



BRANDING CHINA GROUP LIMITED

(Incorporated in the Cayman Islands with Limited Liability)

Stock Code: 863



ANNUAL REPORT

2016



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# CORPORATE INFORMATION

## BRANDING CHINA GROUP LIMITED

**Stock Code: 863**

### **Authorised Representatives**

Song Yijun (宋義俊)  
Tam Tak Kei, Raymond (譚德機), CPA

## BOARD OF DIRECTORS

### **Executive Directors**

Fang Bin (方彬) (Chairman of the Board)  
Fan Youyuan (范幼元) (Chief Executive Officer of the Company)  
Patrick Zheng  
Huang Wei (黃維)  
Song Yijun (宋義俊)

### **Independent Non-executive Directors**

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

## BOARD COMMITTEES

### **Audit Committee**

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

### **Remuneration Committee**

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

### **Nomination Committee**

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

### **Risk Management Committee**

Fan Youyuan (范幼元) (Chairman)  
Lin Zhiming (林志明)  
Huo Zhongyan (霍中彥) (Chief Operating Officer of the Company)

### **Registered office**

Clifton House, 75 Fort Street, PO Box 1350  
Grand Cayman  
Cayman Islands

### **Company Secretary**

Tam Tak Kei, Raymond (譚德機), CPA

### **Compliance Officer**

Song Yijun (宋義俊)

<b>Headquarters in the PRC</b>	4th Floor, No. 696 Weihai Road Jing'an District Postal Code – 200041 Shanghai, China
<b>Principal place of business in Hong Kong</b>	Room 1603 16th Floor, China Building 29 Queen's Road Central Central, Hong Kong
<b>Principal Share Registrar and Transfer Office</b>	Estera Trust (Cayman) Limited Clifton House, 75 Fort Street PO Box 1350, Grand Cayman Cayman Islands
<b>Hong Kong Branch Share Registrar and Transfer Office</b>	Tricor Investor Services Limited Level 22, Hopewell Centre 183 Queen's Road East Hong Kong
<b>Principal Bankers</b>	Industrial and Commercial Bank of China Limited RuijinEr Road Branch No. 118 RuijinEr Road Shanghai City China  China Merchants Bank Tianshan Branch No. 762 Tianshan Road Shanghai City China
<b>Legal Adviser as to Hong Kong Laws</b>	Loong & Yeung Room 1603 16th Floor, China Building 29 Queen's Road Central Central, Hong Kong
<b>Auditor</b>	BDO Limited 25th Floor, Wing On Centre 111 Connaught Road Central Hong Kong
<b>Compliance Adviser</b>	First Shanghai Capital Limited 19th Floor, Wing On House 71 Des Voeux Road Central, Hong Kong
<b>Website of the Company</b>	<a href="http://www.brandingchinagroup.com">www.brandingchinagroup.com</a>



Branding China Group Limited (“Branding China” or the “Company”, together with its subsidiaries, the “Group”) is an integrated provider focusing on providing entrepreneurship and development services for corporations with an objective to cater the needs of our customers. The Company provides start-ups, developing and developed customers with corporate services, including park area services, equity investment services, corporate value-added services and brand communication services.

The Company was listed on the Growth Enterprise Market (the “GEM”) of The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange” or the “Stock Exchange”) (Stock Code: 8219) on 27 April 2012 (the “Listing Date”). On 8 September 2015, the Company successfully transferred its listing from the GEM to the Main Board of the Hong Kong Stock Exchange (the “Main Board”) (Stock Code: 863), and the Company became the first corporation in mainland of the People’s Republic of China (the “PRC” or “China”) being listed in Hong Kong providing integrated entrepreneurship and development services. The Company is also the first corporation engaged in entrepreneurship services among the listed companies in Hong Kong.

Members of the Group include, among others, Shanghai SumZone Enterprise Management Consultancy Company Limited (上海三眾企業管理諮詢有限公司) (“Shanghai SumZone Enterprise”), Grand Rapids Mobile Holding (Hong Kong) Limited (巨流無線控股(香港)有限公司) (“Grand Rapids Mobile”), which are headquartered in Shanghai.

In January 2017, the Company was named the “Most Valuable Brand” (《最具品牌價值》) in the election of the “Listed Company Award of the Year” (《年度上市公司大獎》) organised by China Financial Market (《中國融資》), a Hong Kong financial magazine.

# FINANCIAL HIGHLIGHTS

## RESULTS

	<b>2016</b>	2015	2014	2013	2012
	<b>RMB</b>	RMB	RMB	RMB	RMB
		(Re-presented)	(Re-presented)	(Re-presented)	(Re-presented)
Revenue	<b>160,374,361</b>	201,569,895	207,397,009	215,423,847	146,939,781
(Loss)/profit before tax from continuing operations	<b>(34,344,694)</b>	9,343,569	22,942,178	43,818,421	44,857,520
Income tax expense	<b>(503,352)</b>	(5,560,624)	(6,610,957)	(12,855,739)	(12,501,125)
(Loss)/profit for the year from continuing operations	<b>(34,848,046)</b>	3,782,945	16,331,221	30,962,682	32,356,395
(Loss)/profit for the year from discontinued operations	<b>(173,901,301)</b>	33,573,881	24,692,015	19,902,826	–
(Loss)/profit for the year	<b>(208,749,347)</b>	37,356,826	41,023,236	50,865,508	32,356,395
Exchange differences on translating foreign operations	<b>(29,324)</b>	49,536	145,992	(45,664)	(526,581)
Total comprehensive income for the year	<b><u>(208,778,671)</u></b>	<u>37,406,362</u>	<u>41,169,228</u>	<u>50,819,844</u>	<u>31,829,814</u>
(Loss)/profit for the year attributable to:					
Owners of the Company	<b>(208,921,924)</b>	37,356,826	41,023,236	50,865,508	32,356,395
Non-controlling interests	<b>172,577</b>	–	–	–	–
	<b><u>(208,749,347)</u></b>	<u>37,356,826</u>	<u>41,023,236</u>	<u>50,865,508</u>	<u>32,356,395</u>
Total Comprehensive income for the year attributable to:					
Owners of the Company	<b>(208,951,248)</b>	37,406,362	41,169,228	50,819,844	31,826,814
Non-controlling interests	<b>172,577</b>	–	–	–	–
	<b><u>(208,778,671)</u></b>	<u>37,406,362</u>	<u>41,169,228</u>	<u>50,819,844</u>	<u>31,829,814</u>

## SUMMARY OF ASSETS AND LIABILITIES

	<b>2016</b>	2015	2014	2013	2012
	<b>RMB</b>	RMB	RMB	RMB	RMB
Total non-current assets	<b>100,869,059</b>	163,716,770	163,122,871	163,740,218	35,087,949
Total current assets	<b>243,943,234</b>	328,066,663	350,132,170	298,405,167	199,688,198
Total current liabilities	<b>85,103,309</b>	57,986,783	116,600,008	95,416,358	47,277,036
Net current assets	<b>158,839,925</b>	270,079,880	233,532,162	202,988,809	152,411,162
Non-current liabilities	<b>20,925,672</b>	639,800	904,545	12,147,767	–
Net assets	<b><u>238,783,312</u></b>	<u>433,156,850</u>	<u>395,750,488</u>	<u>354,581,260</u>	<u>187,499,111</u>
Capital and reserves					
Total equity attributable to owners of the Company	<b>234,110,735</b>	433,156,850	395,750,488	354,581,260	187,499,111
Non-controlling interests	<b><u>4,672,577</u></b>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Total Equity	<b><u>238,783,312</u></b>	<u>433,156,850</u>	<u>395,750,488</u>	<u>354,581,260</u>	<u>187,499,111</u>

## CHAIRMAN'S STATEMENT



Executive Director and Chairman  
**Mr. Fang Bin**



The economy of China has grown at a pace comparable to that of the previous year. Entrepreneurship and innovation are still hot issues of society, and the market has been broadened accordingly. Through seizing the opportunity brought about by transferring the listing status to the main board and expanding the target clients and service scopes of our corporate services, the Group has made great achievements in new business services and taken the first step in implementing the Group's innovative development in the period under review.



**Dear Shareholders,**

I am honored to present the operating results of the Group for the year ended 31 December 2016 (the "Year" or the "Review Period").

**GIVEN THE DETERIORATING OPERATION ENVIRONMENT OF TRADITIONAL MEDIA MARKET, WE ARE DETERMINED TO TRANSFORM OUR BUSINESS AND PLAN OUR STRATEGIES IN A PRUDENT WAY**

In 2016, the operation environment of traditional media, mainly represented by print media and television, continued to deteriorate. In A Share, for example, the SWS Index of media fell by 32.39%, much more than CSI 300 Index (-11.28%) and GEI (-27.71%), posting the biggest drop among all the sectors. Among the sub-sectors, marketing communication, internet media and cable TV network fell by 30.93%, 32.19% and 35.10%, respectively. As the traditional media platform, namely print media and television, recorded a sustained decline, the operating results of the follow-up marketing service sector continued to face challenges.

Therefore, looking back on the business transformation proposed in the end of 2015, we are of the opinion that it is a wise move. Business transformation includes expanding service scopes of corporate services from branding communication services to park area services, equity investment services and corporate value-added services. Meanwhile, target customers of corporate services would also be expanded from developed brand corporations to include start-ups and developing corporations. The development of new business has been the main target of the Group for the Year.

In 2016, the Group has been dedicated to the implementation of business transformation, reasonable arrangement of existing resource structure and stable expansion of new business. On one hand, Grand Rapids Mobile, a subsidiary of the Group, ceased its advertising business and focused on its park area services. In addition, the Group acquired a subsisting company with limited liability established in China in September 2016, which was principally engaged in park area operation and property management. It currently manages and operates park area office properties in the core commercial area of Shanghai, and has established a stable and strong clientele. On the other hand, the Group developed and operated industrial park areas through establishing funds for the park area, and made equity investment to corporations at different development stages through establishing venture investment funds and merger and acquisition funds, thereby creating business synergies and a favorable development cycle. The model of "Base + Capital" is a creative business model of the new business of the Group.

**THE GROUP RECORDED LOSS IN ITS ANNUAL RESULTS DURING THE THE TRANSFORMATION PERIOD**

The total revenue (after deducting cultural business development charge) of the Group under the Review Period was approximately RMB180,657,669, total gross profit was RMB12,642,651, net loss was RMB208,749,347 and gross profit margin was 7%.

Owing to the market trend, the Group has adjusted to scale down the original advertising business and developed new business during the year. To date, in respect of park area business, the Group has acquired equities of 2 target companies and the size of the funds promoted or participated by the Group has exceeded RMB3 billion. However, the effective period of new business expansion is too short to reflect the beneficial results. Therefore, when compared with previous years, there was a significant decrease in the Group's results and losses were also recorded for the year. We believe that the new plan will lay a solid ground for the business of the Group and will bring about positive effect to profits.

**PROSPECTS FOR 2017**

Those start-ups and developing corporations resulting from the start-ups boom have been tested and selected by the market. The Group has initiated long-term and stable cooperation with some competitive and potential corporations. Meanwhile, it has also maintained and strengthened stable cooperation relationship with established customers. The Group will be sure to have a bright future as long as it follows the direction of transformation, makes efforts, sticks to the overall plan of intensified and integrated corporate services and optimizes business models in the forthcoming year.

## BUSINESS REVIEW

### **Intensified transformation and adjustment of business structure of the Group**

The Group has intensified its transformation during the period under review by adjusting the business of its subsidiary, Grand Rapids Mobile, which currently focuses on park area services instead of its original wireless marketing service. It also acquired 90% equity interest of Shanghai Jingwei Industry & Trade Development Co., Ltd. (“Shanghai Jingwei”) in September 2016. Shanghai Jingwei is a subsisting company with limited liability established in China, and is principally engaged in park area operation. It currently manages and operates park area office properties in the core commercial area of Shanghai, and has established a stable and strong clientele. Through this transaction, the Group has obtained the operation right of a high-end creative park area in Shanghai, namely the “Jingwei Park”.

The construction of Jingwei Park has a profound historical origin. Besides its prime location, it was once a warehouse of British East India Company in Shanghai, and its blend of Chinese and Western design in modern and ancient times has attracted well-known artists in Shanghai in the past decades. It has been transformed into a stylish office space which combined classical and modern design by an enterprise, which is a creator and market leader of the world’s leading shared-office-space and it also placed its Asia flagship store here, attracting a large number of entrepreneurs and freelancers.

### **Cooperation between leading corporations to optimize the layout of new business**

As the Group has been a provider of corporate services in the media sector all the year round, the new business of “Base + Capital” after transformation also focuses on the cultural industry. In respect of park area business, the Group has developed the business segment of “Park + Fund” through equity participation in Shanghai Lingang Cultural Industry Development Company Limited (“Lingang Cultural”). Lingang Cultural is a subsidiary of Lingang Group, a well-known operating agency of cultural and creative parks in Shanghai. Lingang Cultural not only has engaged in the operation of “Sheshan Cultural Oasis” (a cultural industry development park with a total planned area of about 160,000 square meters located in Shanghai), but also managed an industrial park fund with a value of RMB2 billion. The main investment direction of the fund is to facilitate the development of “Sheshan Cultural Oasis” and the proper investment in corporations within the park, which has been the first time for the Group to adopt the unique operation model of “Base + Capital”. This model is the Group’s major strategy in the business segment of industrial park fund and the Group aims at repeating the model across the country.

In respect of the fund business, the Group has developed the business segment of venture investment fund through equity participation in Shanghai Hejing Leyi Investment Advisory Co., Ltd (“Hejing Leyi”), a cultural venture investment corporation whose investment concept is “consumption upgrade driven by culture”. During the Review Period, Hejing Leyi initiated to establish the Hejing Angel Fund II, cooperated with China mobile audio giant-The Himalayan to establish the Himalayan Cultural Industry Fund and was entrusted to manage a cultural industry fund at provincial level, which is becoming an active participant in the field of cultural industry investment in China. Also, during the Review Period, the Group entered into a strategic agreement with Wuxi Jinyuan Industry Investment Development Group Company Limited (“Wuxi Jinyuan”) and Peace Fortune Holdings Company Limited (“Peace Fortune”) with an intention to establish an industry merger and acquisition fund. The investment of this fund targets at industrial parks, cultural tourism and new rural construction, and funds will be directed to developing as well as developed corporations.

Through equity participation in Lingang Cultural to open up the park area fund business line, equity participation in Hejing Leyi to open up venture capital fund business line and strategic cooperation with Wuxi Jinyuan and Peace Fortune to open up another fund business line, namely industry merger and acquisition fund business, it indicated that the Group’s fund business has entered into a stage of substantial investment in corporations with potentials.

## PROSPECTS

There is an upward tendency in the corporate service industry around the world and the drive of which has taken its shape. In the nationwide market of China, the Group has had a head start and gained certain achievements. The Group will continue to pursue innovation, optimize the ecological chain of corporate services and form a multi-dimensional layout which combines park area services, value-added services, investment services and marketing communication services horizontally and accommodates start-ups, developing and developed corporations vertically.

In addition, as a listed corporation, the Group will also continue to strictly comply with the Listing Rules, pursue positive and steady development, and create greater value for shareholders, employees and society.

## FINANCIAL OVERVIEW

The Group recorded a total revenue (after deducting cultural business development charge) of approximately RMB180,657,669 for the year ended 31 December 2016, representing a decrease of approximately 43.11% or RMB136,908,258 from RMB317,565,927 for the year ended 31 December 2015.

The total gross profit of the Group was approximately RMB12,642,651 for the year ended 31 December 2016, representing a decrease of approximately 86.5% or RMB80,977,065 from RMB93,619,716 for the year ended 31 December 2015. The gross profit margin decreased to approximately 7% for the year ended 31 December 2016 from 29.48% for the corresponding period of last year.

The net profit of the Group decreased from RMB37,356,826 for the year ended 31 December 2015 to a net loss of RMB208,749,347 for the year ended 31 December 2016.

Loss per share of the Group for the year ended 31 December 2016 was RMB84 cents.

## CONTINUING OPERATIONS

### Revenue

The revenue (after deducting cultural business development charge) of the Group was approximately RMB160,374,361 for the year ended 31 December 2016 (2015: RMB201,569,895), representing a decrease of approximately 20.44% as compared with last year. The revenue of traditional advertising business was approximately RMB150,882,453 (2015:RMB201,569,895), and the revenue from park management rental fees was RMB9,491,908 (2015:nil). The revenue of traditional advertising business decreased by RMB50,687,442 as compared with last year. Such decrease was mainly due to (i) being influenced by the intensified competition within advertising agency industry, the income of parts of the Group's business decreased and resulted in the decrease in gross profit; and (ii) being affected by the recession in motor industry, some clients deducted their budget on advertising, which result in the shrink in revenue. The rental revenue arose from the Group's acquisition of a park operation and management company in September 2016.

### Cost of Sales and Gross Profit

As at 31 December 2016, the Group's cost of sales mainly comprised expenses for procuring advertising space, payment costs for contributed articles, event organizing, production costs, staff costs paid to business staff as well as leasing costs. The Group's cost of sales for the year ended 31 December 2016 was approximately RMB150,119,592, representing a decrease of approximately 7.04% or approximately RMB11,366,297 as compared with approximately RMB161,485,889 for the year ended 31 December 2015. The cost of sales decreased because the cost dropped along with the declined revenue.

For the year ended 31 December 2016, the Group recorded a gross profit of approximately RMB10,254,769, representing a decrease of approximately RMB29,829,237 as compared to approximately RMB40,084,006 for the year ended 31 December 2015. For the year ended 31 December 2016, the Group's gross profit margin was 6.39% (gross profit margin for the year ended 31 December 2015: 19.89%). It was mainly because: (i) being influenced by the intensified competition within advertising agency industry, the income of parts of the Group's business decreased and resulted in the decrease in gross profit; and (ii) the Group's motor clients reduced their budgets on advertising, thus the gross profit of this business was undermined.

### Selling and Distribution Expenses

Selling and distribution expenses increased by RMB10,591,633 from approximately RMB1,882,607 for the year ended 31 December 2015 to approximately RMB12,474,240 for the year ended 31 December 2016. Such increase was mainly due to the expenses arising from business expansion of the Group.

### Administrative and Other Expenses

Administrative and other expenses for the year ended 31 December 2016 increased by RMB6,318,252 to approximately RMB36,948,915 as compared to that for the year ended 31 December 2015. The increase was mainly due to the following factors: (i) the Group renovated some areas in the business park for better operation management after obtaining the operation right and through equity acquisition during the Review Period, resulting in an increase in related amortized cost; and (ii) the Group has made provision for bad debts of individual customers for the sake of safety.

### Human Resources

The Group's remuneration policy was formulated with reference to the industry practices and the performance of individual employees. During the year ended 31 December 2016, the total staff cost was approximately RMB12,575,249 (for the year ended 31 December 2015: approximately RMB12,107,275).

### Discontinued Operations

On 29 December 2016, the Group decided to discontinue the wireless advertising business. The main reason for discontinuing this business was that, with the rapid development of new media, especially the self-media, the wireless advertising business of the Group could not catch up with the current trend of media development to satisfy the clients' needs. In addition, by analyzing the business mode, the wireless advertising business of the Group belonged to traditional advertising agency mode, and being affected by the intensified "disintermediation" in the media industry, the room for traditional advertising agency to survive was seriously oppressed. Based on the above reasons, the Group decided to conform to the situation to discontinue the wireless advertising business.



During the Review Period, the revenue of discontinued operation was approximately business was RMB20,283,308 (2015: RMB115,996,032); the cost of sales were RMB17,895,426 (2015: approximately RMB62,460,322); the gross profit were RMB2,387,882 (2015: approximately RMB53,535,710); the sales and distribution expenses was approximately RMB198,939 (2015: approximately RMB3,810,478); the administrative expenses and other expenses were RMB22,153,608 (2015: approximately RMB8,378,615); the impairment loss of goodwill was RMB156,293,197 (2015: nil); the impairment loss of intangible assets was RMB1,500,221 (2015: nil); and the discontinued operations recorded a loss of RMB173,901,301.

### Capital Resources and Liquidity

As at 31 December 2016, the total equity attributable to the Group's shareholders was approximately RMB238,783,312, including statutory reserves of RMB7,922,791. The Group had cash and bank balances amounting to approximately RMB84,310,595. The Group's working capital was approximately RMB158,839,925. With the Group's steady cash inflow from operations, together with its existing cash and bank balance on hand, the Group has adequate financial resources to fund the working capital required for its development plans in the coming year.

As at 31 December 2016, the Group had borrowings of RMB3,935,000.

### Gearing Ratio

The gearing ratio of the Group was 0.063 and -0.17 as at 31 December 2016 and 31 December 2015, respectively. Gearing ratio is the ratio of total liabilities less cash and bank balance to total assets.

### Treasury Policy

It is the Group's treasury management policy not to engage in any investment or speculative derivative instrument with high risks. During the year ended 31 December 2016, the Group continued to adopt a conservative approach in financial risk management and did not employ any material financial instrument for hedging purposes. Most of the assets, receipts and payments of the Group was denominated in Renminbi.

### Significant Investments Held

Save as disclosed in this annual report, there were no significant investments held by the Company as at 31 December 2016.

### Charge on the Group's Assets

As at 31 December 2016, the Group had cash at banks amounting to approximately RMB4,100,000, which was pledged for bank borrowings granted to the Group.

### Contingent Liabilities

As at 31 December 2016, the Group did not have any significant contingent liabilities.

### Foreign Exchange Risk

The Group mainly operates in China with most of its transactions settled in Renminbi. Some of the Group's bank deposits are denominated in Hong Kong dollar. The directors of the Company (the "Directors") are of the opinion that the Group's exposure to foreign exchange risk is insignificant. During the year ended 31 December 2016, the risks associated with foreign currency exchange rates have no significant impact on the business performance of the Group.

## SUBSTANTIAL ACQUISITION AND DISPOSAL

On 13 September 2016 (after trading hours), Shanghai Ju Liu Software Co., Ltd.\* (上海巨流軟件有限公司) (“Ju Liu Software”), an indirect wholly-owned subsidiary of the Company, entered into an equity transfer agreement (the “Equity Transfer Agreement”) with Ningbo Bonded Area Hongyuan Investment Holding Co., Ltd.\* (寧波保稅區弘遠投資控股有限責任公司) (“Ningbo Hongyuan”), Shanghai Jingtai Real Estate Development Co., Ltd.\* (上海憬泰置業發展有限公司) (“Shanghai Jingtai”), Shanghai Chenxing Investment Management Limited Partnership Enterprise (Limited Partnership)\* (上海琛興投資管理合夥企業(有限合夥)) (“Shanghai Chenxing”) and Shanghai Yuxin Industrial Development Co., Ltd.\* (上海渝新實業發展有限公司) (“Shanghai Yuxin”), pursuant to which Ju Liu Software agreed to purchase and Ningbo Hongyuan, Shanghai Jingtai, Shanghai Chenxing and Shanghai Yuxin agreed to sell 90% equity interest in Shanghai Jingwei Industry & Trade Development Co., Ltd.\* (上海憬威企業發展有限公司) (“Shanghai Jingwei”), at a consideration of RMB40.50 million. Upon completion of the Equity Transfer Agreement, Shanghai Jingwei shall become an indirectly owned subsidiary of the Company. For further details, please refer to the announcement of the Company dated 13 September 2016.

Save as disclosed above, there was no material acquisition and disposal of subsidiaries and associated companies by the Group during the year ended 31 December 2016.

## EMPLOYEE BENEFITS AND REMUNERATION POLICIES

As at 31 December 2016, the Group had a total of 59 employees (31 December 2015: 107 employees). The employees of the Group were remunerated based on their experience, qualifications, the Group’s performance and the prevailing market conditions.

The Company has adopted a share option scheme as incentive to Directors and eligible employees, details of which are set out in the section headed “Share Option Scheme” on pages 35 to 36 of this annual report. The Company has also adopted an employee’s share award scheme, details of which are set out in the section headed “Employee’s Share Award Scheme” on page 35 of this annual report.

# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

## EXECUTIVE DIRECTORS

### Mr. Fang Bin (方彬先生)

Mr. Fang Bin ("Mr. Fang"), aged 46, is currently an executive Director and the chairman of the Board. He entered into a director's service contract with the Company for a term of three years commencing from 27 April 2015.

Before founding the Group, Mr. Fang was the general manager of Shanghai Shenhai Advertisement Co. Ltd. (上海申海廣告有限公司) and the chief operating officer of Auto Weekly (汽車週刊) of Jiefang Daily (解放日報). With over 23 years of managerial experience in the media and advertising industries, Mr. Fang has extensive experience in business management and operation, in particular, in relation to the development of marketing and communications strategies and integration of media resources.

In September 2015, Mr. Fang was appointed as a vice-chairman by the Listed Companies Council, Hong Kong Chinese Enterprises Association.

Mr. Fang wholly-owns Lapta International Limited and is its sole director. Lapta International Limited was incorporated in the British Virgin Islands and held 44.68% of the issued shares of the Company as at 31 December 2016.

Mr. Fang has not held any position in other listed companies in the last three years.

### Mr. Fan Youyuan (范幼元先生)

Mr. Fan Youyuan ("Mr. Fan"), aged 56, was appointed as a non-executive Director of the Company in 2012 and redesignated as an executive Director of the Company in 2015 for a term of three years commencing from 16 November 2015. On the same date, Mr. Fan was appointed as the Chief Executive Officer of the Company.

Mr. Fan graduated from Fudan University with a bachelor's degree in Philosophy in 1983. He further obtained a master degree in Business Administration (International Programme) from the University of Hong Kong in 2004.

Mr. Fan has over 30 years of experience in media and advertising industries in the PRC. Before joining the Group, Mr. Fan held various positions in different entities, including general manager of Shanghai Jiefang Advertising Limited (上海解放廣告有限公司); supervisor of the advertising department of the Jiefang Daily; officer of the advertising department, research department and business development department of Jiefang Press Group (解放日報報業集團); executive deputy general manager of Shanghai Jiefang Media Investment Company Limited (上海解放傳媒投資有限公司); and a director and the chief executive of Shanghai Xinhua Media Co. Ltd. (上海新華傳媒股份有限公司) (600825. SH).

Mr. Fan wholly-owns Whales Capital Holdings Limited ("Whales Capital") through his wholly owned company, Taocent International Holding Limited ("Taocent International"), and Whales Capital held 5.84% of the issued shares of the Company as at 31 December 2016. For the purpose of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong, (the "SFO")), Mr. Fan is deemed to be interested in all the shares of the Company held by Whales Capital. Mr. Fan is a director of each of Taocent International and Whales Capital.

Save as disclosed above, Mr. Fan has not held any directorship in other listed public companies in the last three years.

**Mr. Patrick Zheng (Patrick Zheng先生)**

Mr. Patrick Zheng (“Mr. Zheng”), aged 46, was appointed as an executive Director for a term of three years commencing from 20 January 2015. Currently, he serves as the chief strategic officer and the alternate chief financial officer of the Company.

Mr. Zheng obtained a bachelor’s degree in International Trade from Shenzhen University in 1991, and obtained a master degree in Business Administration (MBA) from The Bernard M. Baruch College of The City University of New York (CUNY) in 1994.

Mr. Zheng has accumulated over 22 years of experience in the financial and investment sectors. Since 1994, he has entered Chase Manhattan Bank New York, the US and engaged in banking and financial positions. Thereafter, Mr. Zheng served at several positions, including the deputy president for the leveraged finance division of the headquarter in New York of Chase Manhattan Bank New York, the US; the managing director of Ortus Capital Management Ltd.; and chief advisor for a number of fund management companies in the PRC. He possesses extensive market experience in acquisition and merger, syndicated facility, issuance of high yield bonds and PE investment and management.

Mr. Zheng has not held any directorship in other listed public companies in the last three years.

**Mr. Huang Wei (黃維先生)**

Mr. Huang Wei (“Mr. Huang”), aged 41, was appointed as an executive Director for a term of three years commencing from 20 January 2015.

Mr. Huang obtained a bachelor’s degree in Journalism from Fudan University in July 1998 and served at several positions, including the deputy general manager of Shanghai Jiefang Media Investment Company Limited (上海解放傳媒投資有限公司); director and deputy general manager of Shanghai Jiefang Huayun Cultural Communication Company Limited (上海解放華運文化傳播有限公司); and director of Shanghai Jiefang-FocusMedia Advertising Communication Company Limited (上海解放分眾廣告傳播有限公司). During that period, Mr. Huang was also the director and general manager of Shanghai National Business Daily Media Company Limited (上海每日經濟傳媒有限公司) and the chief editor of China Mobile 12580 Live Broadcast Magazine (中國移動12580生活播報). He has been the director and general manager of Ju Liu Information Technology Company Limited (上海巨流信息科技有限公司) (“Ju Liu Information”), a wholly-owned subsidiary of the Group, since 2011.

Mr. Huang beneficially owns the entire issued share capital of Always Bright Enterprises Limited (永光企業有限公司) (“Always Bright”), which in turn held 20,810,194 shares of the Company as at 31 December 2016. For the purposes of the SFO, Mr. Huang is deemed to be interested in all the shares of the Company held by Always Bright.

Mr. Huang has not held any directorship in other listed public companies in the last three years.



### Mr. Song Yijun (宋義俊先生)

Mr. Song Yijun (“Mr. Song”), aged 44, is an executive Director and the deputy general manager of the Group. He entered into a director’s service contract with the Company for a term of three years commencing from 27 April 2015.

Mr. Song graduated from Shanghai Jiao Tong University with a bachelor’s degree in Biological and Medical Engineering and Equipment in 1995. He further obtained a master degree in business administration from Fudan University in 2008.

Mr. Song has over 21 years of experience in strategic operation and marketing management. Before joining the Group, Mr. Song was the general manager and deputy general manager of various companies of Haier Electrical Appliances Co., Ltd., the general manager of various companies, including Qingdao Yishang Trading Company Limited (青島億商貿易有限公司), Foshan Haishenglong Electrical Company Limited (佛山市海盛隆電器有限公司), and Oulida Electrical Company Limited. He also worked for Shanghai Xinhua Media Co. Ltd (上海新華傳媒股份有限公司), during which he served as the general manager of the sales department, the general manager of the wholesale department, the deputy chief officer of the strategic and development department; and the deputy chief officer of the strategic management department.

Mr. Song has not held any directorship in other listed public companies in the last three years.

## INDEPENDENT NON-EXECUTIVE DIRECTOR

### Mr. Zhou Ruijin (周瑞金先生)

Mr. Zhou Ruijin (“Mr. Zhou”), aged 77, is an independent non-executive Director. He entered into a director’s service agreement with the Company for a term of three years commencing from 27 April 2015. Mr. Zhou serves as the chairman of the remuneration committee (the “Remuneration Committee”) and the nomination committee (the “Nomination Committee”) under the Board.

Mr. Zhou graduated from the Department of Journalism in Fudan University in 1962. Upon graduation, he served as the deputy officer, officer, member of the edit committee, assistant to editor-in-chief and deputy editor-in-chief of the commentary department of Jiefang Daily (解放日報); and the deputy editor-in-chief of People’s Daily (人民日報).

Mr. Zhou possesses over 41 years of experience in media industry in the PRC and was a member of the standing committee of the Shanghai Journalism Association (上海市新聞學會) as well as the part-time professor of the Department of Journalism of Fudan University, the Department of Journalism and Human Sciences of Shanghai University of Technology and the Beijing Broadcasting Institute. In 1987, Mr. Zhou was selected as the senior editor by the National Journalism Senior Professional Duties Qualification Selection Committee (全國新聞高級專業職務資格評審委員會). In 1992, Mr. Zhou was selected by the State Council as an expert scholar with outstanding contribution being entitled to special subsidy from the government. In January 2001, Mr. Zhou was elected as the president of Shanghai Association of Productivity Science (上海生產力學會) and deputy president of the 13th Chinese Association of Productivity Science (全國生產力學會).

Between June 2000 and December 2009, Mr. Zhou was an independent director of China Eastern Airlines Corporation Limited (中國東方航空股份有限公司) (600115.SH, 670.HK, NYSE: CEA). In 2013, Mr. Zhou has been served as independent director of China Galaxy Securities Co., Ltd. (中國銀河證券股份有限公司) (6881.HK). In 2014, Mr. Zhou has been served as independent director of Shanghai CIMIC Holdings Co., Ltd. (上海斯米克控股股份有限公司) (2162.SZ) (he has resigned from the position of independent director of the company).

Save as disclosed above, Mr. Zhou has not held any directorship in other listed public companies in the last three years.

#### **Mr. Lin Zhiming (林志明先生)**

Mr. Lin Zhiming ("Mr. Lin"), aged 58, is an independent non-executive Director. He entered into a director's service agreement with the Company for a term of three years commencing from 27 April 2015.

Mr. Lin completed the study of Library Science at College of Liberal Arts Shanghai University (上海大學文學院) (formerly known as the branch school of Fudan University (復旦大學分校)) in 1983. He is currently the deputy director of Sunage Sports Communications Research Institute, Shanghai University (上海大學三傑體育傳播研究所). He is also a specially engaged professor of School of Film and Television Arts and Technology, Shanghai University (上海大學影視藝術技術學院) and a tutor in Journalism and Communication for master's degree students at the graduate school of the university.

Mr. Lin has more than 24 years of experience in marketing and corporate image building and communications. Since 2005, Mr. Lin has been the chief executive officer of Shanghai Sunage Advertising Company Limited (上海三杰廣告有限公司) where he is primarily in charge of strategic planning, organisation and execution of sports events and related projects. Between 1992 and 2004, Mr. Lin was the general manager of Shanghai Idea CIS Design and Consulting Company (上海艾迪企業形象設計顧問公司) where he was responsible for assisting clients in corporate image design and planning, providing them with research and advisory services in, amongst other things, PR communications strategies as well as the daily operations and administration of the company.

Mr. Lin has not held any directorship in other listed public companies in the last three years.

#### **Ms. Hsu Wai Man, Helen (徐慧敏女士)**

Ms. Hsu Wai Man, Helen ("Ms. Hsu"), aged 47, is an independent non-executive Director. She entered into a director's service contract with the Company for a term of three years commencing from 27 April 2015. Ms. Hsu serves as the chairlady of the audit committee (the "Audit Committee") under the Board.

Ms. Hsu graduated from The Chinese University of Hong Kong with a bachelor's degree in Business Administration in 1992. Before joining the Group, Ms. Hsu was a partner of Ernst & Young.

With over 22 years of experience in accounting, Ms. Hsu is a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of the American Institute of Certified Public Accountants.

Save for the aforesaid serving conditions in the Company, the positions held currently by Ms. Hsu are listed below: an independent non-executive Director of Perfect Shape (PRC) Holdings Limited (1830.HK) since December 2011; an independent non-executive Director of Richly Field China Development Limited (313.HK) since November 2013; an independent non-executive Director of TCL Display Technology Holdings Limited (334.HK) since June 2015.

The positions held by Ms. Hsu in the past are listed below: an independent non-executive Director of China Forestry Holdings Co., Ltd. (930.HK) from June 2011 to June 2015; an independent non-executive Director of Fujian Nuoqi Co., Ltd. (1353.HK) from June 2013 to September 2015; an independent Director of SGOCO Group, Ltd (a company listed on the Nasdaq stock market, stock code: SGOC) from April 2013 to December 2015; an independent non-executive Director of China Kingstone Mining Holdings Limited (1380.HK) from July 2015 to December 2015; and an independent non-executive Director of Titan Petrochemicals Group Limited (1192.HK) from December 2015 to April 2016.

Save as disclosed above, Ms. Hsu has not held any directorship in other listed public companies in the last three years.

### SENIOR MANAGEMENT

#### **Mr. Fan Youyuan (范幼元先生)**

Chief executive officer of the Company

For biographical details of Mr. Fan, please refer to the paragraphs under the section headed “Executive Directors” in this annual report.

#### **Mr. Patrick Zheng <sup>(1)</sup>**

Chief strategic officer of the Company

For biographical details of Mr. Zheng, please refer to the paragraphs under the section headed “Executive Directors” in this annual report.

#### **Mr. Huo Zhongyan (霍中彦先生) <sup>(2)</sup>**

Chief operating officer of the Company

Mr. Huo, aged 37, is the chief operating officer of the Company. He joined the Group in November 2015 and he entered into a service contract with the Company for a term of three years commencing from 16 November 2015. Mr. Huo has ample experiences in commercial and corporate management as well as acquisitions and equity investment.

Mr. Huo served as an investment manager in Jiefang Press Group\* (解放日報報業集團) and a director of the strategic investment department in Shanghai Xinhua Media Co., Ltd, the shares of which are listed on the Shanghai Stock Exchange (Stock Code: 600825.SH). Further, Mr. Huo has engaged in equity investment and capital services, led and participated in a number of investment projects regarding mergers and acquisitions, restructuring and start-ups since 2010.

#### **Mr. Huang Wei (黃維先生) <sup>(3)</sup>**

General Manager of Ju Liu Information Technology Limited (上海巨流信息科技有限公司), (“Ju Liu Information”), a subsidiary of the Company, and Shanghai Ju Liu Software Co., Ltd.\* (上海巨流軟件有限公司), (“Ju Liu Software”), a subsidiary of the Company.

For biographical details of Mr. Huang, please refer to the paragraphs under the section headed “Executive Directors” in this report.

*Note 1:* On 20 January 2015, Mr. Patrick Zheng was appointed as an executive Director and the chief strategic officer of the Group.

*Note 2:* On 16 November 2015, Mr. Huo Zhongyan was appointed as a chief operating officer of the Group. For further biographical details of Mr. Huo, please refer to the announcement of the Company dated 16 November 2015 in relation to, among other things, the appointment of chief operating officer of the Company.

*Note 3:* On 20 January 2015, Mr. Huang Wei was appointed as an executive Director.

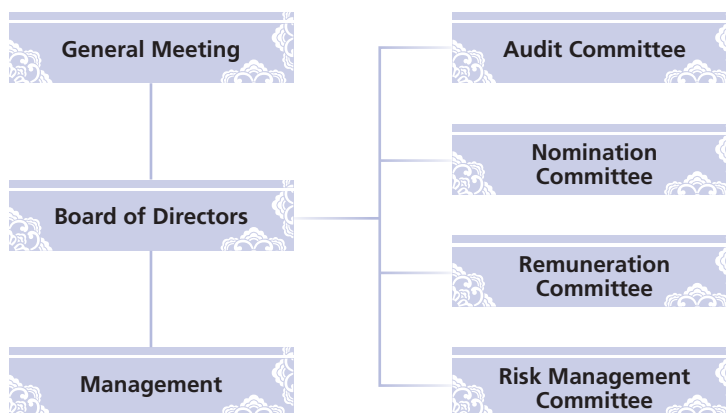
## CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining sound corporate governance standards and procedures to ensure the timeliness, transparency and completeness of its information disclosure, and strives to achieve a more standardised operational and effective management, so as to safeguard investors' interests as a whole to the greatest extent.

The Board of the Company is responsible for performing the corporate governance duties, which includes formulation and review of the Company's policies and practices on corporate governance, review and monitor of the Company's policies and practices on compliance with legal and regulatory requirements, formulation, review and monitor of the code of conduct and Compliance Manual applicable to employees and directors, as well as review of the Company's compliance with the Corporate Governance Code in Appendix 14 to the Listing Rules (the "Corporate Governance Code") and disclosure in the Corporate Governance Report.

The Directors consider that the Company has continuously complied with all the code provisions of the Corporate Governance Code during the Review Period.

The Corporate Governance Structure of the Company for the year ended 31 December 2016 is as follows:



## 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 Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

Having made specific enquiry with all the Directors, each of the Directors confirmed that he/she has complied with the required standards as set out in the Model Code during the Review Period.

## BOARD OF DIRECTORS

The Board has the responsibility of setting the general strategy of the Group, supervising the results of performance of the Group, approving operating plans and investment proposals. The Board has authorised the management or senior management who are responsible for various business and function to handle the daily operation and day-to-day management affairs of the Group and report to the Board from time to time.



## CHAIRMAN OF THE BOARD AND CHIEF EXECUTIVE

Mr. Fang Bin is the chairman of the Board of the Company and is responsible for leading the Board to operate effectively, ensuring the Board handles key affairs in a timely manner, as well as setting up the general business strategies for the Group.

Mr. Fan Youyuan is the chief executive of the Company and is authorised by the Board to be responsible for implementing the Group's business and formulating the day-to-day management strategies of the Group.

The Company considers that there is a clear division of the duties and responsibilities of the chairman of the Board and the chief executive. There is no relationship in respect of any financial, business, family or other material relevant aspects among members of the Board. All of them are free to exercise their independent judgment.

## COMPOSITION OF THE BOARD

As at the date of this annual report, the Board comprised eight Directors, five of which are executive Directors (namely, Mr. Fang Bin, Mr. Fan Youyuan, Mr. Patrick Zheng, Mr. Huang Wei and Mr. Song Yijun) and three of which are independent non-executive Directors (namely, Mr. Zhou Ruijin, Mr. Lin Zhiming and Ms. Hsu Wai Man, Helen). Mr. Fang Bin is the chairman of the Board and Mr. Fan Youyuan is the Chief Executive Officer of the Company.

Each of Mr. Zhou Ruijin, Mr. Lin Zhiming and Ms. Hsu Wai Man, Helen, all being independent non-executive Directors, has entered into a service contract with the Company for a term of three years commencing from 27 April 2015, subject to retirement and re-election at the annual general meeting of the Company.

All Directors (including independent non-executive Directors) have clear terms of appointment. The independent non-executive Directors are persons with academic and professional qualifications. The Company has received from each of the independent non-executive Directors an annual independence confirmation under Rule 3.13 of the Listing Rules, and considers that all the independent non-executive Directors are independent.

## FINANCIAL REPORTING

The Directors acknowledge their responsibility for preparing the accounts of the Company. As at 31 December 2016, the Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern. Accordingly, the Directors have prepared the financial statements of the Company on a going-concern basis.

The responsibilities of the external auditors regarding their financial reporting are set out in the independent auditor's report attached to this annual report.

## BOARD MEETINGS AND GENERAL MEETING

The Company convenes meetings for the Board and board committees in accordance with the requirements of the Listing Rules and the articles of association of the Company. During the Review Period, the attendance of each Director in Board meetings, committee meetings of the Board and general meetings is as follows:

	Attendance/Number of meetings during the Review Period					General Meeting
	The Board	Audit Committee	Remuneration Committee	Nomination Committee	Risk Management Committee	
<b>Executive Directors</b>						
Fang Bin	3/3					1/1
Fan Youyuan	3/3				1/1	1/1
Patrick Zheng	3/3					1/1
Huang Wei	3/3					1/1
Song Yijun	3/3					1/1
<b>Independent non-executive Directors</b>						
Zhou Ruijin	3/3	3/3	1/1	1/1		1/1
Lin Zhiming	3/3	3/3	1/1	1/1	1/1	1/1
Hsu Wai Man, Helen	3/3	3/3	1/1	1/1		1/1
<b>Chief Operating Officer</b>						
Huo Zhongyan					1/1	

## CONTINUOUS PROFESSIONAL DEVELOPMENT OF THE DIRECTORS

The Company regularly dispatches a Directors' management list which sets out the primary business and financial conditions of the Company to the Directors in each month, with a purpose of enhancing their comprehensive understanding of the Company. At the same time, the Company also continues to make announcements to the Directors regarding the updates of the Listing Rules and other relevant information about corporate governance and Directors' responsibilities, and arranges relevant trainings to ensure that the Directors have the knowledge in respect of their responsibilities under with relevant laws and regulations. The Company also encourages all the Directors to participate in continuous professional development so that they would be able to develop and update their knowledge and skills, and thus ensure that their contribution to the Board is made under complete information and in accordance their needs.

During the Review Period, the Directors were involved in several trainings including:

1. participation in trainings and/or seminars in respect of the industries, businesses, Directors' responsibilities and/or corporate governance related to the Company;
2. reading the materials in respect of the industries, businesses, Directors' responsibilities and/or corporate governance related to the Company; and/or reading the updated information issued by the Company regularly; and
3. participation in trainings and reading materials in relation to their respective professional knowledge and skills.

## BOARD COMMITTEES

As an important component of sound corporate governance practices and to oversee the general affairs of the Company in each aspect as well as to assist the Board to perform its duties, the Board had set up four board committees, which are Audit Committee, Remuneration Committee, Nomination Committee and Risk Management Committee. The members of Audit Committee, Remuneration Committee and Nomination Committee are independent non-executive Directors to ensure that independent and objective opinions could be sufficiently expressed and serve the role of inspection and supervision.

The list of members and terms of reference of each of the board committees are disclosed on the websites of the Company and the Stock Exchange.

### AUDIT COMMITTEE

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

The primary duties of the Audit Committee are, among others, (i) to monitor, review the financial reports and give advice on matters in respect of financial reporting; (ii) to make recommendations to the Board on the appointment, reappointment and removal of external auditors; and (iii) to oversee internal control procedures of the Company.

During the Review Period, the Audit Committee had held 3 meetings to (i) review the 2015 annual results and annual report, the 2016 interim results announcement and interim report; (ii) review the internal control of the Company; and (iii) communicate with external auditors about the financial risk of the Group.

The Audit Committee had reviewed the audited financial statements, annual results announcement and report of the Group for the year ended 31 December 2016 and had submitted the same to the Board for approval. Members of the Audit Committee were of the opinion that the preparation of such results announcement and annual report has complied with the applicable accounting standards, the Listing Rules and that adequate disclosure had been made.

### REMUNERATION COMMITTEE

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

The main duties of the Remuneration Committee are, among others, (i) to make recommendations to the Board on the remuneration package of individual executive Directors and senior management of the Company; and (ii) to ensure none of the Directors determines his/her own remuneration.

The goal of developing staff remuneration packages is to enable the Company to motivate the executive Directors and senior management by linking their remuneration to the Company's operating results, individual performances and comparable market rates.

The Remuneration Committee had held 1 meetings during the Review Period, and reviewed the overall remuneration policy and structure relating to the Directors and senior management of the Company.

## NOMINATION COMMITTEE

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

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

The Nomination Committee had held 1 meetings during the Review Period and had among others, reviewed the structure, size and composition (including the skills, knowledge and experience) of the Board, assessed the independence of the independent non-executive Directors and reviewed the qualifications of the proposed Directors to be re-elected at the annual general meetings of the Company.

Furthermore, the Group has developed policies in relation to the diversity of members of the Board and the summary of those policies is stated as follows:

- (1) selection of Board members will be based on a range of diversity perspectives, which would include but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service; and
- (2) the Nomination Committee will monitor the implementation of the diversity policy by the Company from time to time to ensure the effectiveness of the diversity policy.

## RISK MANAGEMENT COMMITTEE

The risk management committee under the Board (the "Risk Management Committee") has 3 members, comprising Mr. Fan Youyuan (being an executive Director), Mr. Lin Zhiming (being an independent non-executive Director) and Mr. Huo Zhongyan (being the chief operating officer of the Company). This committee is chaired by Mr. Fan Youyuan.

The main duties of the Risk Management Committee are, among others, (i) to advise the Board on the overall risk preference/tolerance and risk management strategies of the Group; (ii) to monitor the implementation of those strategies by the senior management that are established and approved by the Board, and to review whether such strategies are aligned with the Company's overall business objectives; and (iii) review the effectiveness of the internal audit function of the Company.

The Risk Management Committee was established on 28 December 2015 and held 1 meeting during the Review Period to review the potential risks in overall business, risk management strategies of the Group and the effectiveness of the internal audit function of the Company.

## SENIOR MANAGEMENT'S REMUNERATION

The remuneration payment of the senior management of the Group (excluding the Directors) in the year ended 31 December 2016 falls within the following band:

<b>Remuneration amount</b>	<b>Number of individual</b>
HKD0 ~ HKD1,000,000	6



## AUDITOR'S REMUNERATION

During the Review Period, the fees payable to the Company's external auditor, BDO Limited, for the audit services of HK\$1,300,000 are set out as follows:

<b>Services rendered</b>	<b>Fees paid/payable</b> HKD
Auditing service	1,300,000

## RISK MANAGEMENT AND INTERNAL CONTROLS

The Board of the Company is solely responsible for maintaining sound and effective internal controls and risk management of the Group so as to safeguard the assets of the Group against unauthorised use or disposal, keep appropriate accounting records for the provision of reliable financial information to be used or published within the scope of business, and ensure the compliance with applicable laws and requirements.

The Group's risk management and internal control systems comprise, among others, the relevant financial, operational and compliance controls and risk management procedures, a well-established organizational structure with clearly defined lines of responsibility and authority. Each department is accountable for its daily operations and is required to implement the business strategies and policies adopted by the Board from time to time.

During the Review Period, the related functional departments of the Company supported the Board, the Audit Committee and the Risk Management Committee in reviewing the effectiveness of risk management and internal control systems and performed its functions during the Review Period following an annual audit plan and submitting their reports of their findings to the Board, the Audit Committee and the Risk Management Committee at the meetings. The Audit Committee and the Risk Management Committee provides independent review on effectiveness of the internal control and risk management systems of the Group, respectively, and gives their recommendation to the Board. The Board is responsible for reviewing the internal audit report and approving policies and procedures designed by the management.

The Board had reviewed the risk management and internal control systems for the year ended 31 December 2016 through the Audit Committee, the Risk Management Committee, the management of the Company, the internal audit department of the Company and external auditors, and considers the systems be effective and adequate. Such review covers (i) all material controls, including but not limited to financial, operational and compliance controls; (ii) risks management functions; and (iii) the adequacy of resources, qualifications and experience of staff in connection with the accounting and financial reporting function of the Group and their training programmes and relevant budget.

The risk management and internal control systems of the Company are designed to manage rather than eliminate the risk of failure in operational system and to provide reasonable, but not absolute, assurance against material misstatement or loss. The systems are designed further to safeguard the Group's assets, maintain appropriate accounting records and financial reporting, achieve efficiency of operations and ensure compliance with the Listing Rules and all other applicable laws and regulations.

The Group will engage external independent professionals to review its risk management and internal control systems and further enhance its risk management and internal control systems as appropriate.

## COMPANY SECRETARY

Mr. Tam Tak Kei, Raymond (CPA) was appointed as the secretary of the Company on 10 April 2012. Mr. Tam Tak Kei, Raymond has satisfied the requirements in respect of receiving professional trainings under Rule 3.29 of the Listing Rules.

## INVESTORS RELATIONS

The Company endeavours to develop and maintains continuing relationships and effective communications with the shareholders and investors of the Company. During the year ended 31 December 2016, there was no material change in the articles of association of the Company.

## INVESTORS RELATIONS ACTIVITIES

The Company conveys information to shareholders and investment community primarily through the financial reports of the Company, annual general meetings and other general meetings that may be held, as well as the provision of all discloseable information which had been submitted to the Stock Exchange and other information published on the Company's website.

The last shareholders' meeting was the annual general meeting held on 23 May 2016 at No.66, Yuanmingyuan Road, Huangpu District, Shanghai, the PRC for approval of, among other things, the general mandates to issue and purchase shares of the Company and the re-election and re-appointment of the Directors. All proposed ordinary resolutions were passed by way of poll at the meeting.

In addition, during the Review Period, the management of the Company conducted effective meetings and communications with analysts and investors through organizing and participating in one-on-one meetings and press releases.

## SHAREHOLDERS' RIGHTS

### Convening extraordinary general meetings

Pursuant to Article 64 of the articles of association of the Company, any shareholders, at the date of deposit of the requisition, holding not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board to convene such meeting shall be reimbursed to the requisitionist(s) by the Company.

### Procedures for putting forward proposals at general meetings by shareholders

Pursuant to article 113 of the articles of association of the Company, no person (other than a retiring Director) shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting unless a notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the head office or at the registration office of the Company no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting and the minimum length of the period during which such notices to the Company may be given will be at least 7 days. The procedures for shareholders of the Company to propose a person for election as a Director are posted on the website of the Company.

### Enquiries to the Board

Shareholders could direct their questions about their shareholdings to the Company's share registrar in Hong Kong, Tricor Investor Services Limited. The investment community may at any time make a request for the Company's information to the extent such information is publicly available and we would provide designated contact person, email addresses and hotline of the Company in order to enable them to make any query in respect of the Company.

Shareholders and potential investors are welcome to communicate with the Company by emailing to [ir@brandingchinagroup.com](mailto:ir@brandingchinagroup.com) or telephone at +8621 61160021. Shareholders may also put forward their written enquiries to the Board at 4th Floor, No. 696 Weihai Road, Jing'an District, Shanghai 200041, the PRC, to the attention of the Board.

Human activities of modern society continuously and comprehensively affect the natural environment on which the survival of mankind depends. Meanwhile, human society itself also changes along with times as well as human activities, in which commercial activities are playing an important role. The changes of environment and society bring about opportunities and challenges to commercial activities in return.

The Group has consistently adhered to the strategy of conserving resources, protecting environment and taking the lead to assume social responsibilities. This report demonstrates the efforts paid by the Group in environmental and social areas, as well as its future planning.

## REPORTING STANDARDS

The preparation of this Environmental, Social and Governance Report is based on the relevant rules and guidelines of the Listing Rules and subject to “comply or explain” provisions. This is the first annual Environmental, Social and Governance Report prepared by the Group, covering the period from 1 January 2016 to 31 December 2016.

## ENVIRONMENT

The Group has never been engaged in industrial or agricultural production, and is a service enterprise specialising in park area services, equity investment services, corporate value-added services and brand communication services. The source of emissions was daily office work in general office environment, and the emissions could be categorised as greenhouse gas and poison-free wastes (domestic waste). The Group had no other harmful waste emission to the atmosphere. Resources used were mainly electricity, water and other office supplies.

The annual power consumption of the Group was 8,363.62 kWh, equivalent to a CO<sub>2</sub> emission of 2,321.24 kg<sup>(1)</sup>. Under this background, the Group strived to reduce emissions and save the use of resources whenever possible. The Group implemented the following policies in this regard:

- Set a higher temperature for air conditioners in summer time and a lower temperature in winter time
- Switch on and off electrical appliances according to need
- Use paper on both sides
- Sort waste for recycling
- Use water-saving sanitary wares

Due to the features of the service industry, business activities of the Group had no significant impact on environment and natural resources.

### *Note:*

<sup>(1)</sup> Calculated are made in accordance with the “General principles for Calculation of Total Production Energy Consumption of the People’s Republic of China” (GB2589-81).



## STAFF MEMBERS

The achievements made by the Group were inseparable from the joint efforts of all staff members, whilst the Group needed to join hands with them for its future development. Therefore, employee benefits were regarded as one of the primary objectives with a view to reward all employees who had contributed to the Group.

Based on the features of its principal business, the Group set appropriate working hours and rest breaks for all staff members. Working hours could also be flexibly adjusted according to job positions for adapting to different functions. The Group provided ample annual leave and distributed welfare items to employees on traditional holidays.

The Group was also committed to creating an excellent working environment. Comfortable offices were located in convenient locations with pleasing landscape. In addition, annual health checks were provided for employees and the health of employees had never been impaired by work.

The Group has always safeguarded the rights of employees regardless of gender, age, locations and types of employment. All employees were treated fairly and there was no discrimination or harassment in the workplace, thereby facilitating a harmonic working environment for cooperation between staff members.

The Group provided employees with training and development opportunities, with the aim of making progress with them. In the course of its daily business, the Group purchased books and other materials related to its business for learning in accordance with the needs of its employees. Sharing and exchanges as well as training and examinations of industry related certifications for employees were arranged accordingly.

Human resources policies of the Group were formulated in strict compliance with relevant laws and regulations. All staff members were employed on voluntary basis with no case of child or forced labor and the terms of the employment agreement were fair and reasonable.

## OPERATING PRACTICE

The Group conducted comprehensive inspection on its suppliers in the areas of production and management to ensure they were capable of sustainable development in terms of operation, society and environment. Regular reviews on existing suppliers were also conducted to ensure they were in comply with codes of conduct related to anti-corruption, bribery, etc., with all conflicts of interests (including potential conflicts) declared.

Products provided by the Group were categorized as services. Only accurate description for services was used in our marketing activities so that customers were able to make informed decisions. Relevant laws and regulations as well as customer confidentiality obligations were strictly complied with to provide quality year-round services.

The Group complied with local laws and regulations in the areas of anti-corruption and bribery and adopted a strict internal control system to eliminate corruption of all kinds, including the provision or acceptance of commercial bribery. Employees and relevant parties were able to use effective feedback channels to report any possible improprieties to the management of the Group for further investigation, and they were assured of no retaliation or harassment.

## COMMUNITY

The Group attached great importance to participating in social welfare activities for the sake of fulfilling its responsibility and giving back to the society. A sustainable and prosperous local community would also benefit the development of the Group.

# REPORT OF THE DIRECTORS

The Directors hereby present their report and the audited financial statements for the year ended 31 December 2016 (the "Financial Statements").

## GROUP REORGANISATION

The Company was incorporated as an exempted company in the Cayman Islands on 15 March 2011 under the Companies Laws of Cayman Islands. Through a group reorganisation as fully explained in the prospectus of the Company dated 17 April 2012 (the "Prospectus"), the Company has, since 26 August 2011, become the holding company of the Group. The Company has completed its placing on 27 April 2012 and the shares of the Company were listed on the GEM. The Company entered into an agreement for acquisition on 19 April 2013. As a result of the acquisition, the Group acquired Grand Rapids Mobile and indirectly held the entire equity interests of Ju Liu Information. The listing of shares of the Company (the "Shares") was transferred from the GEM to the Main Board on 8 September 2015.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its principal subsidiaries are set out in note 18 to the Financial Statements on pages 95 to 97 of this annual report. During the year ended 31 December 2016, business activities of the Group have been expanded from provision of advertising, public relation and event marketing services to park area services, equity investment services and corporate value-added services.

An analysis of the Group's results for the year ended 31 December 2016 by segments is set out in the Financial Statements on pages 80 to 83 of this annual report.

## BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2016 is set out in the section headed "Management Discussion and Analysis" on page 9 of this annual report.

## RESULTS AND DIVIDEND APPROPRIATIONS

The Group's profit for the year ended 31 December 2016 and the state of affairs of the Company and the Group as at that date are set out in the consolidated statement of changes in equity on page 58 of this annual report.

The Board does not recommend payment of any dividend for the year ended 31 December 2016.

## SUMMARY OF FINANCIAL INFORMATION

The summary of the results, assets and liabilities of the Group for the last five financial years is set out on page 5 and page 6 of this annual report.

## PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group are set out in note 15 to the Financial Statements on page 92 of this annual report.

## SHARE CAPITAL AND SHARE OPTION

Details of movements in the Company's share capital during the year ended 31 December 2016 are set out in note 29 to the Financial Statements on page 107 of this annual report.

## 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.

## TAX RELIEF

The Company is not aware of any relief from taxation available to shareholders by reason of their holdings in the Shares of the Company.

## RESERVES

Details of the movements in the reserves of the Company and the Group during the year ended 31 December 2016 are set out in note 30 to the Financial Statements and the consolidated statement of changes in equity on page 108 of this annual report, respectively.

## DISTRIBUTABLE RESERVES

As at 31 December 2016, the Company's reserves available for distribution amounted to RMB183,894,671 as computed in accordance with the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

## MAJOR CLIENTS AND SUPPLIERS

The percentages of sales and purchases for the year ended 31 December 2016 attributable to the Group's major clients and suppliers were as follows:

- (1) The aggregate amount of revenue attributable to the Group's five largest clients represented approximately 62.7% of the Group's total revenue. The amount of revenue from the Group's largest client represented approximately 23.6% of the Group's total revenue.
- (2) The aggregate amount of purchases attributable to the Group's five largest suppliers represented approximately 57.9% of the Group's total purchases. The amount of purchases from the Group's largest supplier represented approximately 26% of the Group's total purchases.

None of the Directors or any of their close associates or any shareholders (which, to the best knowledge of the Directors, owns more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest clients and/or five largest suppliers.

## DIRECTORS

The Directors as at the date of this annual report were as follows:

### **Executive Directors:**

Mr. Fang Bin  
Mr. Fan Youyuan  
Mr. Patrick Zheng  
Mr. Huang Wei  
Mr. Song Yijun

### **Independent non-executive Directors:**

Mr. Zhou Ruijin  
Mr. Lin Zhiming  
Ms. Hsu Wai Man, Helen

In accordance with Article 112 of the Company's article of association, any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting after his/her appointment and any Director appointed by the Board as an additional Director shall hold office only until the next following annual general meeting of the Company. Pursuant to Article 108(a) of the articles of the association of the Company, at each annual general meeting, one-third of the Directors for the time being shall retire from office by rotation, whereby Mr. Song Yijun, Mr. Patrick Zheng and Mr. Huang Wei will retire from office as Directors at the forthcoming annual general meeting, and being eligible, offer themselves for re-election.

## BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the Directors and other senior management are disclosed in the section headed "Biographical Details of Directors and Senior Management" on page 14 of this annual report.

## DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the forthcoming annual general meeting has entered into 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

Save as disclosed in the section headed "Continuing Connected Transactions" in this annual report, no Director had a material interest in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party subsisting during the year ended 31 December 2016 or as at 31 December 2016. Please refer to the section headed "Continuing Connected Transactions" in this annual report for the particulars of the contract of significance between member of the Group and the controlling shareholder of the Company.



## MANAGEMENT CONTRACTS

Save as the Structured Contracts (details of which are set out in the section headed “Continuing Connected Transactions” below), no contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year ended 31 December 2016.

## REMUNERATION OF THE DIRECTORS

Details of the remuneration of the Directors are set out in note 9 to the Financial Statements on pages 86 to 87 of this annual report.

## PERMITTED INDEMNITY

Pursuant to the Company’s Articles of Association, the Directors, Managing Directors, alternate Directors, Auditors, Secretary and other officers for the time being of the Company shall be indemnified and secured harmless out of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them shall or may incur or sustain by or about the execution of their duty in their offices or in relation thereto.

## EMOLUMENT POLICY

The Remuneration Committee is set up for the purpose of, among others, reviewing the Group’s emolument policy and structure for all remuneration of the Directors and senior management of the Group, having regard to the Group’s operating results, individual performance and comparable market practices. The remuneration of the Directors is determined with reference to the economic situation, the market conditions, the responsibilities and duties assumed by each Director as well as their individual performance.

The Company has adopted an employees’ share award scheme and a share option scheme as incentive to Directors and eligible employees, details of which are set out in the sections headed “Employees’ Share Award Scheme” and “Share Option Scheme” on pages 35 to 36 of this annual report.

## PENSION SCHEMES

The employees of the Group’s subsidiaries which operate in the PRC participate in the central pension schemes operated by the local government. Particulars of these central pension schemes are set out in note 3(m) to the Financial Statements.

## NON-COMPETITION UNDERTAKING

In order to protect the Group’s interest in its business activities, the Company, Lapta International Limited, Mr. Fang Bin (the controlling shareholders of the Company), Ms. He Weiqi (a then executive Director) and Mr. Song Yijun (an executive Director) (collectively, the “Covenantors”) entered into the deed of non-competition (the “Deed”) on 10 April 2012. Under the terms of the Deed, each of the Covenantors, among others, has irrevocably and unconditionally undertaken to the Company (for itself and for the benefit of each of its subsidiaries for the time being) that with effect from the date of listing of the Company on the Stock Exchange and for so long as he/it remains as a Director and/or a controlling shareholder of the Company or during the period when the Shares remain listed on the Stock Exchange, except for transactions contemplated under agreements (if any) entered or to be entered into with the Group, that he/it will not, and will procure his/its associates (other than the Group) not to compete directly or indirectly with the businesses of the Group. Ms. He Weiqi resigned as an executive Director on 20 January 2015, thus she ceased to be one of the Covenantors.

Details of the Deed have been set out in the section headed “Relationship with Controlling Shareholders” of the Prospectus. The Company has received a written confirmation from each of the Covenantors in respect of its/his compliance with the terms of the Deed during the year ended 31 December 2016 and up to the date of this annual report.

### DIRECTORS’ INTERESTS IN COMPETING BUSINESSES

During the year ended 31 December 2016 and up to the date of this annual report, none of the Directors or any of their respective associates, has engaged in any business that competes or may compete with the business of the Group, or has any other conflict of interest with the Group.

### PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s securities during the year ended 31 December 2016.

### EQUITY-LINKED AGREEMENTS

On 16 November 2015, the Company entered into four subscription agreements (collectively, the “Subscription Agreements” and each a “Subscription Agreement”) with four investors each of whom is an independent third party of the Company (collectively, the “Subscribers”), respectively. For further details of the Subscription Agreements, please refer to the section headed “Equity-linked Agreements” set out in the 2015 annual report of the Company.

On 29 April 2016, one of the Subscription Agreement with one of the subscriber (namely, Mr. Wang Zhi) has been completed. Subject to this Subscription Agreement, the Company has issued 4,960,885 ordinary shares and allotted to Mr. Wang Zhi at the subscription price of HK\$2.42 per share. The net proceeds gained from the completion of this Subscription Agreement were HK\$12,005,341.70. As certain conditions under the other three Subscription Agreements were not fulfilled on or before 30 April 2016, the Company had announced that the other three Subscription Agreements were lapsed after its negotiation with the remaining subscribers. For further details, please refer to the announcement of the Company dated 29 April 2016.

### ENVIRONMENTAL POLICIES AND PERFORMANCE

As a responsible corporation, the Group strives to ensure minimal environmental impacts by carefully managing our energy consumption, water usage and waste production. At office level, the Company has implemented green initiatives and encourage staff to join environmental related training. For further details, please refer to the section headed “Environmental, Social and Governance Report” of this annual report.

## COMPLIANCE WITH LAWS AND REGULATIONS

The Board pays attention to the Group's policies and practices on compliance with legal and regulatory requirements. External compliance and legal advisers are engaged to ensure transactions and business performed by the Group are within the applicable law framework. Updates on applicable laws, rules and regulations are brought to the attention of relevant employees and operation units from time to time.

As far as the Board and the management are aware, save as disclosed above, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the Year, there was no breach of or non-compliance with the applicable laws and regulations by the Group.

## PRINCIPAL RISKS AND UNCERTAINTIES

The Board considers that the demands on the integrated marketing communication services in the second half of the year are usually higher than those in the first half of the year for each financial year. The main reason is due to the increase in the expenses of advertising and public relation activities to facilitate the sales and in turn achieve the annual sales target of brand owners.

However, the Company may not be able to predict the changes of factors including seasonality and economical conditions in the PRC and other places worldwide in the future accurately due to the fact that any negative changes of such factors could result in the fluctuations of the Group's business directly or indirectly.

The Board also considers that factors including foreign exchange exposure (detailed in the section headed "Foreign Exchange Risk" under "Management Analysis and Discussion" in this annual report) and contractual arrangements (detailed in the section headed "Contractual Arrangements" under "Report of the Directors" in this annual report) could have the possibility to incur adverse impacts.

## FUTURE DEVELOPMENT OF THE BUSINESS

In the coming year, the Group targets to further complete its transformation, innovate, expand park area services and other new business capacity.

## AUDIT COMMITTEE

The Audit Committee together with the management have reviewed the accounting standards and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters in connection with the preparation of the audited consolidated financial statements of the Group for the year ended 31 December 2016.

## SUFFICIENCY OF PUBLIC FLOAT

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

## AUDITOR

BDO Limited has been appointed by the Directors as the first auditor of the Company since the Listing Date. BDO Limited will retire, and being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company. A resolution for its re-appointment as auditor of the Company will be proposed at the forthcoming annual general meeting of the Company. The consolidated financial statements for the year ended 31 December 2016 of the Company have been audited by BDO Limited.

## EMPLOYEES' SHARE AWARD SCHEME

On 29 September 2014, the Company has adopted an employees' share award scheme (the "Share Award Scheme"). The Share Award Scheme is to recognise the contributions by certain selected employees and to give incentives thereto in order to retain them for the continual operations and development of the Group and to attract suitable personnel for further development of the Group.

The Share Award Scheme does not constitute a share option scheme pursuant to Chapter 17 of the Listing Rules and is a discretionary award scheme of the Company. For details of the Share Award Scheme, please refer to the announcement of the Company dated 29 September 2014.

No Share was awarded under the Share Award Scheme during the year ended 31 December 2016.

## SHARE OPTION SCHEME

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

### Purpose

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

### Participants

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

### Total number of Shares available for issue under the Share Option Scheme

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme shall not in aggregate exceed 10% of the issued share capital of the Company as at the Listing Date (i.e. a total of 20,000,000 Shares, representing approximately 7.94% of the issued share capital of the Company as at the date of this annual report).

### Maximum entitlement of each participant

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



### **Term of subscription of Shares upon exercise of Share Options**

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

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

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

### **Term of acceptance and the amount payable on acceptance of the option**

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

### **Basis of determining the subscription price**

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

### **Valid term for the Share Option Scheme**

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

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

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

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

As at 31 December 2016, the interests and short positions of the directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they are taken or deemed to have under such provisions of the SFO) or required to be entered in the register of the Company pursuant to section 352 of the SFO, or required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules, were as follows:

### Long positions in the Shares

Name of Directors	Interest in controlled corporation	Total number of ordinary Shares	Approximate percentage
Mr. Fang Bin (方彬) (note 1)	112,500,000	112,500,000	44.68%
Mr. Huang Wei (黃維) (note 2)	20,810,194	20,810,194	8.27%
Mr. Fan Youyuan (范幼元) (note 3)	14,700,000	14,700,000	5.84%

#### Notes:

- These Shares are owned by Lapta International Limited whose entire interests are beneficially owned by Mr. Fang. Accordingly, under the SFO, Mr. Fang is deemed or taken to be interested in the 112,500,000 Shares held by Lapta International Limited.
- These Shares are owned by Always Bright Enterprises Limited whose entire interests are beneficially owned by Mr. Huang. Accordingly, for the purposes of the SFO, Mr. Huang is deemed or taken to be interested in the 20,810,194 Shares held by Always Bright Enterprises Limited.
- These Shares are owned by Whales Capital Holdings Limited which is wholly-owned by Taocent International Holding Limited which is in turn wholly-owned by Mr. Fan. Accordingly, under the SFO, Mr. Fan is deemed or taken to be interested in the 14,700,000 Shares held by Whales Capital Holdings Limited.

Save as disclosed above, as at 31 December 2016, none of the directors and chief executive of the Company had any interest or short position in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which he is taken or deemed to have under such provisions of the SFO) or required to be entered in the register of the Company pursuant to Section 352 of the SFO, or required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules.

## SUBSTANTIAL SHAREHOLDERS

As at 31 December 2016, so far as the Directors are aware, without taking into account any Shares which will be issued pursuant to the options which may be granted under the Share Option Scheme, the interests or short positions owned by the following persons (other than the directors or chief executive of the Company) in the shares or underlying shares of the Company which are required to be notified to the Company under Divisions 2 and 3 of Part XV of the SFO or which are required to be recorded in the register of the Company required to be kept under section 336 of the SFO are as follows:

### Long positions in the Shares

Name	Capacity	Number of ordinary Shares	Approximate percentage of the issued share capital
Lapta International Limited	Beneficial owner	112,500,000	44.68%
Peace Foundation Limited (note 1)	Beneficial owner	26,000,000	10.33%
Mr. Li Xiangchun (李向春) (note 1)	Interest in controlled corporation	26,000,000	10.33%
Always Bright Enterprises Limited (note 2)	Beneficial owner	20,810,194	8.27%
Ms. Yuan Yuan (袁媛) (note 2)	Spouse's interest	20,810,194	8.27%
Whales Capital Holdings Limited (note 3)	Beneficial owner	14,700,000	5.84%
Taocent International Holding Limited (note 3)	Interest in controlled corporation	14,700,000	5.84%
Ms. Yin Rong (殷蓉) (note 3)	Spouse's interest	14,700,000	5.84%
Jolly Win Management Limited (note 4)	Beneficial owner	13,500,000	5.36%
Mr. Lin Kaiwen (林凱文) (note 4)	Interest in controlled corporation	13,500,000	5.36%
Ms. Chen Suzhen (陳素珍) (note 4)	Spouse's interest	13,500,000	5.36%

### Notes:

1. Mr. Li Xiangchun beneficially owns the entire issued share capital of Peace Foundation Limited, which in turn holds 26,000,000 Shares. For the purposes of the SFO, Mr. Li Xiangchun is deemed or taken to be interested in all the Shares held by Peace Foundation Limited.
2. Mr. Huang Wei beneficially owns the entire issued share capital of Always Bright Enterprises Limited, which holds 20,810,194 Shares. For the purposes of the SFO, Mr. Huang Wei is deemed or taken to be interested in all the Shares held by Always Bright Enterprises Limited. Ms. Yuan Yuan is the spouse of Mr. Huang Wei. For the purposes of the SFO, Ms. Yuan Yuan is deemed or taken to be interested in all the Shares in which Mr. Huang Wei is interested.
3. Mr. Fan Youyuan beneficially owns the entire issued share capital of Taocent International Holding Limited, which in turn wholly owns Whales Capital Holdings Limited. Accordingly, under the SFO, Mr. Fan is deemed or taken to be interested in the 14,700,000 Shares held by Whales Capital Holdings Limited. Ms. Yin Rong is the spouse of Mr. Fan Youyuan. For the purposes of SFO, Ms. Yin Rong is deemed or taken to be interested in all Shares in which Mr. Fan Youyuan is interested.
4. Mr. Lin Kaiwen beneficially owns the entire issued share capital of Jolly Win Management Limited, which holds 13,500,000 Shares. For the purposes of the SFO, Mr. Lin Kaiwen is deemed to be interested in all the Shares held by Jolly Win Management Limited. Ms. Chen Suzhen is the spouse of Mr. Lin Kaiwen. For the purposes of the SFO, Ms. Chen Suzhen is deemed to or taken to be interested in all the Shares in which Mr. Lin Kaiwen is interested.

Save as disclosed above, as at 31 December 2016, the Directors are not aware of any interests or short positions owned by any persons (other than the Directors or chief executive of the Company) in the Shares or underlying shares of the Company which were required to be disclosed under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company required to be kept under section 336 of the SFO.

## RELATED PARTY TRANSACTIONS

The related party transactions of the Company during the year ended 31 December 2016 are set out in note 31 to the Financial Statements on page 109 of this annual report. The related party transactions in relation to the key management personnel remuneration as disclosed in note 31(a) to the Financial Statements include connected transactions exempt from reporting, announcement and independent shareholders' approval requirements pursuant to Rule 14A.73(6) of the Listing Rules. Save as the aforesaid, the Directors consider that all other related party transactions disclosed in note 31 to the Financial Statements did not fall under the definition of "connected transactions" or "continuing connected transactions" (as the case may be) under Chapter 14A of the Listing Rules and are not required to comply with any of the reporting, annual review, announcement, or independent shareholders' approval requirements under the Listing Rules. The Company confirmed that it has complied with all applicable reporting, annual review, announcement or independent shareholders' approval requirements in accordance with Chapter 14A of the Listing Rules for all connected transactions and continuing connected transactions of the Group.



## CONTINUING CONNECTED TRANSACTIONS

### Non-exempt Continuing Connected Transactions

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

#### 1. Structured Contracts

For the reasons as disclosed in the section headed “Connected Transactions” in the Prospectus, a series of structured contracts (the “Structured Contracts”) that were designed to provide Shanghai SumZone Enterprise Management Consultancy Company Limited (“Shanghai SumZone Enterprise”), a wholly-owned subsidiary of the Company, with effective control over the financial and operational policies of Shanghai SumZone Media Investment Management Company Limited (“SMU”) and (to the extent permitted by PRC laws and regulations) the right to acquire the equity interests in SMU were entered into between or amongst SMU, Shanghai SumZone Enterprise, Mr. Fang Bin or Century Linker (Hong Kong) Limited (“Century Linker”), a wholly-owned subsidiary of the Company. As Mr. Fang is a substantial shareholder and an executive Director of the Company and therefore a connected person of the Company, and both SMU and Shanghai SumZone Enterprise are controlled by Mr. Fang, the transactions contemplated under the Structured Contracts constitute continuing connected transactions under the Listing Rules.

- (a) The exclusive consulting and service agreement dated 1 June 2011 was entered into between Shanghai SumZone Enterprise and SMU, pursuant to which Shanghai SumZone Enterprise shall, on an exclusive basis, provide consulting and other supporting services to SMU. In consideration of the provision of the aforesaid services by Shanghai SumZone Enterprise to SMU, SMU has agreed to pay to Shanghai SumZone Enterprise service fee on an annual basis. Service fee payable to Shanghai SumZone Enterprise will be equivalent to the audited revenue before income tax expenses after deducting, amongst other things, all the necessary costs, expenses and business tax expenses incurred from the business operation of SMU. Nevertheless, Shanghai SumZone Enterprise is entitled to adjust the basis of service fee according to the scale of service provided to SMU. The exclusive consulting and service agreement has become effective on 1 June 2011 and shall continue to be in full force and effect until it is terminated by Shanghai SumZone Enterprise by giving SMU a 30 days’ prior written notice of termination. SMU shall have no right to terminate the exclusive consulting and service agreement in any event.
- (b) The share pledge agreement dated 1 June 2011 was entered into between Shanghai SumZone Enterprise and Mr. Fang, pursuant to which Mr. Fang agreed to pledge his entire equity interests in SMU to Shanghai SumZone Enterprise to secure the fees and other payables that SMU might be liable to pay to Shanghai SumZone Enterprise under the exclusive consulting and service agreement from time to time. Pursuant to the share pledge agreement, Mr. Fang has undertaken to Shanghai SumZone Enterprise, among other things, not to transfer the interest in his shares in SMU (save and except transfers of shares to Century Linker and/or other designated persons) and not to create or allow any pledge thereon that may affect the rights and interest of Shanghai SumZone Enterprise without the prior written consent from Shanghai SumZone Enterprise. The share pledge agreement shall remain in full force and effect until the termination of the exclusive consulting and service agreement and the discharge of all SMU’s obligations under the exclusive consulting and service agreement.

- (c) The exclusive business operating agreement dated 1 June 2011 was entered into amongst Shanghai SumZone Enterprise, SMU and Mr. Fang, pursuant to which (a) at the request of SMU and on condition that SMU has complied with the terms of the exclusive business operating agreement, Shanghai SumZone Enterprise may (but was not obliged to) act as a guarantor for SMU in its business-related agreements or transactions; (b) as a counter-guarantee, SMU agreed to pledge its trade receivables and all its assets to Shanghai SumZone Enterprise; (c) SMU should not, without the written approval of Shanghai SumZone Enterprise, conduct any transaction which might affect its assets, rights, obligations or operations; and (d) SMU should appoint a candidate nominated by Shanghai SumZone Enterprise as director(s) of SMU, and SMU should appoint a candidate nominated by Shanghai SumZone Enterprise to be a member of the senior management of SMU. In addition to the aforesaid, Mr. Fang shall transfer all distributable dividends, capital dividend and other asset receivable by him at nil consideration to Shanghai SumZone Enterprise as soon as practicable but in any event no later than three days upon receipt of the same by Mr. Fang. The exclusive business operating agreement shall remain in full force and effect until it is terminated by Shanghai SumZone Enterprise by giving each of SMU and Mr. Fang a 30 days' prior written notice of termination, Shanghai SumZone Enterprise is also entitled to but not obliged to terminate all agreements between itself and SMU if any agreement entered into between them is terminated or expired.
- (d) The exclusive option agreement dated 1 June 2011 was entered into among Century Linker, Mr. Fang and SMU, pursuant to which Mr. Fang, being the sole equity holder of SMU, agreed to grant an irrevocable option to Century Linker to acquire from him all or any of the equity interests he held in SMU, on condition that such acquisition should comply with the PRC laws and regulations, at nil consideration or at nominal price if permissible under the PRC law and regulations. In addition, the consideration will be determined by the parties with reference to the valuation of SMU at the time of transfer. The exclusive option agreement shall continue to be in full force and effect until the transfer of all the equity interests in SMU by Mr. Fang to Century Linker or a transferee as designated by Century Linker (based on the date of registration of such transfer) or otherwise terminated by Century Linker unilaterally by written confirmation.
- (e) The irrevocable power of attorney (the "Power of Attorney") dated 1 June 2011 was executed by Mr. Fang. The Power of Attorney enables Shanghai SumZone Enterprise to exercise all the powers of the shareholder of SMU through the chairman of its board of directors, and shall be in full force and effect during the term of the Structured Contracts <sup>(note)</sup>.

Pursuant to Rule 20.42(3) of the GEM Listing Rules (new Rule 20.103)(Rule 14A.105 of the Listing Rules), the Company applied to the Stock Exchange, and the Stock Exchange has agreed to grant a waiver from strict compliance with (i) announcement and independent Shareholders' approval requirements as set out in Chapter 20 of the GEM Listing Rules (Chapter 14A of the Listing Rules) in respect of the transactions contemplated under the Structured Contracts; (ii) the requirement of setting a maximum aggregate annual value (i.e. an annual cap) for the fees payable to Shanghai SumZone Enterprise under the Structured Contracts; and (iii) the requirement of limiting the term of the Structured Contracts to three years or less, for so long as the Shares are listed on the Stock Exchange subject to certain conditions as set out in the section headed "Connected Transactions" in the Prospectus.

Note: On 24 August 2015, Mr. Fang Bin in his capacity as the attorney of the Power of Attorney executed a letter of assignment, pursuant to which Mr. Fang Bin assigned all his rights and obligations under the Power of Attorney to Mr. Song Yijun, a PRC citizen, a Director and the general manager of Shanghai SumZone Enterprise. The letter of assignment is irrevocable and will remain effective so far as Mr. Fang Bin is the chairman of Shanghai SumZone Enterprise.

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

On the basis of the Structured Contracts and with a view to transferring the Group's Unrestricted Businesses (as defined in the Prospectus) to Shanghai SumZone Advertising Company Limited ("SumZone Advertising") and Shanghai SumZone Marketing Company Limited ("SumZone Marketing") in pursuance of the Group's long term strategic plans, SMU entered into the following agreements with SumZone Advertising and SumZone Marketing:

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

SumZone Advertising paid to SMU annual service charges of RMB822,030 for the operating costs of traditional media operated by SMU for the year ended 31 December 2016.

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

SumZone Marketing paid to SMU annual service charges of RMB822,030 for the operating costs of digital media operated by SMU for the year ended 31 December 2016.

The Company has applied to the Stock Exchange, and the Stock Exchange has agreed to grant a waiver from strict compliance with (i) the announcement and independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules (Chapter 14A of the Listing Rules) in respect of the transactions contemplated under each of the SumZone Advertising Agreement and the SumZone Marketing Agreement; (ii) the requirement of setting a maximum aggregate annual value (i.e. an annual caps) for the service charges payable to SMU and the advertising income payable to SumZone Advertising and SumZone Marketing under the SumZone Advertising Agreement and the SumZone Marketing Agreement respectively; and (iii) the requirement of limiting the term of each of the SumZone Advertising Agreement and the SumZone Marketing Agreement to three years or less, for so long as the Shares are listed on the Stock Exchange subject to the conditions, where appropriate, applicable to the transactions contemplated under the Structured Contracts set out above.

### Confirmation of independent non-executive Directors

The independent non-executive Directors have reviewed the Structured Contracts, the SumZone Advertising Agreement, the SumZone Marketing Agreement, the Advertising Agency Agreement and the PR and Event Cooperation Agreement (collectively referred to as the "Continuing Connected Transactions") and confirmed that during the year ended 31 December 2016:

- (i) the transactions under the Structured Contracts were carried out in accordance with the relevant provisions of the Structured Contracts so that the revenue generated by SMU has been mainly retained by the Group;
- (ii) no dividends or other distributions have been made by SMU to the holders of its equity interests which are not otherwise subsequently assigned or transferred to the Group;
- (iii) the terms of the Structured Contracts are fair and reasonable so far as the Company is concerned and in the interests of the Shareholders as a whole;
- (iv) the Continuing Connected Transactions have been entered into in the ordinary and usual course of business of the Company;
- (v) the Continuing Connected Transactions are on normal commercial terms or, on terms no less favourable to the Company than terms available to or from (as appropriate) independent third parties; and
- (vi) the Continuing Connected Transactions have been entered into in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders of the Company as a whole. Please refer to the Prospectus for further details of the Continuing Connected Transactions.

### Confirmation of the Board

The Board confirms that no events have occurred that causes them to believe that the Continuing Connected Transactions:

- (i) have not been approved by the Board;
- (ii) were not, in all material respects, in accordance with the pricing policies of the Group if the transactions involves the provision of goods or service by the Group;



- (iii) were not entered into, in all material respects, in accordance with the relevant agreement(s) governing the transactions; and
- (iv) have exceeded the cap amount.

### Confirmation of auditors of the Company

BDO Limited, the Company's auditor, were engaged to report on the Group's Continuing Connected Transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and with reference to Practice Note 740 Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules issued by the Hong Kong Institute of Certified Public Accountants. BDO Limited has issued its unqualified letter containing its findings and conclusions in respect of the aforesaid Continuing Connected Transactions in accordance with Rule 14A.56 of the Listing Rules. A copy of such letter has been provided by the Company to the Hong Kong Stock Exchange.

## CONTRACTUAL ARRANGEMENTS

### Reasons for using contractual arrangements

As certain business activities of the Group carried out under SMU (a domestic company established in the PRC with limited liability and is directly wholly owned by Mr. Fang Bin) are subject to prohibition or restriction on foreign investment under the PRC laws (the "Restricted Businesses"), the Group could not have direct equity holding in SMU but maintained its effective control over the financial and operational policies of SMU through the Structured Contracts which effectively transfer the economic benefits and pass the risks associated with SMU to the Company. The contractual arrangements under the Structured Contracts are necessary under the current laws of the PRC and for operation of the Group.

A summary of the Structured Contracts is set out in the paragraphs under the section headed "Continuing Connected Transactions". Further details of the Structured Contracts including but not limited to its background, parties involved, major terms, measures to ensure the operation and compliance, effect and legality, manner of settlement in the event of dispute were set out in the sub-section "History, Reorganisation and Corporate Structure – Structured Contracts" in the Prospectus. Risks in relation to the Structured Contracts were set out under the sub-section "Risk Factors – Risks Associated with the Structured Contracts" in the Prospectus.

### The risks associated with the contractual arrangements

#### **Maintaining compliance with the Structured Contract may divert the attention of the management and SMU may incur losses and needs financial assistance from the Group**

Maintaining the Structured Contracts and ensuring compliance with relevant PRC laws and regulations may result in the diversion of management attention and the incurrence of operating and production costs which could adversely affect the business, financial condition or results of operations of the Group. In addition, as a result of the Structured Contracts the economic benefits and the risks associated with SMU are passed on to the Group as if SMU was a wholly owned subsidiary. Should SMU incur any operational losses, such losses will be consolidated into the financial results of the Group and the Group may need to provide financial assistance to SMU as necessary.

### **The PRC government may determine that Structure Contracts do not comply with applicable PRC laws or regulations**

The Company cannot guarantee that the interpretation of the Structured Contracts by the Group's PRC legal adviser (the "PRC Legal Adviser") is in line with the interpretation of the PRC governmental authorities and that the Structured Contracts will not be considered by such PRC governmental authorities to be in violation of the PRC laws or regulations. In addition, there can be no assurance that the General Administration of Press and Publication of the PRC or other PRC governmental authorities will not in future interpret or issue laws or regulations that will result in the Structured Contracts being deemed to be in violation of the then prevailing PRC laws. In the event that the Structured Contracts are deemed to be in violation of existing or future laws or regulations, the PRC governmental authorities will have discretion in actions taken against such violation, including but not limited to:

- (i) discontinuing or restricting the Group's operations in the PRC;
- (ii) requiring the Group to restructure the relevant ownership structure or operations;
- (iii) imposing economic penalties, such as levying fines and confiscating the Group's income; and
- (iv) taking other regulatory or enforcement actions that could adversely affect the financial condition and business of the Group.

Should any of the aforementioned action be taken by the relevant PRC governmental authorities against the Group, the Company may have to cease part of its PRC operations, effectively terminating the flow of economic benefits from SMU to the Group.

### **Substantial uncertainties exist in interpretation of the Draft Law**

On 19 January 2015, the Ministry of Commerce of the PRC ("MOFCOM") issued a draft of the PRC Foreign Investment Law (the "Draft Law") for general public comment which has ended in February 2015. Upon the Draft Law becoming effective, contractual arrangements may be prohibited, subject to certain exceptions. For a brief summary of the Draft Law, please refer to the announcement of the Company dated 26 August 2015 in relation to the transfer of listing from GEM to the Main Board of the Stock Exchange. While MOFCOM solicited comments on the Draft Law in early 2016, there are substantial uncertainties with respect to its interpretation. The Draft Law has not taken a position on the treatment of the existing companies with contractual arrangements, although a few possible options were suggested at the comment solicitation stage. Even though Mr. Fang Bin, being a PRC citizen, has control over Shanghai SumZone Enterprise under the definition of control under the Draft Law as advised by the PRC Legal Adviser, it is uncertain as to whether the MOFCOM will adopt the same interpretation when the Draft Law comes into force. There is a possibility that the Group's contractual arrangements are not interpreted and treated as a domestic investment under the Draft Law by the MOFCOM. Furthermore, if the Group is required to make an application for entry permission under the Draft Law, it is uncertain as to whether the Group can continue to operate its business through contractual arrangements pending obtaining such entry permission. On the other hand, the Group faces uncertainties as to whether the entry permission can be obtained timely, or at all, and whether further actions are required to be taken for the application of entry permission when the Draft Law comes into force. Hence, the existence of uncertainties as to the interpretation of the Draft Law means it cannot be assured that the Group can retain its contractual arrangements upon enactment of the Draft Law. In the event that the Group's contractual arrangements cannot be retained, the flow of economic benefits from SMU to the Group may be terminated, affecting adversely the business and financial condition of the Group.

**The Structure Contracts may not provide control as effective as direct ownership**

The PRC Legal Adviser has advised that the Structured Contracts are in compliance with the PRC laws currently in force, are enforceable under the current PRC laws, and that in the event of any breach or default by Mr. Fang Bin or SMU, Shanghai SumZone Enterprise may take legal action against any one of them. However, the Structured Contracts do not give the Company the extent of control and security that direct legal and beneficial ownership over SMU provides and there is no assurance that Shanghai SumZone Enterprise would be able to reclaim any or all of the related interests in the event of any breach or default of the contractual terms by Mr. Fang Bin or SMU. The Company relies on the PRC legal system to enforce these arrangements, of which remedies may be less effective than those in other more established jurisdictions.

**The controlling shareholder, Mr. Fang, may have potential conflicts of interests with us which may affect the Group's business**

SMU is wholly owned by Mr. Fang Bin who is an executive Director. Accordingly, there may be conflicts of interest between the duties to SMU and the Group. The Group cannot ensure that when such conflicts arise, Mr. Fang will act in the Group's best interests or that such conflicts will be resolved in the Group's favour.

**The Structure Contracts may be subject to scrutiny by the PRC tax authorities and additional taxes may be imposed**

The Structured Contracts were entered into on 1 June 2011 pursuant to which all material business activities of SMU are instructed and supervised by Shanghai SumZone Enterprise and all economic benefits and risks arising from the business of SMU are transferred to the Group. These arrangements and transactions of the Structured Contracts are related party transactions which must be conducted on an arm's length basis under applicable PRC tax rules. In addition, under PRC laws and regulations, arrangements and transactions among related parties may generally be subject to audit or scrutiny by the PRC tax authorities within ten years after the taxable year when the arrangements or transactions are conducted. As a result, the determination of service fees and payments under the Structured Contracts may be challenged and deemed not in compliance with such tax rules. The contractual arrangements could face material and adverse tax consequences if the PRC tax authorities determine that the Structured Contracts were not entered into on an arm's length basis. As at the date of this report, the Company confirmed that it has not encountered any interference or encumbrance from any governing bodies in operating their business through SMU under the Structured Contracts. The Company has not purchased any insurance to cover the risks relating to the Structured Contracts.

**Actions taken by the Company to mitigate the risks**

To address the risk in connection with the Draft Law and ensure the contractual arrangements can be preserved upon the relevant PRC foreign investment laws in relation to the Draft Law coming into force, Mr. Fang Bin has executed on 10 August 2015 an irrevocable undertaking in favour of the Company and the Company has agreed with the Stock Exchange to enforce the undertaking effective from the signing date of such undertaking and so far as the Company is required to comply with the requirements under relevant PRC foreign investment laws in relation to the Draft Law that may come into force from time to time in respect of the control by a Chinese investor that:

- (i) in case of disposal of his interest in the Company to the effect that Shanghai SumZone Enterprise will ceased to be controlled (as defined under the Draft Law) by Mr. Fang Bin, such transfer shall only be made to a PRC citizen who upon completion of such transfer will have the same control over the Company and Shanghai SumZone Enterprise as Mr. Fang and such transferee will be required to make the same or similar undertaking;

- (ii) he will appoint a PRC citizen as his successor or heir upon his death and such appointment will be made as soon as practicable and such successor or heir will be required to make the same or similar undertaking; and
- (iii) as long as his PRC nationality will be material in determining whether Shanghai SumZone Enterprise is under actual control of a Chinese investor, he will maintain his PRC nationality and not acquire any other nationalities.

Interpretation and implementation of such undertakings shall be governed by the laws of the Hong Kong. Such undertakings shall only be terminated if Mr. Fang Bin is not required to comply with the relevant PRC foreign investment laws in relation to the Draft Law when it comes into force and Mr. Fang Bin has demonstrated to the satisfaction of the Company and the Stock Exchange that the Company is no longer required to comply with the relevant PRC foreign investment laws in relation to the Draft Law when it comes into force.

Mr. Fang Bin has also executed an undertaking on 9 April 2015, pursuant to which:

- (1) should there be future marriage or divorce of Mr. Fang, the assets of SMU shall be determined as assets prior to marriage and there does not exist any risk of such assets being divided and shared;
- (2) during the period which Mr. Fang remains the shareholder of SMU and in case of death, the successors and devisees of Mr. Fang shall continue to fulfill his obligations under the Structured Contracts; and
- (3) being an executive Director, Mr. Fang Bin has undertaken to abstain from voting on any resolutions in relation to the Structured Contracts or all other relevant matters.

The Company will engage a PRC legal adviser to review the Structural Agreements as and when appropriate to mitigate the risk of any non-compliance of the Structured Contracts with all applicable laws and regulations of the PRC.



### Revenue and assets subject to the Structured Contracts

Set out below are the revenue of the Group generated from the Restricted Business (Subject to the Structured Contracts):

	Year ended 31 December	
	2016 RMB	2015 RMB
<b>Restricted Businesses</b>		
Public relation services income	<b>53,077,002</b>	78,844,349
<b>Advertising Revenue (before deducting cultural business development charge)</b>	<b>172,606,939</b>	320,339,886
Percentage of Restricted Businesses in Advertising revenue (before deducting cultural business development charge)	<b>30.75%</b>	24.61%
<b>Other Restricted Businesses</b>		
Income from issue and distribution of the Group's Publication	–	–

As shown in the table above, for the year ended 31 December 2016, the income from Restricted Businesses (Public relation services) was 30.75% (2015: approximately 24.61%), while the income from other Restricted Businesses (issue and distribution of the Group's Publication) was nil (2015: nil).

### No Material Change

There has been no material change in the Structured Contracts and/or the circumstances under which they were adopted since the Listing Date and up to the date of this annual report.

### Unwinding of Structured Contracts

The Company expects that the Structured Contracts would be unwound to the extent that the Restricted Businesses which are currently, or will continue to be, operated by SMU are no longer subject to restriction or prohibition on foreign investment under the then prevailing PRC laws.

However, as at the date of this annual report, there is no unwinding of any of the Structured Contracts or failure to unwind when the restrictions that led to the adoption of the Structured Contracts are removed.

Note: The Company is unable to set out the data of the proportion of profits from Restricted Businesses. The reason includes: cost of sales of the Company included the costs incurred from the Group's three major business segments, namely advertising, PR and event marketing. As the Company provided integrated marketing communications services to brand owners and some of the media resources and costs of the Company were shared amongst the three major business segments, it is not feasible for the Company to further allocate the key components of cost of sales to individual business segment. Therefore, the data of profits for each business segment (including Restricted Businesses) cannot be obtained.

The Directors confirm that the Structured Contracts are legal and valid. However, there is no assurance that the PRC government or judicial authorities would agree that the arrangements under the Structured Contracts comply with PRC licensing, registration, other regulatory requirements or policies that may be adopted in the future.

### **Transfer of Business**

The business of SMU involves Restricted Businesses (as defined in the Prospectus) and this prevents SMU from being consolidated into the Group directly. On the basis of the Structured Contract and having consulted the Group's PRC legal advisors, the Group is of the view that the operation of the SMU Publications and www.cnnauto.com, the Group's relevant advertising business relating to content design and production as well as its PR (including EPR) business are Restricted Businesses and they should continue to be operated by SMU after the Listing. On the other hand, the Group's advertising agency business, such as the SMU Publications, www.cnnauto.com and other advertising media channels and event marketing business are Unrestricted Businesses and they have been transferred to SumZone Advertising, SumZone Marketing or any PRC subsidiaries of Shanghai SumZone Enterprise pursuant to the Group's long-term strategic plans. As part of the business transfer process which has commenced in early September 2011, SumZone Advertising and SumZone Marketing have entered into business contracts with all the Group's newly developed clients relating to its Restricted Businesses. As at 31 December 2016, the application of trademarks transfer of the Group has been partially accepted by the Trademark Office under the State Administration for Industry and Commerce, and the transfer was completed. Accordingly, the Group has transferred all the Unrestricted Businesses of SMU to SumZone Advertising and SumZone Marketing.

### **2016 ANNUAL GENERAL MEETING**

The forthcoming annual general meeting of the Company will be held at 4th Floor, No. 696 Weihai Road, Jingan District, Shanghai, the PRC on Thursday, 8 June 2017 at 10:00 a.m. For determining the entitlement to attend and vote at the forthcoming annual general meeting of the Company, the register of members of the Company will be closed from Monday, 5 June 2017 to Thursday, 8 June 2017 (both days inclusive) during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the forthcoming annual general meeting of the Company, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Tuesday, 6 June 2017.

### **EVENTS AFTER THE REPORTING PERIOD**

Save as disclosed in this annual report, the Board is not aware of any significant event requiring disclosure that has been taken place subsequent to 31 December 2016 and up to the date of this annual report.

On Behalf of the Board  
**Branding China Group Limited**  
**Fang Bin**  
*Chairman*

Shanghai, the PRC, 29 March 2017

# INDEPENDENT AUDITOR'S REPORT



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## TO THE SHAREHOLDERS OF BRANDING CHINA GROUP LIMITED

*(incorporated in the Cayman Islands with limited liability)*

### OPINION

We have audited the consolidated financial statements of Branding China Group Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 54 to 116, 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, the consolidated statement of changes in equity and the 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 present fairly, in all material respects, 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 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 ("HKSA") 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.

#### Impairment assessment on trade receivables

Refer to note 3(j)(ii), 4 and 22 to the consolidated financial statements

As at 31 December 2016, the Group's gross trade receivables amounted to approximately RMB136.7 million, of which approximately RMB10.9 million was past due. The collectability of the Group's trade receivables and the valuation of the impairment of trade and bills receivables is a key audit matter due to the judgment involved.

*Our response:*

Our audit procedures in relation to the directors' impairment assessment included:

- reviewing subsequent settlements of the trade receivables;
- enquiring with management of the Group whether there is any impairment indicator for trade receivables and assessing whether there is evidence of management bias on impairment assessment of trade receivables by considering the consistency of judgement made by the management year on year through discussion with the management to understand their rationale;
- testing the aging analysis of the trade receivables, on a sample basis, to the source documents; and
- assessing the reasonableness of recoverability of trade receivables with reference to the credit history including default or delay in payments, settlement records, subsequent settlements and aging analysis of individual customer.

### **Determination of acquisition-date fair value of intangible asset acquired in a business acquisition**

Refer to note 4 and 33 to the consolidated financial statements

In October 2016, the Group acquired 90% of the voting equity instruments of Shanghai Jingwei (defined in note 18). The principal identifiable asset of Shanghai Jingwei acquired by the Group represents an intangible asset relating to the favourable operating leases. Such intangible asset was recognised in the Group's consolidated statement of financial position as at 31 December 2016, and was measured at its acquisition-date fair value amounted to approximately RMB51.5 million. The determination of acquisition-date fair value of the intangible asset requires significant management judgement and assumptions with respect to the discount rate and the underlying cash flows.

*Our response:*

Our audit procedures in relation to the fair value of the intangible asset included:

- assessing the reasonableness of the valuation approach used and key assumption used, such as the discount rate applied in determining the fair value;
- assessing the reasonableness of key assumptions based on our knowledge of the business and industry; and
- checking input data to supporting evidences, such as cash flows projection, and considering their reasonableness.

### **OTHER INFORMATION IN THE ANNUAL REPORT**

The directors are responsible for the other information. The other information comprises the information included in the Company's 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.

### DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards ("IFRSs") issued by International Standards Board 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.

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

### 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. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's 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 HKSA's, 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 the Audit Committee 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 the Audit Committee 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 the directors, 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.

**BDO Limited**

*Certified Public Accountants*

**Lee Ka Leung, Daniel**

Practising Certificate number P01220

Hong Kong, 29 March 2017

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For The Year Ended 31 December 2016

	<i>Notes</i>	<b>2016 RMB</b>	2015 RMB (Re-presented)
<b>Continuing operations</b>			
Revenue	6	<b>160,374,361</b>	201,569,895
Cost of sales		<b>(150,119,592)</b>	(161,485,889)
Gross profit		<b>10,254,769</b>	40,084,006
Other income and gains	6	<b>3,227,713</b>	2,719,069
Selling and distribution expenses		<b>(12,474,240)</b>	(1,882,607)
Administrative and other expenses		<b>(36,948,915)</b>	(30,630,663)
Finance costs	7	<b>(638,718)</b>	(994,193)
Share of (loss)/profit of associates		<b>(4,348,914)</b>	47,957
Share of profit of a joint venture		<b>6,583,611</b>	–
(Loss)/profit before income tax expense	8	<b>(34,344,694)</b>	9,343,569
Income tax expense	11	<b>(503,352)</b>	(5,560,624)
(Loss)/profit for the year from continuing operations		<b>(34,848,046)</b>	3,782,945
<b>Discontinued operations</b>			
(Loss)/profit for the year from discontinued operations		<b>(173,901,301)</b>	33,573,881
(Loss)/profit for the year		<b>(208,749,347)</b>	37,356,826
<b>Other comprehensive income</b>			
Item that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		<b>(29,324)</b>	49,536
Total comprehensive income for the year		<b>(208,778,671)</b>	37,406,362
(Loss)/profit for the year attributable to:			
Owners of the Company			
(Loss)/profit for the year from continuing operations		<b>(35,020,623)</b>	3,782,945
(Loss)/profit for the year from discontinued operations		<b>(173,901,301)</b>	33,573,881
		<b>(208,921,924)</b>	37,356,826
Non-controlling interests			
Profit for the year from continuing operations		<b>172,577</b>	–
		<b>(208,749,347)</b>	37,356,826

CONSOLIDATED STATEMENT OF PROFIT  
OR LOSS AND OTHER COMPREHENSIVE INCOME

For The Year Ended 31 December 2016

	<i>Notes</i>	<b>2016 RMB</b>	2015 RMB (Re-presented)
Total comprehensive income for the year attributable to:			
Owners of the Company			
(Loss)/profit for the year from continuing operations		<b>(35,049,947)</b>	3,832,481
(Loss)/profit for the year from discontinued operations		<b>(173,901,301)</b>	33,573,881
		<b>(208,951,248)</b>	37,406,362
Non-controlling interests			
Profit for the year from continuing operations		<b>172,577</b>	–
		<b>(208,778,671)</b>	37,406,362
(Loss)/earning per share – Basic and diluted			
– From continuing operations	14	<b>(0.14)</b>	0.02
– From discontinued operations		<b>(0.70)</b>	0.13
		<b>(0.84)</b>	0.15

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As At 31 December 2016

	<i>Notes</i>	<b>2016 RMB</b>	2015 RMB
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	15	<b>12,599,059</b>	3,487,450
Goodwill	16	–	156,293,197
Deposits	23	<b>5,584,500</b>	–
Intangible assets	17	<b>50,232,101</b>	2,664,614
Interest in a joint venture	19	<b>24,083,611</b>	–
Interests in associates	20	<b>1,822,595</b>	1,271,509
Available-for-sale financial assets	21	<b>2,250,000</b>	–
Deferred tax assets	28	<b>4,297,193</b>	–
Total non-current assets		<b>100,869,059</b>	163,716,770
<b>Current assets</b>			
Trade and bills receivables	22	<b>136,814,137</b>	175,140,697
Prepayments, deposits and other receivables	23	<b>21,759,873</b>	8,316,527
Tax recoverable		<b>1,058,629</b>	–
Cash and cash equivalents	24	<b>84,310,595</b>	144,609,439
Total current assets		<b>243,943,234</b>	328,066,663
<b>Total assets</b>		<b>344,812,293</b>	491,783,433
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade payables	25	<b>45,121,455</b>	29,096,090
Receipts in advance, other payables and accruals	26	<b>35,634,848</b>	20,883,857
Bank borrowings	27	<b>3,935,000</b>	–
Current tax liabilities		<b>412,006</b>	8,006,836
Total current liabilities		<b>85,103,309</b>	57,986,783
<b>Net current assets</b>		<b>158,839,925</b>	270,079,880
<b>Total assets less current liabilities</b>		<b>259,708,984</b>	433,796,650



## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As At 31 December 2016

	<i>Notes</i>	<b>2016 RMB</b>	2015 RMB
<b>Non-current liabilities</b>			
Deposits received	26	<b>10,897,805</b>	–
Deferred tax liabilities	28	<b>10,027,867</b>	639,800
Total non-current liabilities		<b>20,925,672</b>	639,800
<b>Total liabilities</b>		<b>106,028,981</b>	58,626,583
<b>NET ASSETS</b>			
		<b>238,783,312</b>	433,156,850
<b>Capital and reserves attributable to owners of the Company</b>			
Issued capital	29	<b>2,037,681</b>	1,996,737
Reserves		<b>232,073,054</b>	431,160,113
Equity attributable to owners of the Company		<b>234,110,735</b>	433,156,850
Non-controlling interests		<b>4,672,577</b>	–
<b>TOTAL EQUITY</b>		<b>238,783,312</b>	433,156,850

On behalf of the directors

*Director*

*Director*

**Fang Bin**

**Patrick Zheng**

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

As At 31 December 2016

	Issued capital	Share premium*	Surplus*	Exchange reserve*	Statutory reserve*	Retained profits*	Equity attributable to owners of the Company	Non-controlling interests	Total
	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB
					(Note)				
At 1 January 2015	1,996,737	203,009,101	2,000,000	(918,314)	6,656,398	183,006,566	395,750,488	–	395,750,488
Profit for the year	–	–	–	–	–	37,356,826	37,356,826	–	37,356,826
Exchange differences on translating foreign operations	–	–	–	49,536	–	–	49,536	–	49,536
Total comprehensive income	–	–	–	49,536	–	37,356,826	37,406,362	–	37,406,362
Appropriation to statutory reserve (note)	–	–	–	–	1,266,393	(1,266,393)	–	–	–
At 31 December 2015 and 1 January 2016	1,996,737	203,009,101	2,000,000	(868,778)	7,922,791	219,096,999	433,156,850	–	433,156,850
(Loss)/profit for the year	–	–	–	–	–	(208,921,924)	(208,921,924)	172,577	(208,749,347)
Exchange differences on translating foreign operations	–	–	–	(29,324)	–	–	(29,324)	–	(29,324)
Total comprehensive income	–	–	–	(29,324)	–	(208,921,924)	(208,951,248)	172,577	(208,778,671)
Issue of shares by way of placements (note 29)	40,944	9,864,189	–	–	–	–	9,905,133	–	9,905,133
Arising from acquisition of a subsidiary (note 33)	–	–	–	–	–	–	–	4,500,000	4,500,000
<b>At 31 December 2016</b>	<b>2,037,681</b>	<b>212,873,290</b>	<b>2,000,000</b>	<b>(898,102)</b>	<b>7,922,791</b>	<b>10,175,075</b>	<b>234,110,735</b>	<b>4,672,577</b>	<b>238,783,312</b>

\* The aggregate of these reserve accounts are shown in the consolidated statements of financial position at the amounts of RMB232,073,054 and RMB431,160,113 as at 31 December 2016 and 2015 respectively.

Note:

As stipulated by the relevant regulations in the People's Republic of China (the "PRC"), the Company's subsidiaries established and operating in the PRC are required to appropriate 10% of their profit after tax (after offsetting prior year losses) as determined in accordance with the PRC accounting rules and regulations, to the statutory reserve until the statutory reserve balance reaches 50% of the registered capital. The transfer to this statutory reserve must be made before distribution of dividend to equity owners. The statutory reserve fund can be used to make up prior years' losses, if any.

# CONSOLIDATED STATEMENT OF CASH FLOWS

For The Year Ended 31 December 2016

	2016 RMB	2015 RMB (Re-presented)
<b>(Loss)/profit before income tax expense</b>		
From continuing operations	<b>(34,344,694)</b>	9,343,569
From discontinued operations	<b>(174,143,650)</b>	42,328,166
	<b>(208,488,344)</b>	51,671,735
Adjustments for:		
Interest income	<b>(441,518)</b>	(955,960)
Finance costs	<b>638,718</b>	994,193
Amortisation of intangible assets	<b>2,464,389</b>	1,071,631
Depreciation of property, plant and equipment	<b>1,440,876</b>	782,062
Loss on write-off/disposals of property, plant and equipment	<b>573,921</b>	386,077
Gain on disposal of financial assets at fair value through profit or loss	<b>(15,411)</b>	(26,677)
Impairment loss/(reversal of impairment loss) on trade receivables	<b>12,478,397</b>	(568,797)
Reversal of impairment loss on prepayments, deposits and other receivables	<b>(1,589,804)</b>	–
Impairment loss on prepayments, deposits and other receivables	<b>2,610,649</b>	1,589,804
Share of loss/(profit) of associates	<b>4,348,914</b>	(47,957)
Share of profit of a joint venture	<b>(6,583,611)</b>	–
Impairment loss on goodwill	<b>156,293,197</b>	–
Impairment loss on intangible assets	<b>1,500,221</b>	–
<b>Operating (loss)/profit before working capital changes</b>	<b>(34,769,406)</b>	54,896,111
Decrease/(increase) in trade and bills receivables	<b>37,591,961</b>	(36,742,923)
(Increase)/decrease in prepayments, deposits and other receivables	<b>(14,459,191)</b>	92,773,268
Increase/(decrease) in trade and bills payables	<b>3,207,604</b>	(24,375,046)
Increase/(decrease) in receipt in advance, other payables and accruals	<b>13,468,710</b>	(4,893,739)
Purchases of financial assets at fair value through profit or loss	<b>(10,100,000)</b>	(4,640,000)
Proceed from disposal of financial assets at fair value through profit or loss	<b>10,115,411</b>	4,666,677
<b>Cash flows from operating activities</b>	<b>5,055,089</b>	81,684,348
Income taxes paid	<b>(9,250,768)</b>	(12,447,605)
<b>Net cash (used in)/generated from operating activities</b>	<b>(4,195,679)</b>	69,236,743
<b>Cash flows from investing activities</b>		
Acquisition of a subsidiary, net of cash acquired	–	(11,476,489)
Balance payment in the acquisition of a subsidiary	<b>(40,453,688)</b>	–
Investment in an associate	<b>(4,900,000)</b>	–
Investment in a joint venture	<b>(17,500,000)</b>	–
Purchase of available-for-sale financial assets	<b>(2,250,000)</b>	–
Purchases of property, plant and equipment	<b>(2,831,144)</b>	(2,919,884)
Proceeds from disposals of property, plant and equipment	<b>98,058</b>	134,172
Interest received	<b>441,518</b>	955,960
<b>Net cash used in investing activities</b>	<b>(67,395,256)</b>	(13,306,241)

## CONSOLIDATED STATEMENT OF CASH FLOWS

For The Year Ended 31 December 2016

	<i>Notes</i>	<b>2016 RMB</b>	2015 RMB (Re-presented)
<b>Cash flows from financing activities</b>			
Interest paid		<b>(638,718)</b>	(994,193)
New borrowings		<b>3,935,000</b>	–
Repayment of bank borrowings		–	(20,000,000)
Repayment of borrowings		<b>(1,880,000)</b>	–
Net proceeds from issue of ordinary shares		<b>9,905,133</b>	–
<b>Net cash generated from/(used in) financing activities</b>		<b>11,321,415</b>	(20,994,193)
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(60,269,520)</b>	34,936,309
<b>Effect of exchange rate changes on cash and cash equivalents</b>		<b>(29,324)</b>	49,536
<b>Cash and cash equivalents at the beginning of year</b>		<b>144,609,439</b>	109,623,594
<b>Cash and cash equivalents at the end of year</b>		<b>84,310,595</b>	144,609,439
<b>Analysis of the balances of cash and cash equivalents</b>			
Cash and bank balances	24	<b>84,310,595</b>	144,609,439

# NOTES TO THE FINANCIAL STATEMENTS

## 1. CORPORATE INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 15 March 2011. The Company's registered office is located at Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman, Cayman Islands. Its principal place of business is located at 4th Floor, No. 696 Weihai Road, Jing'an District, Postal Code – 200041, Shanghai, China.

Pursuant to a reorganisation (the "Reorganisation") to rationalise the structure of the Company and its subsidiaries (together as the "Group") in preparation for the listing of the Company's shares on the Growth Enterprise Market (the "GEM") of the Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the companies then comprising the Group on 1 June 2011. On 8 September 2015, the dealing of the shares of the Company on Main board commenced after the approval of application for listing from GEM to Main board.

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

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

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

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

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

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



## 2.1 ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”)

### (a) Adoption of new/revised IFRSs – effective on 1 January 2016

IFRSs (Amendments)	Annual Improvements 2012-2014 Cycle
Amendments to IAS 1	Disclosure Initiative
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to IAS 27	Equity Method in Separate Financial Statements
Amendments to IAS 11	Accounting for Acquisitions of Interests in Joint Operations

The adoption of this new/revised standards and interpretations has no material impact on the Group’s financial statements.

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

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

Amendments to IAS 7	Disclosure Initiative <sup>1</sup>
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses <sup>1</sup>
IFRS 9	Financial Instruments <sup>2</sup>
IFRS 15	Revenue from Contracts with Customers <sup>2</sup>
Amendments to IFRS 15	Revenue from Contracts with Customers (Classification to IFRS15) <sup>2</sup>
IFRS 16	Leases <sup>3</sup>
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>4</sup>
IFRSs (Amendments)	Annual Improvements 2014-2016 Cycle <sup>5</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2017

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2019

<sup>4</sup> The amendments were originally intended to be effective for periods beginning on or after 1 January 2016. The effective date has now been deferred/removed. Early application of the amendments of the amendments continue to be permitted.

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2017 and 1 January 2018.

Except as described below, the directors do not anticipate that the application of the new and revised IFRSs will have material impact on the Group’s financial performance and position and/or on the disclosures to the Group’s consolidated financial statements.

**IFRS 9 – Financial Instruments**

IFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income (“FVTOCI”) if the objective of the entity’s business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss (“FVTPL”).

IFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in IAS 39 “Financial Instruments: Recognition and Measurements” and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

IFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from IAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, IFRS 9 retains the requirements in IAS 39 for derecognition of financial assets and financial liabilities.

The directors anticipate that the application of IFRS 9 in the future will have an impact on amounts reported in respect of the Group’s financial performance and financial assets (e.g. impairment on trade receivables and loan receivables) resulting from early provision of credit losses using the expected loss impairment model under IFRS 9 instead of incurred loss model under IAS 39. Currently, the directors are in the midst of assessing the financial impact of the application of IFRS 9 and a reasonable estimate of the effect will be available once the detailed review is completed.

**IFRS 15 – Revenue from Contracts with Customers**

The new standard establishes a single revenue recognition framework. The core principle of the framework 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 and services. IFRS 15 supersedes existing revenue recognition guidance including IAS 18 “Revenue”, IAS 11 “Construction Contracts” and related interpretations.

IFRS 15 requires the application of a 5 steps 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 each performance obligation
- Step 5: Recognise revenue when each performance obligation is satisfied

IFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under IFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

The directors anticipate that the application of IFRS 15 in the future may have an impact on the amounts reported on revenue as the timing of revenue recognition may be affected by the new standard, and more disclosures relating to revenue is required. Currently, the directors are in the midst of assessing the financial impact of the application of IFRS 15 and a reasonable estimate of the effect will be available once the detailed review is completed.

**IFRS 16 – Leases**

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statement of both lessors and lessees. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value.

A lessee is required to recognise a right-of-use asset and a lease liability at the commencement of lease arrangement. Right-of-use asset includes the amount of initial measurement of lease liability, any lease payment made to the lessor at or before the lease commencement date, estimated cost to be incurred by the lessee for dismantling or removing the underlying assets from and restoring the site, as well as any other initial direct cost incurred by the lessee. Lease liability represents the present value of the lease payments. Subsequently, depreciation and impairment expenses, if any, on the right-of-use asset will be charged to profit or loss following the requirement of IAS 16 "Property, Plant and Equipment", while lease liability will be increased by the interest accrual, which will be charged to profit or loss, and deducted by lease payments.

Total operating lease commitments of the Group in respect of office premises as at 31 December 2016 amounted to approximately RMB224,692,654. The directors expect the adoption of IFRS 16 as compared with the current accounting policy would have an impact on the Group's results. It is expected that certain portion of these lease commitments will be required to be recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities.

## 2.2 BASIS OF PREPARATION

### (a) Statement of compliance

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

### (b) Basis of measurement

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

### (c) Functional and presentation currency

The functional currency of the Company is Hong Kong Dollars ("HKD"), while the financial statements are presented in Renminbi ("RMB"). As most of the Group's operations are in the PRC, the directors consider that it will be more appropriate to adopt RMB as the Group's and the Company's presentation currency.

### 3. SIGNIFICANT ACCOUNTING POLICIES

#### (a) Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries ("the Group"). Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by IFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

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



When the Group loses control of a subsidiary, the profit or loss on disposal 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 and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

**(b) Subsidiaries**

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

De-facto control exists in situations where the Company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether "de facto" control exists the Company considers all relevant facts and circumstances, including:

- The size of the Company's voting rights relative to both the size and dispersion of other parties who hold voting rights;
- Substantive potential voting rights held by the Company and other parties who hold voting rights;
- Other contractual arrangements; and
- Historic patterns in voting attendance.

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

(c) **Associates**

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

Associates are accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying amount are adjusted for the Group's share of the post-acquisition change in the associates' net assets except that losses in excess of the Group's interest in the associate are not recognised unless there is an obligation to make good those losses.

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate. Where unrealised losses provide evidence of impairment of the asset transferred they are recognised immediately in profit or loss.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate. Where there is objective evidence that the investment in an associate has been impaired, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

In the Company's statement of financial position, investments in associates are carried at cost less impairment losses, if any. The results of associates are accounted for by the Company on the basis of dividends received and receivable during the year. The financial statements of the Group's associates are prepared using uniform accounting policies with the Group.

(d) **Joint arrangements**

The group is a party to a joint arrangement where there is a contractual arrangement that confers joint control over the relevant activities of the arrangement to the group and at least one other party. Joint control is assessed under the same principles as control over subsidiaries.

The group classifies its interests in joint arrangements as either:

- Joint ventures: where the group has rights to only the net assets of the joint arrangement; or
- Joint operations: where the group has both the rights to assets and obligations for the liabilities of the joint arrangement.

In assessing the classification of interests in joint arrangements, the Group considers:

- The structure of the joint arrangement;
- The legal form of joint arrangements structured through a separate vehicle;
- The contractual terms of the joint arrangement agreement; and
- Any other facts and circumstances (including any other contractual arrangements).

The Group accounts for its interests in joint ventures in the same manner as investments in associates (i.e. using the equity method – see note 3(c)).

Any premium paid for an investment in a joint venture above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the investment in joint venture. Where there is objective evidence that the investment in a joint venture has been impaired the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

The Company's interests in joint ventures are stated at cost less impairment losses, if any. Results of joint ventures are accounted for by the Company on the basis of dividends received and receivable.

**(e) Goodwill**

Goodwill is initially recognised at cost being the excess of the aggregate of consideration transferred and the amount recognised for non-controlling interests over the fair value of identifiable assets, liabilities and contingent liabilities acquired.

Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

Goodwill is measured at cost less impairment losses. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually by comparing its carrying amount with its recoverable amount (see note 3(i)), and whenever there is an indication that the unit may be impaired.

For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro-rata on the basis of the carrying amount to each asset in the unit. Any impairment loss for goodwill is recognised in profit or loss and is not reversed in subsequent periods.

**(f) Property, plant and equipment**

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

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

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

Office furniture and equipment	20% – 33% per annum
Motor vehicles	20% – 25% per annum
Leasehold improvement	10% per annum

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

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

(g) **Intangible assets**

(i) **Acquired intangible assets**

Intangible assets acquired separately are initially recognised at cost. The cost of intangible assets acquired in a business combination is fair value at the date of acquisition. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. The amortisation expense is recognised in profit or loss and included in administrative expenses. Amortisation is provided on a straight-line basis over their useful lives as follows:

Customer relationship	5 years
Computer software	5 years
Favourable operating leases	Over the lease term

(ii) **Impairment**

Intangible assets with finite lives are tested for impairment when there is an indication that an asset may be impaired (see the accounting policies in respect of impairment of assets other than financial assets in note 3(i) below).

(h) **Lease**

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

**The Group as lessor**

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on the straight-line basis over the lease term.

**The Group as lessee**

Assets held under finance leases are initially recognised as assets at their fair value or, if lower, the present value of the minimum lease payments. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to profit or loss over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.



**(i) Impairment of assets other than financial assets**

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

- property, plant and equipment;
- intangible assets with finite lives; and
- interests in subsidiaries, joint venture and associates

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

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

Value in use is based on the estimated future cash flows expected to be derived from the asset or cash generating unit (see note 3(e)), 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 or cash generating unit.

**(j) Financial instruments**

**(i) Financial assets**

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets at fair value through profit or loss are initially measured at fair value and all other financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

*Financial assets at fair value through profit or loss*

These assets include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

*Loans and receivables*

The Group's loans and receivables, including trade and bills receivables, deposits and other receivables and cash and cash equivalents are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to clients (trade debtors), and also incorporate other types of contractual monetary asset. At each reporting date subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

*Available-for-sale financial assets*

These assets are non-derivative financial assets that are designated as available-for-sale or are not included in other categories of financial assets. Subsequent to initial recognition, these assets are carried at fair value with changes in fair value recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary instruments, which are recognised in profit or loss.

For 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 instruments, they are measured at cost less any identified impairment losses.

**(ii) Impairment loss on financial assets**

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

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

*For loans and receivables*

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

*For available-for-sale financial assets*

Where a decline in the fair value constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognised in profit or loss.

For available-for-sale equity investment that is carried at cost, the amount of impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversed.

**(iii) Financial liabilities**

The Group's financial liabilities, including trade payables, other payables and accruals, bank borrowing and deposits received. The Group classified them as financial liabilities at amortised cost.

*Financial liabilities at amortised cost*

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

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

**(iv) Effective interest method**

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

**(v) Equity instruments**

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

**(vi) Derecognition**

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

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

**(k) Provisions and contingent liabilities**

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

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

**(l) Income taxes**

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

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

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

**(m) Employee benefits**

**(i) Pension schemes**

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

**(ii) Other benefits**

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

**(n) Discontinued operations**

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs if the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the statement of comprehensive income, which comprises:

- the post-tax profit or loss of the discontinued operation; and
- the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal groups constituting the discontinued operation.



(o) **Government grants**

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

(p) **Foreign currency**

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

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

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

**(q) Revenue recognition**

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

- (i) Advertising income is recognised upon the publication of the newspapers/magazines/media available to public in which the related advertisement is placed.
- (ii) Revenue from provision of public relation services is recognised when the services are rendered.
- (iii) Revenue from provision of event marketing services is recognised when the services are provided and the transactions can be measured reliably, and it is probable that the economic benefits associated with the transaction will flow to the Group.
- (iv) Revenue from sales of newspapers and magazines are recognised upon the delivery of products.
- (v) Rental income under operating leases is recognised on a straight-line basis over the term of the relevant lease.
- (vi) Interest income is accrued on a time basis on the principal outstanding at the applicable interest rate.

**(r) Related parties**

- (a) A person or a close member of that person's family is related to the Group if that person:
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of key management personnel of the Group or the Company's parent.
- (b) An entity is related to the Group if any of the following conditions apply:
  - (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the employees of the Group or an entity related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner

#### 4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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

##### **Estimation uncertainty**

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

##### **Impairment of goodwill**

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value.

### Impairment allowances for trade and other receivables

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

### Determination of fair value of intangible asset acquired in a business acquisition

The Group determined the acquisition-date fair value of the intangible asset of RMB51,532,097 relating to the favourable operating leases of Shanghai Jingwei (defined in note 18) requires significant management judgement and assumptions with respect to the discount rate and the underlying cash flows. When value-in-use calculations are undertaken, management estimates the expected future cash flows from the asset or corresponding cash-generating unit and determines a suitable discount rate in order to calculate the present value of those cash flows.

## 5. SEGMENT REPORTING

The chief operating decision-maker of the Group has been identified as the executive directors of the Company. The executive directors regularly review revenue and operating results derived from provision of advertising services, public relation services and event marketing services on an aggregate basis and consider them as one single operating segment in 2015.

During the year end 31 December 2016, the Directors considered advertising segment should be divided into traditional advertising services and wireless advertising services for review and decision making, the Group was also engaged in provision of business park area operation and management services. The Group determines its operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions.

As disclosed in note 12 of this report, the Board of Directors (the "Board") has decided to discontinue the operation of wireless advertising business on 29 December 2016. In accordance with IFRS 5, the segment of wireless advertising service for the year ended 31 December 2016 and 2015 were classified as discontinued operations in the Group's consolidated financial statements.

The Group has three and two reportable segments in 2016 and 2015 respectively. The segments are managed separately as each business offers different services and requires different business strategies. The following summary describes the operations in each of the Group's reportable segments:

- Traditional advertising – provision of traditional advertising services, public relation services and event marketing services.
- Wireless advertising – provision of wireless advertising services.
- Business park area management – providing operation and management services in business park area.

(a) **Business segment**  
**For the year ended 31 December 2016**

	Continuing operations			Discontinued operations		Total RMB
	Traditional advertising RMB	Business park area management RMB	Unallocated RMB	Subtotal RMB	Wireless advertising RMB	
<b>Results</b>						
Revenue from external customers	150,882,453	9,491,908	–	160,374,361	20,283,308	180,657,669
Segment results	(20,399,730)	2,306,206	–	(18,093,524)	(5,897,371)	(23,990,895)
Interest income	365,733	10,105	39,632	415,470	26,048	441,518
Gain on disposal financial assets at fair value through profit or loss	–	–	15,411	15,411	–	15,411
Finance costs	(630,219)	(8,499)	–	(638,718)	–	(638,718)
Impairment loss on trade receivables	(3,023,200)	–	–	(3,023,200)	(9,455,197)	(12,478,397)
Reversal of impairment loss on prepayment, deposits and other receivables	–	–	–	–	1,589,804	1,589,804
Impairment loss on prepayments, deposits and other receivables	–	–	–	–	(2,610,649)	(2,610,649)
Share of loss of associates	(1,271,509)	(3,077,405)	–	(4,348,914)	–	(4,348,914)
Share of profit of a joint venture	–	6,583,611	–	6,583,611	–	6,583,611
Impairment loss on goodwill	–	–	–	–	(156,293,197)	(156,293,197)
Impairment loss on intangible assets	–	–	–	–	(1,500,221)	(1,500,221)
Unallocated expenses (note (i))	–	–	(15,254,830)	(15,254,830)	(2,867)	(15,257,697)
(Loss)/profit before income tax expense	(24,958,925)	5,814,018	(15,199,787)	(34,344,694)	(174,143,650)	(208,488,344)
Income tax (expense)/credit	(199,858)	(303,494)	–	(503,352)	242,349	(261,003)
(Loss)/profit for the year	(25,158,783)	5,510,524	(15,199,787)	(34,848,046)	(173,901,301)	(208,749,347)
(Loss)/profit for the year from continuing operations	(25,158,783)	5,510,524	(15,199,787)	(34,848,046)	–	(34,848,046)
Loss for the year from discontinued operations (note 12)	–	–	–	–	(173,901,301)	(173,901,301)
	(25,158,783)	5,510,524	(15,199,787)	(34,848,046)	(173,901,301)	(208,749,347)
<b>Asset and liabilities</b>						
Reportable segment assets (note (iii))	208,592,960	108,259,236	11,347,700	328,199,896	16,612,397	344,812,293
Reportable segment liabilities (note (iii))	41,474,111	36,756,063	21,271,699	99,501,873	6,527,108	106,028,981
<b>Other Segment information</b>						
Depreciation and amortisation	1,035,430	1,619,606	158,417	2,813,453	1,091,812	3,905,265
Capital expenditure incurred during the year	2,813,580	–	17,564	2,831,144	–	2,831,144



## For the year ended 31 December 2015

	Continuing operations			Discontinued operations	Total RMB (Re-presented)
	Traditional advertising RMB	Unallocated RMB	Subtotal RMB	Wireless advertising RMB	
<b>Results</b>					
Revenue from external customers	201,569,895	–	201,569,895	115,996,032	317,565,927
Segment results	22,209,398	–	22,209,398	43,870,784	66,080,182
Interest income	885,318	9,718	895,036	60,924	955,960
Gain on disposal of financial assets at fair value through profit or loss	–	26,677	26,677	–	26,677
Finance costs	(979,321)	(14,872)	(994,193)	–	(994,193)
Reversal of impairment loss on trade receivables	568,797	–	568,797	–	568,797
Impairment loss on prepayments, deposits and other receivables	–	–	–	(1,589,804)	(1,589,804)
Share of loss of associates	47,957	–	47,957	–	47,957
Unallocated expense (note (i))	–	(13,410,103)	(13,410,103)	(13,738)	(13,423,841)
Profit/(loss) before income tax expense	22,732,149	(13,388,580)	9,343,569	42,328,166	51,671,735
Income tax expense	(5,560,624)	–	(5,560,624)	(8,754,285)	(14,314,909)
Profit/(loss) for the year	17,171,525	(13,388,580)	3,782,945	33,573,881	37,356,826
Profit/(loss) for the year from continuing operations	17,171,525	(13,388,580)	3,782,945	–	3,782,945
Profit for the year from discontinued operations (note 12)	–	–	–	33,573,881	33,573,881
Profit/(loss) for the year	17,171,525	(13,388,580)	3,782,945	33,573,881	37,356,826
<b>Asset and liabilities</b>					
Reportable segment assets (note (iii))	221,160,805	15,262,545	236,423,350	255,360,083	491,783,433
Reportable segment liabilities (note (iii))	22,695,780	11,774,210	34,469,990	24,156,593	58,626,583
<b>Other Segment information</b>					
Depreciation and amortisation	655,111	134,638	789,749	1,063,944	1,853,693
Capital expenditure incurred during the year	2,687,884	–	2,687,884	232,000	2,919,884

Notes:

- (i) Unallocated expenses mainly include salaries, rental expenses and professional fees for head office.
- (ii) Unallocated assets mainly include cash and cash equivalent in head office and available-for-sale financial assets and unallocated liabilities mainly include amount due to a joint venture and bank borrowings.

**(b) Geographical segment and information about major customers**

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

**Information about major customers**

For the year ended 31 December 2016, revenue from transactions with 3 customers (2015: 2 customers) from traditional advertising segment which contributed over 10% of total revenue including the revenue from operation which has been classified as discontinued operations as set out in note 12 of the Group is as follows:

	2016				2015			
	Traditional Advertising income RMB	Business park area management RMB	Wireless Advertising income RMB	Total RMB	Traditional Advertising income RMB	Business park area management RMB	Wireless Advertising income RMB	Total RMB
Client A	42,641,031	-	-	42,641,031	39,490,345	-	-	39,490,345
Client B	21,915,665	-	-	21,915,665	-	-	-	-
Client C	20,675,976	-	-	20,675,976	-	-	-	-
Client D	-	-	-	-	35,145,283	-	-	35,145,283

## 6. REVENUE AND OTHER INCOME AND GAINS

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

	Year ended 31 December	
	2016 RMB	2015 RMB (Re-presented)
<b>Continuing operations</b>		
<b>Revenue:</b>		
Advertising income	80,725,463	80,793,862
Public relation services income	53,077,002	78,844,349
Event marketing income	18,297,431	42,629,379
Less: cultural business development charge	(1,217,443)	(697,695)
	<b>150,882,453</b>	201,569,895
Rental income	9,491,908	–
Total	<b>160,374,361</b>	201,569,895
<b>Other income and gains:</b>		
Government grants ( <i>note</i> )	2,653,841	1,226,666
Gain on disposal of financial assets at fair value through profit or loss	15,411	26,677
Interest income	415,470	895,036
Reversal of impairment loss on trade receivables	–	568,797
Others	142,991	1,893
Total	<b>3,227,713</b>	2,719,069

*Note:*

The government grants mainly represented supporting funds granted by regional finance bureau for enterprises registered in the region.

7. FINANCE COSTS

	Year ended 31 December	
	2016 RMB	2015 RMB (Re-presented)
<b>Continuing operations</b>		
<b>Interest on bank borrowings:</b>		
– wholly repayable within one year	<b>638,718</b>	994,193

8. (LOSS)/PROFIT BEFORE INCOME TAX EXPENSE FROM CONTINUING OPERATIONS

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

	Year ended 31 December	
	2016 RMB	2015 RMB (Re-presented)
<b>Continuing operations</b>		
Depreciation of property, plant and equipment	<b>1,408,044</b>	777,098
Amortisation of intangible assets	<b>1,405,409</b>	12,651
Minimum lease payments under operating leases for buildings	<b>6,856,228</b>	5,169,249
Employee benefit expenses (including directors' remuneration ( <i>note 9</i> )):		
Wages and salaries	<b>10,517,407</b>	10,149,713
Pension scheme contributions	<b>2,057,842</b>	1,957,562
	<b>12,575,249</b>	12,107,275
Auditor's remuneration	<b>1,163,802</b>	1,197,182
Loss on write-off/disposal of property, plant and equipment	<b>569,339</b>	386,077
Reversal of impairment loss on trade receivables ( <i>note 22</i> )	–	(568,797)
Impairment loss on trade receivables	<b>3,023,200</b>	–

## 9. DIRECTORS' REMUNERATION

Directors' remuneration paid to each of the directors of the Company is disclosed as follows:

	Fee RMB	Salaries, allowances and benefit in kinds RMB	Pension scheme contributions RMB	Total RMB
<b>Year ended 31 December 2016</b>				
<i>Executive directors:</i>				
Mr. Fang Bin	–	720,000	81,520	801,520
Mr. Song Yijun	–	435,054	83,349	518,403
Mr. Patrick Zheng (note (a))	–	455,000	–	455,000
Mr. Fan Youyuan (note (b))	700,000	80,000	–	780,000
Mr. Huang Wei (note (c))	–	33,000	6,750	39,750
<i>Non-executive directors:</i>				
Mr. Zhou Ruijin	154,254	–	–	154,254
Mr. Lin Zhiming	154,254	–	–	154,254
Ms. Hsu Wai Man, Helen	154,254	–	–	154,254
	<b>1,162,762</b>	<b>1,723,054</b>	<b>171,619</b>	<b>3,057,435</b>



	Fee RMB	Salaries, allowances and benefit in kinds RMB	Pension scheme contributions RMB	Total RMB
<b>Year ended 31 December 2015</b>				
<i>Executive directors:</i>				
Mr. Fang Bin	–	660,000	69,804	729,804
Mr. Song Yijun	–	420,000	78,268	498,268
Mr. Patrick Zheng ( <i>note (a)</i> )	–	420,000	–	420,000
Mr. Fan Youyuan ( <i>note (b)</i> )	118,008	120,000	–	238,008
Mr. Huang Wei ( <i>note (c)</i> )	–	132,000	27,000	159,000
Ms. He Weiqi ( <i>note (d)</i> )	–	25,000	6,300	31,300
<i>Non-executive directors:</i>				
Mr. Zhou Ruijin	136,569	–	–	136,569
Mr. Lin Zhiming	136,578	–	–	136,578
Ms. Hsu Wai Man, Helen	136,578	–	–	136,578
	<u>527,733</u>	<u>1,777,000</u>	<u>181,372</u>	<u>2,486,105</u>

*Notes:*

- (a) Mr. Patrick Zheng was appointed as executive director on 20 January 2015.
- (b) Mr. Fan Youyan was re-designated as an executive director on 16 November 2015.
- (c) Mr. Huang Wei was appointed as executive director on 20 January 2015.
- (d) Ms. He Weiqi resigned as executive director on 20 January 2015.

There was no arrangement under which a director waived or agreed to waive any remuneration during the years ended 31 December 2016 and 2015.

## 10. FIVE HIGHEST PAID EMPLOYEES

Of the five highest paid employees in the Group during the year ended 31 December 2016, three (2015: three) were directors of the Company whose emoluments are disclosed in note 9 above.

For the year ended 31 December 2016, details of the remuneration of the remaining two (2015: two) non-director, highest paid employee of the Group are as follows:

	Year ended 31 December	
	2016 RMB	2015 RMB
Salaries, allowances and benefits in kinds	843,900	761,915
Pension scheme contributions	163,039	186,135
	<b>1,006,939</b>	<b>948,050</b>

During the years ended 31 December 2016 and 2015, no remuneration was paid by the Group to the Directors or any of the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

## 11. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the years ended 31 December 2016 and 2015.

Taxes on profits assessable in the PRC have been calculated at the prevailing tax rates, based on existing legislation, interpretations and practices in respect thereof. The PRC corporate income tax rate of all the PRC subsidiaries during the years ended 31 December 2016 and 2015 was 25% on their taxable profits.

The amount of income tax expense charged to the consolidated statement of profit or loss and other comprehensive income represents:

	Year ended 31 December	
	2016 RMB	2015 RMB (Re-presented)
<b>Continuing Operations</b>		
Current tax – PRC corporate income tax		
– tax for the year	–	5,560,624
– under provision in prior year	199,858	–
Deferred tax	303,494	–
Income tax expense	<b>503,352</b>	<b>5,560,624</b>

The income tax expense for the year can be reconciled to the Group's (loss)/profit before income tax expense in the consolidated statement of profit or loss and other comprehensive income as follows:

	<b>Year ended 31 December</b>	
	<b>2016</b> <b>RMB</b>	2015 RMB (Re-presented)
<b>Continuing Operations</b>		
(Loss)/profit before income tax expense	<b>(34,344,694)</b>	9,343,569
Tax on (loss)/profit before income tax expense, calculated at 25% (2015: 25%)	<b>(8,586,173)</b>	2,335,892
Tax effect of share of results of associates	<b>1,087,229</b>	(11,989)
Tax effect of share of result of a joint venture	<b>(1,645,903)</b>	–
Tax effect of non-deductible expenses	<b>2,429,812</b>	4,182,185
Tax effect of non-taxable income	<b>(766,896)</b>	(223,759)
Tax effect of tax loss not recognised	<b>8,269,050</b>	–
Others	<b>(283,767)</b>	(721,705)
Income tax expense	<b>503,352</b>	5,560,624

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

As at 31 December 2016 and 2015, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings of the Group's subsidiaries established in the PRC. It is because in the opinion of the Directors, it is not probable that these subsidiaries will distribute their earnings accrued from 1 January 2008 to 31 December 2016 in the foreseeable future. Accordingly no deferred tax liabilities have been recognised as at 31 December 2016 and 2015.

## 12. DISCONTINUED OPERATIONS

On 29 December 2016, the Board decided to discontinue the operation of the wireless advertising business. An analysis of the results and cash flows of the discontinued operations for the years ended 31 December 2016 and 2015 is as below:

	Year ended 31 December	
	2016 RMB	2015 RMB (Re-presented)
Revenue	<b>20,283,308</b>	115,996,032
Cost of sales	<b>(17,895,426)</b>	(62,460,322)
Gross profit	<b>2,387,882</b>	53,535,710
Other income and gains	<b>3,614,433</b>	981,549
Selling and distribution expenses	<b>(198,939)</b>	(3,810,478)
Administrative expenses and other expenses	<b>(22,153,608)</b>	(8,378,615)
Impairment loss on goodwill	<b>(156,293,197)</b>	–
Impairment loss on intangible assets	<b>(1,500,221)</b>	–
(Loss)/profit before income tax expense	<b>(174,143,650)</b>	42,328,166
Income tax credit/(expense)	<b>242,349</b>	(8,754,285)
(Loss)/profit and total comprehensive income for the year from discontinued operation (attributable to owners of the Company)	<b>(173,901,301)</b>	33,573,881
Net cash generated from operating activities	<b>24,566,830</b>	8,628,523
Net cash used in investing activities	<b>(40,473,952)</b>	(171,076)
Net cash generated from/(used in) financing activities	<b>18,831</b>	(3,171)
Net cash (outflows)/inflows	<b>(15,888,291)</b>	8,454,276

## 13. DIVIDENDS

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

## 14. (LOSS)/EARNING PER SHARE

## (i) For continuing and discontinued operations

The calculation of basic and diluted (loss)/earning per share attributable to owners of the Company are based on the following data:

	Year ended 31 December	
	2016 RMB	2015 RMB (Re-presented)
<b>(Loss)/earning</b> (Loss)/earning for the purposes of basic and diluted (loss)/earning per share	<b>(208,921,924)</b>	37,356,826
<b>Number of shares</b> Weighted average number of ordinary shares	<b>250,144,559</b>	246,810,194
Basic and diluted (loss)/earning per share	<b>(0.84)</b>	0.15

Diluted (loss)/earning per share equals to basic (loss)/earning per share, as there were no potential dilutive ordinary shares issued during the years ended 31 December 2016 and 2015.

## (ii) For continuing operations

	Year ended 31 December	
	2016 RMB	2015 RMB (Re-presented)
(Loss)/profit for the year attributable to owners of the Company	<b>(208,921,924)</b>	37,356,826
Less: (Loss)/profit for the year from discontinued operations	<b>(173,901,301)</b>	33,573,881
	<b>(35,020,623)</b>	3,782,945
Basic and diluted (loss)/earning per share from continuing operations	<b>(0.14)</b>	0.02

## (iii) For discontinued operations

Basic and diluted loss per share for discontinued operations is RMB0.70 (2015: earning per share RMB0.13), based on the loss for the year from the discontinued operations of RMB173,901,301 (2015: profit of RMB33,573,881) and the denominators detailed above for both basic and diluted (loss)/earning per share.



## 15. PROPERTY, PLANT AND EQUIPMENT

	Motor vehicles RMB	Office furniture and equipment RMB	Leasehold improvement RMB	Total RMB
<b>31 December 2016</b>				
Cost:				
At 1 January 2016	3,413,126	1,315,610	–	4,728,736
Additions through business combination ( <i>note 33</i> )	–	–	8,393,320	8,393,320
Additions	2,696,505	134,639	–	2,831,144
Disposals	(980,000)	–	–	(980,000)
Written off	–	(174,838)	–	(174,838)
At 31 December 2016	<u>5,129,631</u>	<u>1,275,411</u>	<u>8,393,320</u>	<u>14,798,362</u>
Accumulated depreciation:				
At 1 January 2016	736,033	505,253	–	1,241,286
Charge for the year	966,243	247,786	226,847	1,440,876
Eliminated on disposals	(329,700)	–	–	(329,700)
Eliminated on written off	–	(153,159)	–	(153,159)
At 31 December 2016	<u>1,372,576</u>	<u>599,880</u>	<u>226,847</u>	<u>2,199,303</u>
Net book value:				
At 31 December 2016	<u>3,757,055</u>	<u>675,531</u>	<u>8,166,473</u>	<u>12,599,059</u>
<b>31 December 2015</b>				
Cost:				
At 1 January 2015	1,163,954	1,590,310	–	2,754,264
Additions	2,761,837	158,047	–	2,919,884
Disposals	(512,665)	–	–	(512,665)
Written off	–	(432,747)	–	(432,747)
At 31 December 2015	<u>3,413,126</u>	<u>1,315,610</u>	<u>–</u>	<u>4,728,736</u>
Accumulated depreciation:				
At 1 January 2015	441,154	443,233	–	884,387
Charge for the year	465,768	316,294	–	782,062
Eliminated on disposals	(170,889)	–	–	(170,889)
Eliminated on written off	–	(254,274)	–	(254,274)
At 31 December 2015	<u>736,033</u>	<u>505,253</u>	<u>–</u>	<u>1,241,286</u>
Net book value:				
At 31 December 2015	<u>2,677,093</u>	<u>810,357</u>	<u>–</u>	<u>3,487,450</u>

## 16. GOODWILL

	2016 RMB	2015 RMB
At 1 January	156,293,197	156,293,197
Impairment loss recognised during the year	<b>(156,293,197)</b>	–
At 31 December	<b>–</b>	156,293,197

**Impairment tests for goodwill:**

The goodwill is acquired through business combination during the year ended 31 December 2013 and it is solely allocated to the cash generating units (“CGU”), namely wireless advertisement business.

During the year ended 31 December 2015, the recoverable amounts of the CGU have been determined from value in use calculations based on cash flow projections from formally approved budgets covering a five-year period. Cash flow beyond the five-year period is extrapolated using a zero growth rate.

	31 December 2015 RMB
Discount rate	19%
Gross margin	44%
Growth rate within the five-year period	–23% – 10%

The discount rate used is pre-tax and reflect specific risks relating to the relevant CGU. The operating margin and growth rate within the five-year period have been based on past experience and the result of the market research and prediction.

During the year ended 31 December 2016, the Directors anticipated that there is an unfavourable climate for wireless media industry and this would result in the customer of the Group to cut their budgets significantly in the wireless advertisement. The Directors considered that the wireless advertisement business CGU would not generate positive cash inflow in the foreseeable future and therefore decided to cease its wireless advertising business. Management estimated the recoverable amount of the goodwill and related intangible assets (customer relationship and computer software) in the wireless advertisement business CGU to be negligible and accordingly the Group fully impaired the goodwill and intangible assets of RMB156,293,197 and RMB1,500,221 respectively during the year ended 31 December 2016.

## 17. INTANGIBLE ASSETS

	Customer relationship RMB	Computer software RMB	Favourable operating leases RMB	Total RMB
<b>31 December 2016</b>				
Cost:				
At 1 January 2016	4,351,600	1,069,796	–	5,421,396
Additions through business combination (note 33)	–	–	51,532,097	51,532,097
Written off	(4,351,600)	(943,300)	–	(5,294,900)
At 31 December 2016	<u>–</u>	<u>126,496</u>	<u>51,532,097</u>	<u>51,658,593</u>
Accumulated amortisation and impairment loss:				
At 1 January 2016	2,248,327	508,455	–	2,756,782
Charge for the year	870,320	201,310	1,392,759	2,464,389
Eliminated on written off	(3,118,647)	(676,032)	–	(3,794,679)
At 31 December 2016	<u>–</u>	<u>33,733</u>	<u>1,392,759</u>	<u>1,426,492</u>
Net book value:				
At 31 December 2016	<u>–</u>	<u>92,763</u>	<u>50,139,338</u>	<u>50,232,101</u>
<b>31 December 2015</b>				
Cost:				
At 1 January 2015 and 31 December 2015	4,351,600	1,069,796	–	5,421,396
Accumulated amortisation:				
At 1 January 2015	1,378,006	307,145	–	1,685,151
Charge for the year	870,321	201,310	–	1,071,631
At 31 December 2015	<u>2,248,327</u>	<u>508,455</u>	<u>–</u>	<u>2,756,782</u>
Net book value:				
At 31 December 2015	<u>2,103,273</u>	<u>561,341</u>	<u>–</u>	<u>2,664,614</u>

## 18. INVESTMENT IN SUBSIDIARIES

The following are the details of the Group's principal subsidiaries at 31 December 2016 that would affect the results for the year or formed a substantial portion of the net assets of the Group. In the opinion of the directors, to give details of the other subsidiaries would result in excessive length.

Name	Place of Incorporation/ establishment	Issued/Registered and paid-up share capital	Attributable equity interests held by the Company		Principal activities
			Direct	Indirect	
Quick Motion International Limited	The British Virgin Islands	1 ordinary share of US\$1, unpaid	100%	–	Investment holding
Grand Rapids Mobile International Holding Ltd.	The British Virgin Islands	1 ordinary share of US\$1, paid	100%	–	Investment holding
Super Captain Investment Limited	Hong Kong	HK\$10,000	100%	–	Investment holding
Elegant Expert Investment Limited	Hong Kong	HK\$10,000	100%	–	Investment holding
SMU	The PRC (limited liability company under the laws of the PRC)	Registered capital RMB2,000,000, fully paid	–	100%	Provision for advertising, public relation and event market services in the PRC
上海三眾廣告有限公司 (“SumZone Advertising”)	The PRC (limited liability company under the laws of the PRC)	Registered capital RMB5,000,000, fully paid	–	100%	Provision for advertising services in the PRC
上海三眾營銷策劃有限公司 (“SumZone Marketing”)	The PRC (limited liability company under the laws of the PRC)	Registered capital RMB5,000,000, fully paid	–	100%	Provision for advertising services in the PRC
上海巨流信息科技有限公司 (“Ju Liu Information”)	The PRC (limited liability company under the laws of the PRC)	Registered capital RMB1,000,000, fully paid	–	100%	Provision for advertising services in the PRC

Name	Place of Incorporation/ establishment	Issued/Registered and paid-up share capital	Attributable equity interests held by the Company		Principal activities
			Direct	Indirect	
上海巨流軟件有限公司 ("Ju Liu Software")	The PRC (limited liability company under the laws of the PRC)	Registered capital RMB200,000, fully paid	–	100%	Provision for advertising services in the PRC
上海憬威企業發展有限公司 ("Shanghai Jingwei")	The PRC (limited liability company under the laws of the PRC)	Registered capital RMB10,000,000, fully paid	–	90%	Provision for business park area operation and management services in the PRC

Shanghai Jingwei, a 90% owned subsidiary of the Company, has material non-controlling interests ("NCI"). Summarised financial information in relation to the NCI of Shanghai Jingwei before intra-group elimination is presented below:

**Shanghai Jingwei**

	<b>2016 RMB</b>
For the period ended 31 December (since date of acquisition 1 October 2016)	
Revenue	<b>9,504,380</b>
Profit for the period	<b>1,725,766</b>
Total comprehensive income	<b>1,725,766</b>
Profit allocated to non-controlling interests	<b>172,577</b>
Dividends paid to non-controlling interests	–
Cash inflows from operating activities	<b>3,092,996</b>
Cash inflows from investing activities	<b>527</b>
Cash outflows from financing activities	<b>(1,894,836)</b>
Net cash inflows	<b>1,198,687</b>



<b>Shanghai Jingwei</b>	<b>2016 RMB</b>
Current assets	<b>14,180,118</b>
Non-current assets	<b>69,580,263</b>
Current liabilities	<b>(26,728,196)</b>
Non-current liabilities	<b>(10,306,419)</b>
Net assets	<b>46,725,766</b>
Accumulated non-controlling interests	<b>4,672,577</b>

## 19. INTEREST IN A JOINT VENTURE

	<b>31 December</b>	
	<b>2016 RMB</b>	2015 RMB
Share of net assets other than goodwill	<b>9,997,491</b>	–
Goodwill	<b>14,086,120</b>	–
	<b>24,083,611</b>	–

The Group has 34% (2015: Nil) interest in a material joint venture, Shanghai Lingang Cultural Industry Development Company Limited (“Shanghai Lingang”), a separate structured vehicle incorporated and operating in the PRC. The primary activity of Shanghai Lingang is operation and management services of large-scale park, which is in line with the Group’s strategy of developing business park area management business.

The contractual arrangement provides the group with only the rights to the net assets of the joint arrangement, with the rights to the assets and obligation for the liabilities of the joint arrangement resting primarily with Shanghai Lingang. Under IFRS 11, this joint arrangement is classified as a joint venture and has been included in the consolidated financial statements using the equity method.

Summarised financial information of the joint venture is presented below:

<b>Shanghai Lingang</b>	<b>2016 RMB</b>
As at 31 December	
Current assets	<b>69,367,815</b>
Non-current assets	<b>3,356,851</b>
Current liabilities	<b>(43,320,281)</b>
Non-current liabilities	–
Net assets	<b>29,404,385</b>
Group's share of net assets of the joint venture	<b>9,997,491</b>
<i>Included in the above amounts are:</i>	
Cash and cash equivalents	<b>12,118,692</b>
Current financial liabilities (excluding trade and other payable)	<b>(9,982,283)</b>
Non-current financial liabilities (excluding other payable and provision)	–
For the period ended 31 December (since date of acquisition 1 February 2016)	
Revenue	<b>28,666,296</b>
Profit from continuing operations	<b>19,363,562</b>
Other comprehensive income	–
Total comprehensive income	<b>19,363,562</b>
Dividends received by the Group from the joint venture	–
<i>Included in the above amounts are:</i>	
Depreciation and amortisation	<b>148,692</b>
Interest income	<b>52,508</b>
Interest expense	–
Income tax expense	<b>6,467,681</b>

## 20. INTERESTS IN ASSOCIATES

	31 December	
	2016 RMB	2015 RMB
Share of net assets	<b>1,822,595</b>	1,271,509

The investments in associates are unlisted equity interests and details of the Group's associates as at 31 December 2016 is as follows:

Name	Form of business structure	Place of establishment and operation	Paid-up registered capital	Attributable equity interests indirectly held by the Company	Principal activities
上海東上海三眾華納傳媒有限公司 ("East Shanghai SumZone")	Corporation	The PRC	RMB2,000,000	49%	Provision of advertising, consulting and event marketing services
上海雲堡眾創空間經營管理有限公司 ("Shanghai Yunbao")	Corporation	The PRC	RMB10,000,000	49%	Management and operation of group innovation space

Summarised financial information of a material associate is presented below:

<b>Shanghai Yunbao</b>	<b>2016 RMB</b>
As at 31 December	
Current assets	6,423,688
Non-current assets	497,523
Current liabilities	(3,201,629)
Non-current liabilities	–
Net assets	<u>3,719,582</u>
Group's share of the net assets of the associate	<u>1,822,595</u>
For the period ended 31 December (since date of acquisition 18 January 2016)	
Revenue	–
Loss from continuing operations	(6,280,418)
Other comprehensive income	–
Total comprehensive income	(6,280,418)
Dividends received from the associate	–

In the opinion of the directors of the Company, East Shanghai SumZone is not material to the Group and the summarised financial information in respect of the share of net assets to the Group is set out below:

<b>East Shanghai SumZone</b>	<b>Year ended 31 December</b>	
	<b>2016 RMB</b>	2015 RMB
(Loss)/profit for the year	(1,271,509)	47,957
Other comprehensive income	–	–
Total comprehensive income	<u>(1,271,509)</u>	<u>47,957</u>

## 21. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	<b>31 December</b>	
	<b>2016</b>	2015
	<b>RMB</b>	RMB
Unlisted equity securities in the PRC, at cost ( <i>notes</i> )	<b>2,250,000</b>	–

*Notes:*

- (i) The Group owns 15% of this available-for-sale financial asset, the Group's CEO, one of the director and his spouse hold the rest of the equity interests of this available-for-sale financial asset. Management considers that this company is the related party of the Group.
- (ii) During the year ended 31 December 2016, the Group acquired this available-for-sale financial asset at RMB2,250,000. Pursuant to the sales and purchases agreement, the vendor undertakes the aggregate net profits of the investee company for the year ended/ending 31 December 2016, 2017, 2018, 2019 and 2020 shall not be less than RMB5,000,000 ("Profits Guarantee"). If there is a shortfall on the Profits Guarantee, the Group has a put option to sell back the shares of this available-for-sale financial asset at the cost plus interest of 8% per annum to the vendors ("Put Option"). In the opinion of the directors of the Company, the possibility of this available-for-sale financial asset that do not meet the Profits Guarantee is remote and the amount of the Put Option is immaterial.
- (iii) In the opinion of the Directors, the available-for-sale financial assets are not expected to be realised within one year from the end of the reporting periods.

## 22. TRADE AND BILLS RECEIVABLES

	<b>31 December</b>	
	<b>2016</b>	2015
	<b>RMB</b>	RMB
Trade receivables	<b>144,983,809</b>	169,364,572
Less: Impairment	<b>(8,249,672)</b>	(123,875)
	<b>136,734,137</b>	169,240,697
Bills receivables	<b>80,000</b>	5,900,000
	<b>136,814,137</b>	175,140,697

The Group's trading terms with its clients are mainly on credit. The credit period is generally 60 days to 360 days. The Group seeks to apply strict control over its outstanding receivables to minimise credit risk. Although the Group's trade receivables relate to a number of clients, however, there is certain degree of concentration of credit risk. The trade receivables from the five largest debtors at 31 December 2016 represented 57% (2015: 49%) of total trade receivables, while 29% (2015: 18%) of the total receivables were due from the largest debtor. All the trade receivables are non-interest-bearing.



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

	31 December	
	2016 RMB	2015 RMB
Not more than 1 month	<b>25,087,321</b>	44,372,921
More than 1 month but not more than 3 months	<b>33,289,857</b>	58,633,443
More than 3 months but not more than 6 months	<b>37,367,668</b>	36,270,325
More than 6 months but not more than 1 year	<b>40,198,403</b>	25,885,144
Over 1 year	<b>790,888</b>	4,078,864
	<b>136,734,137</b>	169,240,697
Bills receivables	<b>80,000</b>	5,900,000
	<b>136,814,137</b>	175,140,697

The analysis of the Group's trade receivables as at the end of each of the reporting periods, is as follows:

	31 December	
	2016 RMB	2015 RMB
Neither past due nor impaired ( <i>note i</i> )	<b>125,818,448</b>	146,069,554
Past due but not impaired ( <i>note ii</i> ):		
less than 1 month	<b>4,010,632</b>	9,735,407
1 to 3 months	<b>151,515</b>	6,179,634
more than 3 months but less than 12 months	<b>6,753,542</b>	7,256,102
	<b>136,734,137</b>	169,240,697

*Notes:*

- (i) The balances that were neither past due nor impaired relate to a wide range of clients for whom there was no recent history of default.
- (ii) Receivables that were past due but not impaired relate to a number of independent clients that have a good track record with the Group. Based on past experience, the Directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

The below table reconciled the impairment loss on trade receivables:

	31 December	
	2016 RMB	2015 RMB
At the beginning of the year	123,875	692,672
Reversal of impairment loss previously recognised	–	(568,797)
Impairment loss recognised	12,478,397	–
Bad debts written off	(4,352,600)	–
At the end of the year	<b>8,249,672</b>	123,875

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

## 23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	31 December	
	2016 RMB	2015 RMB
Current		
Deposits	182,458	297,709
Prepayments ( <i>note (a)</i> )	11,507,811	7,582,715
Rent incentive	10,505,334	–
Advance payment for event marketing expenses	1,467,670	1,926,381
Other receivables	707,249	99,526
	<b>24,370,522</b>	9,906,331
Less: Impairment	<b>(2,610,649)</b>	(1,589,804)
	<b>21,759,873</b>	8,316,527
Non-current		
Deposits paid that are not repayable within one year	5,584,500	–
	<b>27,344,373</b>	8,316,527

Note:

- (a) At the end of the reporting period, prepayments of RMB6,079,543 (2015: RMB2,971,762) in total were paid to 4 (2015: 12) independent third party advertising media or its agents for the purchase of advertising space that to be used in the coming one to ten years. According to the agreement, these deposits and prepayments can be used to offset against the advertising cost payable to these agents.

The below table reconciled the impairment loss on prepayments, deposits and other receivables:

	<b>31 December</b>	
	<b>2016</b>	2015
	<b>RMB</b>	RMB
At the beginning of the year	<b>1,589,804</b>	–
Reversal of impairment loss previously recognised	<b>(1,589,804)</b>	–
Impairment loss	<b>2,610,649</b>	1,589,804
At the end of the year	<b>2,610,649</b>	1,589,804

The Group recognised impairment loss based on the accounting policy stated in note 3(j)(ii).

## 24. CASH AND CASH EQUIVALENTS

The cash and cash equivalents of RMB84,186,234 (2015: RMB131,850,400) are located in the PRC. RMB is not a freely convertible currency and the remittance of funds out of the PRC is subject to exchange restrictions imposed by the PRC Government.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. As at 31 December 2016, cash at banks include deposits of RMB4,100,000 (2015: Nil) that are pledged for bank borrowings granted to the Group.

## 25. TRADE PAYABLES

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

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

	<b>31 December</b>	
	<b>2016</b>	2015
	<b>RMB</b>	RMB
Not more than 1 month	<b>20,845,731</b>	12,635,755
More than 1 month but not more than 3 months	<b>11,467,583</b>	3,588,824
More than 3 months but not more than 6 months	<b>2,995,229</b>	4,421,438
More than 6 months but not more than 1 year	<b>5,280,708</b>	4,598,743
Over 1 year	<b>4,532,204</b>	3,851,330
	<b>45,121,455</b>	29,096,090

## 26. RECEIPTS IN ADVANCE, OTHER PAYABLES AND ACCRUALS

	31 December	
	2016 RMB	2015 RMB
Current		
Receipts in advance from clients	3,153,155	5,199,028
Rent incentive	11,980,248	–
Other payables and accruals ( <i>note (i)</i> )	7,275,994	15,684,829
Amount due to a joint venture ( <i>note (ii)</i> )	13,225,451	–
	<b>35,634,848</b>	20,883,857
Non-current		
Deposits received	10,897,805	–
	<b>46,532,653</b>	20,883,857

## Notes:

- (i) The balance at 31 December 2015 included down payments of RMB9,908,489 received from potential investors in relation to a placing of the Company's shares (the "Placing"). The Placing was completed on 29 April 2016. Details of the Placing were set out in the Company's announcements dated 16 November 2015 and 29 February 2016.
- (ii) The amount due is unsecured, interest-free and repayable on demand.

## 27. BANK BORROWINGS

	31 December	
	2016 RMB	2015 RMB
Secured interest-bearing borrowings	3,935,000	–

The secured bank borrowings of the Group was guaranteed by the subsidiary of the Group, SumZone Enterprise, repayable within one year and a deposits of RMB4,100,000 (*note 24*) is pledged for the bank borrowings. Interest is charged from 2.9% to 4.4% (2015: 6.3%).

The bank borrowings are not subject to any fulfillment of covenants according to the term in the loan agreements.

## 28. DEFERRED TAX ASSETS/(LIABILITIES)

	Deferred tax assets in respect of tax loss RMB	Deferred tax liabilities in respect of fair value surplus in respect of business combination RMB	Total RMB
At 1 January 2015	–	(904,545)	(904,545)
Credited to profit or loss	–	264,745	264,745
At 31 December 2015 and 1 January 2016	–	(639,800)	(639,800)
Acquired through acquisition of subsidiary ( <i>note 33</i> )	4,879,239	(10,306,419)	(5,427,180)
(Charged)/credited to profit or loss	(582,046)	918,352	336,306
At 31 December 2016	<u>4,297,193</u>	<u>(10,027,867)</u>	<u>(5,730,674)</u>

For the purpose of presentation in the consolidated statements of financial position, the deferred tax assets and liabilities have not been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	31 December	
	2016 RMB	2015 RMB
Deferred tax assets	<u>4,297,193</u>	–
Deferred tax liabilities	<u>(10,027,867)</u>	(639,000)

No deferred tax assets is recognised in relation to tax losses from certain subsidiaries due to the unpredictability of future profit streams.



Tax losses unrecognised as deferred tax assets that will expire in:

	<b>31 December</b>
	<b>2016</b>
	<b>RMB</b>
2017	–
2018	–
2019	–
2020	–
2021	–
	<b>51,918,420</b>
	<b>51,918,420</b>

## 29. SHARE CAPITAL

	Number	RMB
<b>Authorised:</b>		
At 1 January 2015, 31 December 2015, 1 January 2016 and 31 December 2016	<u>2,000,000,000</u>	<u>16,632,421</u>
<b>Issued and fully paid:</b>		
At 1 January 2015, 31 December 2015, and 1 January 2016	246,810,194	1,996,737
Issue of shares upon by way of placements ( <i>note</i> )	<u>4,960,885</u>	<u>40,944</u>
At 31 December 2016	<u>251,771,079</u>	<u>2,037,681</u>

*Note:*

On 29 April 2016, the Company issued 4,960,885 shares to a third-party investor (the "Investor") pursuant to the subscription agreement dated 16 November 2015 (as amended and supplemented by the supplemental agreement dated 29 February 2016) and entered into between the Company and the Investor for an aggregate of approximately HK\$12,005,342 (equivalent to RMB9,908,489) with transaction costs of HK\$4,000 (equivalent to RMB 3,356) attributed to the issue of shares. The share capital and share premium increased by RMB40,944 and RMB9,864,189 respectively.

## 30. RESERVES

## Company

	Share Premium <i>(note a)</i> RMB	Exchange reserve <i>(note b)</i> RMB	Accumulated losses <i>(note c)</i> RMB	Total RMB
At 1 January 2015	203,009,101	(426,654)	(17,561,258)	185,021,189
Loss for the year	–	–	(7,559,104)	(7,559,104)
Other comprehensive income	–	1,423,125	–	1,423,125
Total comprehensive income	–	1,423,125	(7,559,104)	(6,135,979)
At 31 December 2015 and 1 January 2016	203,009,101	996,471	(25,120,362)	178,885,210
Loss for the year	–	–	(6,565,295)	(6,565,295)
Other comprehensive income	–	1,710,567	–	1,710,567
Total comprehensive income	–	1,710,567	(6,565,295)	(4,854,728)
Issue of shares by way of placements <i>(note 29)</i>	9,864,189	–	–	9,864,189
At 31 December 2016	<u>212,873,290</u>	<u>2,707,038</u>	<u>(31,685,657)</u>	<u>183,894,671</u>

## Notes:

- (a) Share premium represents amount subscribed for share capital in excess of par value.
- (b) Exchange reserve represents gains/losses arising on retranslating the net assets of foreign operations into presentation currency.
- (c) It represents cumulative net gains and losses recognised in profit or loss.

### 31. RELATED PARTY TRANSACTIONS

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

#### (a) Key management personnel compensation

Remuneration for key management personnel of the Group, including amounts paid to the executive directors as disclosed in note 9 to the consolidated financial statements, and other senior management is as follows:

	Year ended 31 December	
	2016 RMB	2015 RMB
Salaries, allowances and benefits in kinds	4,602,094	3,094,659
Pension scheme contributions	657,014	469,868
	<b>5,259,108</b>	<b>3,564,527</b>

### 32. MATERIAL INTERESTS OF DIRECTORS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Except as disclosed in note 31 to the financial statements, no contracts of significance to which the Company's subsidiary or joint venture was a party and in which a director of the Company or an entity connected with a director had a material interest, whether directly or indirectly, subsisted during or at the end of the financial year.

### 33. BUSINESS ACQUISITION DURING THE YEAR

On 1 October 2016, the Group acquired 90% of the voting equity instruments of Shanghai Jingwei, a company whose principal activity is provision of operation and management service of business park area. The acquisition was made with the aims to develop new business during the year.

Pursuant to the sales and purchases agreement, the vendor undertakes that the profits of Shanghai Jingwei in the financial statements for the period from 1 September to 31 December 2016 and audited financial statements for the financial years ending 31 December 2017, 2018 and 2019 shall not be less than RMB3,000,000, RMB9,000,000, RMB9,000,000 and RMB9,000,000, respectively ("Warranted Profit"). If there is a shortfall on the Warranted Profit in the period from 1 September to 31 December 2016, 2017, 2018, 2019, there is cash compensation from the vendor to the Company. In the opinion of the Directors of the Company, the possibility of Shanghai Jingwei that do not meet the Warranted Profits is remote so that there is no contingent assets recognised for the cash compensation.

The provisional fair value of identifiable assets and liabilities of the acquiree as at the date of acquisition were:

	RMB
Property, plant and equipment ( <i>note 15</i> )	8,393,320
Intangible assets ( <i>note 17</i> )	51,532,097
Trade and other receivables	17,333,298
Cash and cash equivalents	46,312
Trade and other payables	(24,997,847)
Borrowings	(1,880,000)
Deferred tax liabilities ( <i>note 28</i> )	(5,427,180)
Non-controlling interests	(4,500,000)
	<u>40,500,000</u>
Cash consideration	<u>40,500,000</u>
Net cash outflows arising from acquisition:	
Cash consideration paid	40,500,000
Cash and cash equivalents acquired	<u>(46,312)</u>
Net cash outflows arising from acquisition:	<u>40,453,688</u>

Since the acquisition date, Shanghai Jingwei has contributed RMB9,491,908 and RMB1,713,294 to Group's revenue and profit. If the acquisition had occurred on 1 January 2016, the Group's revenue and loss would have been RMB206,634,177 and RMB199,245,481 respectively. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the group that actually would have been achieved had the acquisition been completed on 1 January 2016, nor is it intended to be a projection of future performance.

The acquisition-related costs were not material, and have been expensed and are included in administrative expenses.

## 34. OPERATING LEASE COMMITMENTS

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

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

**The Group as lessee**

	<b>31 December</b>	
	<b>2016</b>	2015
	<b>RMB</b>	RMB
Within one year	<b>24,837,495</b>	7,013,585
In the second to fifth years, inclusive	<b>98,573,962</b>	2,601,811
After five years	<b>101,281,197</b>	–
	<b>224,692,654</b>	9,615,396

At the end of reporting date, the Group had future aggregate minimum lease receivables, under non-cancellable operating leases are as follows:

**The Group as lessor**

	<b>31 December</b>	
	<b>2016</b>	2015
	<b>RMB</b>	RMB
Within one year	<b>26,586,600</b>	–
In the second to fifth years, inclusive	<b>105,460,450</b>	–
After five years	<b>152,873,760</b>	–
	<b>284,920,810</b>	–



## 35. CAPITAL COMMITMENTS

	31 December	
	2016 RMB	2015 RMB
Commitments for the investments		
– authorised but not contracted for	–	4,900,000
– contracted for but not provided	–	17,500,000
	–	22,400,000

## 36. FINANCIAL INSTRUMENTS BY CATEGORY

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

**Financial assets**

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

	31 December	
	2016 RMB	2015 RMB
Available-for-sale financial assets:		
Unlisted investment	2,250,000	–
Loans and receivables:		
Trade and bills receivables	136,814,137	175,140,697
Financial assets included in deposits and other receivables	7,621,723	2,323,616
Cash and cash equivalents	84,310,595	144,609,439
	<b>230,996,455</b>	<b>322,073,752</b>

**Financial liabilities**

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

	<b>31 December</b>	
	<b>2016</b>	2015
	<b>RMB</b>	RMB
Financial liabilities measured at amortised cost		
Trade payables	<b>45,121,455</b>	29,096,090
Financial liabilities included in accrued liabilities and other payables	<b>31,399,250</b>	15,684,829
Bank borrowings	<b>3,935,000</b>	–
	<b>80,455,705</b>	44,780,919

**37. FINANCIAL RISK, CAPITAL MANAGEMENT AND FAIR VALUE**

The Group has various financial assets and liabilities such as trade and other receivables, trade and other payables and bank borrowing, which arise directly from its operation.

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

**Foreign currency risk**

The Group's monetary assets, liabilities and transactions are principally denominated in RMB, which is the functional currency of the Company except for the cash and bank balances of RMB124,513 (2015: RMB12,759,190) that are denominated in Hong Kong Dollars ("HKD"). It is estimated that upon an appreciation or depreciation of 2% (2015: 2%) in HKD against RMB, with all other variables held constant, the impact on profit before income tax expense would not be significant. The Group currently does not have a foreign currency hedging policy, but management is closely monitoring the Group's foreign exchange exposure.

**Credit risk**

The most significant financial assets of the Group are trade receivables and other receivables. The Group trades only with recognised and creditworthy clients and the receivable balances are monitored on an ongoing basis and on an individual basis. The Group had a certain degree of concentration of credit risk, details please refer to note 22 and note 23. Given the credit worthiness and reputation of the major debtors, management believes the risk arising from concentration is manageable and not significant.

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

### Liquidity risk

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

### Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders and issue new shares. For capital management purpose, the directors of the Company regard the total equity presented on the consolidated statement of financial position as capital. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2016 and 2015.

### Fair value

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

## 38. SHARE OPTION SCHEME

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

No share options were granted during the year ended 31 December 2016 and 2015.

## 39. HOLDING COMPANY STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

	2016 RMB	2015 RMB
<b>Assets</b>		
<b>Non-current assets</b>		
Investments in subsidiaries	<b>161,682,763</b>	161,682,763
<b>Current assets</b>		
Prepayments and other receivables	<b>638,913</b>	800,015
Amounts due from subsidiaries	<b>38,829,799</b>	27,262,953
Cash and cash equivalents	<b>106,965</b>	12,228,426
Total current assets	<b>39,575,677</b>	40,291,394
<b>Total assets</b>	<b>201,258,440</b>	201,974,157
<b>Liabilities</b>		
<b>Current liabilities</b>		
Other payables and accruals	<b>2,556,063</b>	11,457,823
Amounts due to subsidiaries	<b>8,835,025</b>	9,634,387
Bank borrowings	<b>3,935,000</b>	–
Total current liabilities	<b>15,326,088</b>	21,092,210
<b>Net current assets</b>	<b>24,249,589</b>	19,199,184
<b>Total assets less current liabilities</b>	<b>185,932,352</b>	180,881,947
<b>Total liabilities</b>	<b>15,326,088</b>	21,092,210
<b>NET ASSETS</b>	<b>185,932,352</b>	180,881,947

	<i>Note</i>	<b>2016 RMB</b>	2015 RMB
<b>Capital and reserves attributable to owners of the Company</b>			
Issued capital	<i>29</i>	<b>2,037,681</b>	1,996,737
Share premium	<i>30</i>	<b>212,873,290</b>	203,009,101
Exchange reserve	<i>30</i>	<b>2,707,038</b>	996,471
Accumulated losses	<i>30</i>	<b>(31,685,657)</b>	(25,120,362)
<b>TOTAL EQUITY</b>		<b>185,932,352</b>	180,881,947

On behalf of the directors

*Director*

*Director*

**Fang Bin**

**Patrick Zheng**

#### 40. COMPARATIVE FIGURES

Certain comparative figures have been re-classified to conform with the disclosure requirements in respect of the discontinued operation set out in note 12.

#### 41. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 29 March 2017.