–	–	–	(1,021)
At 31 December 2015	626,521	19	–	(9,816)	(195,436)	421,288
Loss for the year	**–**	**–**	**–**	**–**	**(12,325)**	**(12,325)**
Exchange differences on translation	**–**	**–**	**–**	**32,284**	**–**	**32,284**
Total comprehensive income (expense) for the year	**–**	**–**	**–**	**32,284**	**(12,325)**	**19,959**
Recognition of equity-settled share-based payments	**–**	**–**	**2,481**	**–**	**–**	**2,481**
At 31 December 2016	**626,521**	**19**	**2,481**	**22,468**	**(207,761)**	**443,728**

FIVE YEAR FINANCIAL SUMMARY

RESULTS

	2016 RMB'000	2015 RMB'000	2014 RMB'000	2013 RMB'000	2012 RMB'000
Revenue	**57,494**	92,209	115,631	157,774	226,353
Loss before taxation	**(60,525)**	(44,444)	(56,325)	(21,412)	(99,959)
Taxation	**(151)**	(808)	(3,423)	(7,712)	(7,621)
Loss for the year	**(60,676)**	(45,252)	(59,748)	(29,124)	(107,580)
Attributable to:					
Owners of the Company	**(59,583)**	(45,182)	(59,123)	(26,024)	(107,109)
Non-controlling interests	**(1,093)**	(70)	(625)	(3,100)	(471)
	(60,676)	(45,252)	(59,748)	(29,124)	(107,580)

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	2016 RMB'000	2015 RMB'000	2014 RMB'000	2013 RMB'000	2012 RMB'000
Total assets	**555,343**	586,406	198,703	272,391	310,001
Total liabilities	**(38,672)**	(43,462)	(51,416)	(66,785)	(75,138)
Non-controlling interests	**2,519**	(5,647)	(5,387)	(3,712)	(6,812)
Equity attributable to owners of the Company	**519,190**	537,297	141,900	201,894	228,051

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