品牌中国
BRANDING CHINA

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

(incorporated in the Cayman Islands with limited liability)

(Stock code: 0863)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

FINANCIAL HIGHLIGHTS

RESULTS

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

SUMMARY OF ASSETS AND LIABILITIES

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Continued)

For the year ended 31 December 2016

	Notes	**2016** ***RMB***	2015 *RMB* *(Re-presented)*
(Loss)/profit for the year attributable to:			
Owners of the Company			
(Loss)/profit for the year from continuing operations		**(35,020,623)**	3,782,945
(Loss)/profit for the year from discontinued operations		**(173,901,301)**	33,573,881
		(208,921,924)	37,356,826
Non-controlling interests			
Profit for the year from continuing operations		**172,577**	–
		(208,749,347)	37,356,826
Total comprehensive income for the year attributable to:			
Owners of the Company			
(Loss)/profit for the year from continuing operations		**(35,049,947)**	3,832,481
(Loss)/profit for the year from discontinued operations		**(173,901,301)**	33,573,881
		(208,951,248)	37,406,362
Non-controlling interests			
Profit for the year from continuing operations		**172,577**	–
		(208,778,671)	37,406,362
(Loss)/earning per share – Basic and diluted			
– From continuing operations	*14*	**(0.14)**	0.02
– From discontinued operations		**(0.70)**	0.13
		(0.84)	0.15

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 31 December 2016

	Notes	2016 RMB	2015 RMB
Net current assets		**158,839,925**	270,079,880
Total assets less current liabilities		**259,708,984**	433,796,650
Non-current liabilities			
Deposits received	*26*	**10,897,805**	–
Deferred tax liabilities	*28*	**10,027,867**	639,800
Total non-current liabilities		**20,925,672**	639,800
Total liabilities		**106,028,981**	58,626,583
NET ASSETS		**238,783,312**	433,156,850
Capital and reserves attributable to owners of the Company			
Issued capital	*29*	**2,037,681**	1,996,737
Reserves		**232,073,054**	431,160,113
Equity attributable to owners of the Company		**234,110,735**	433,156,850
Non-controlling interests		**4,672,577**	–
TOTAL EQUITY		**238,783,312**	433,156,850

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

As at 31 December 2016

	Issued capital *RMB*	Share premium* *RMB*	Surplus* *RMB*	Exchange reserve* *RMB*	Statutory reserve* *RMB* *(Note)*	Retained profits* *RMB*	Equity attributable to owners of the Company *RMB*	Non–controlling interest *RMB*	Total *RMB*
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
At 31 December 2016	2,037,681	212,873,290	2,000,000	(898,102)	7,922,791	10,175,075	234,110,735	4,672,577	238,783,312

* *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

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

CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

For the year ended 31 December 2016

	Notes	2016 RMB	2015 RMB (Re-presented)
Cash flows from investing activities			
Acquisition of a subsidiary, net of cash acquired		**–**	(11,476,489)
Balance payment in the acquisition of a subsidiary		**(40,453,688)**	–
Investment in an associate		**(4,900,000)**	–
Investment in a joint venture		**(17,500,000)**	–
Purchase of available-for-sale financial assets		**(2,250,000)**	–
Purchases of property, plant and equipment		**(2,831,144)**	(2,919,884)
Proceeds from disposals of property, plant and equipment		**98,058**	134,172
Interest received		**441,518**	955,960
Net cash used in investing activities		**(67,395,256)**	(13,306,241)
Cash flows from financing activities			
Interest paid		**(638,718)**	(994,193)
New borrowings		**3,935,000**	–
Repayment of bank borrowings		**–**	(20,000,000)
Repayment of borrowings		**(1,880,000)**	–
Net proceeds from issue of ordinary shares		**9,905,133**	–
Net cash generated from/(used in) financing activities		**11,321,415**	(20,994,193)
Net (decrease)/increase in cash and cash equivalents		**(60,269,520)**	34,936,309
Effect of exchange rate changes on cash and cash equivalents		**(29,324)**	49,536
Cash and cash equivalents at the beginning of year		**144,609,439**	109,623,594
Cash and cash equivalents at the end of year		**84,310,595**	144,609,439
Analysis of the balances of cash and cash equivalents			
Cash and bank balances	*24*	**84,310,595**	144,609,439

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 People's Republic of China (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[1]
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[1]
IFRS 9	Financial Instruments[2]
IFRS 15	Revenue from Contracts with Customers[2]
Amendments to IFRS 15	Revenue from Contracts with Customers (Classification to IFRS15)[2]
IFRS 16	Leases[3]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
IFRSs (Amendments)	Annual Improvements 2014-2016 Cycle[5]

[1] Effective for annual periods beginning on or after 1 January 2017
[2] Effective for annual periods beginning on or after 1 January 2018
[3] Effective for annual periods beginning on or after 1 January 2019
[4] 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.
[5] 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 evert 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	
	Traditional advertising *RMB*	Business park area management *RMB*	Unallocated *RMB*	Subtotal *RMB*	Wireless advertising *RMB*	Total *RMB*
Results						
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)
Asset and liabilities						
Reportable segment assets *(note (ii))*	208,592,960	108,259,236	11,347,700	328,199,896	16,612,397	344,812,293
Reportable segment liabilities *(note (ii))*	41,474,111	36,756,063	21,271,699	99,501,873	6,527,108	106,028,981
Other Segment information						
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	
	Traditional advertising	Unallocated	Subtotal	Wireless advertising	Total
	RMB	*RMB*	*RMB*	*RMB*	*RMB* *(Re-presented)*
Results					
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
Asset and liabilities					
Reportable segment assets *(note (ii))*	221,160,805	15,262,545	236,423,350	255,360,083	491,783,433
Reportable segment liabilities *(note (ii))*	22,695,780	11,774,210	34,469,990	24,156,593	58,626,583
Other Segment information					
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:

	Year ended 31 December							
	2016				2015			
	Traditional Advertising income	**Business park area management**	**Wireless Advertisting income**	**Total**	Traditional Advertising income	Business park area management	Wireless Advertisting income	Total
	RMB	***RMB***	***RMB***	***RMB***	*RMB*	*RMB*	*RMB*	*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	2015
	RMB	*RMB*
		(Re-presented)
Continuing operations		
Revenue:		
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)
	150,882,453	201,569,895
Rental income	**9,491,908**	–
Total	**160,374,361**	201,569,895
Other income and gains:		
Government grants *(note)*	**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	**3,227,713**	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	2015
	RMB	*RMB*
		(Re-presented)
Continuing operations		
Interest on bank borrowings:		
– wholly repayable within one year	**638,718**	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	2015
	RMB	*RMB*
		(Re-presented)
Continuing operations		
Depreciation of property, plant and equipment	**1,408,044**	777,098
Amortisation of intangible assets	**1,405,409**	12,651
Minimum lease payments under operating leases for buildings	**6,856,228**	5,169,249
Employee benefit expenses (including directors' remuneration *(note 9)*):		
Wages and salaries	**10,517,407**	10,149,713
Pension scheme contributions	**2,057,842**	1,957,562
	12,575,249	12,107,275
Auditor's remuneration	**1,163,802**	1,197,182
Loss on write-off/disposal of property, plant and equipment	**569,339**	386,077
Reversal of impairment loss on trade receivables	**–**	(568,797)
Impairment loss on trade receivables	**3,023,200**	–

9. DIRECTORS' REMUNERATION

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

	Fee	Salaries, allowances and benefit in kinds	Pension scheme contributions	Total
	RMB	*RMB*	*RMB*	*RMB*
Year ended 31 December 2016				
Executive directors:				
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
Non-executive directors:				
Mr. Zhou Ruijin	154,254	–	–	154,254
Mr. Lin Zhiming	154,254	–	–	154,254
Ms. Hsu Wai Man, Helen	154,254	–	–	154,254
	1,162,762	1,723,054	171,619	3,057,435

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

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	2015
	RMB	*RMB*
Salaries, allowances and benefits in kinds	**843,900**	761,915
Pension scheme contributions	**163,039**	186,135
	1,006,939	948,050

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	2015
	RMB	*RMB*
		(Re-presented)
Continuing Operations		
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	**503,352**	5,560,624

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:

	Year ended 31 December	
	2016	2015
	RMB	*RMB*
		(Re-presented)
Continuing Operations		
(Loss)/profit before income tax expense	**(34,344,694)**	9,343,569
Tax on (loss)/profit before income tax expense, calculated at 25% (2015: 25%)	**(8,586,173)**	2,335,892
Tax effect of share of results of associates	**1,087,229**	(11,989)
Tax effect of share of result of a joint venture	**(1,645,903)**	–
Tax effect of non-deductible expenses	**2,429,812**	4,182,185
Tax effect of non-taxable income	**(766,896)**	(223,759)
Tax effect of tax loss not recognised	**8,269,050**	–
Others	**(283,767)**	(721,705)
Income tax expense	**503,352**	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	2015
	RMB	*RMB*
		(Re-presented)
Revenue	**20,283,308**	115,996,032
Cost of sales	**(17,895,426)**	(62,460,322)
Gross profit	**2,387,882**	53,535,710
Other income and gains	**3,614,433**	981,549
Selling and distribution expenses	**(198,939)**	(3,810,478)
Administrative expenses and other expenses	**(22,153,608)**	(8,378,615)
Impairment loss on goodwill	**(156,293,197)**	–
Impairment loss on intangible assets	**(1,500,221)**	–
(Loss)/profit before income tax expense	**(174,143,650)**	42,328,166
Income tax credit/(expense)	**242,349**	(8,754,285)
(Loss)/profit and total comprehensive income for the year from discontinued operation (attributable to owners of the Company)	**(173,901,301)**	33,573,881
Net cash generated from operating activities	**24,566,830**	8,628,523
Net cash used in investing activities	**(40,473,952)**	(171,076)
Net cash generated from/(used in) financing activities	**18,831**	(3,171)
Net cash (outflows)/inflows	**(15,888,291)**	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	2015
	RMB	*RMB*
		(Re-presented)
(Loss)/earning		
(Loss)/earning for the purposes of basic and diluted (loss)/earning per share	**(208,921,924)**	37,356,826
Number of shares		
Weighted average number of ordinary shares	**250,144,559**	246,810,194
Basic and diluted (loss)/earning per share	**(0.84)**	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	2015
	RMB	*RMB*
		(Re-presented)
(Loss)/profit for the year attributable to owners of the Company	**(208,921,924)**	37,356,826
Less: (Loss)/profit for the year from discontinued operations	**(173,901,301)**	33,573,881
	(35,020,623)	3,782,945
Basis and diluted (loss)/earning per share from continuing operations	**(0.14)**	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*
31 December 2016				
Cost:				
At 1 January 2016	3,413,126	1,315,610	–	4,728,736
Additions through business combination *(note 33)*	–	–	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	5,129,631	1,275,411	8,393,320	14,798,362
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	1,372,576	599,880	226,847	2,199,303
Net book value:				
At 31 December 2016	3,757,055	675,531	8,166,473	12,599,059
31 December 2015				
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	3,413,126	1,315,610	–	4,728,736
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	736,033	505,253	–	1,241,286
Net book value:				
At 31 December 2015	2,677,093	810,357	–	3,487,450

16. GOODWILL

	2016	2015
	RMB	*RMB*
At 1 January	**156,293,197**	156,293,197
Impairment loss recognised during the year	**(156,293,197)**	–
At 31 December	**–**	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*
31 December 2016				
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	–	126,496	51,532,097	51,658,593
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	–	33,733	1,392,759	1,426,492
Net book value:				
At 31 December 2016	–	92,763	50,139,338	50,232,101
31 December 2015				
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	2,248,327	508,455	–	2,756,782
Net book value:				
At 31 December 2015	2,103,273	561,341	–	2,664,614

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

Name	Place of Incorporation/ establishment	Issued/Registered and paid-up share capital	Attributable equity interests held by the Company Direct	Indirect	Principal activities
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
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	**2016**
	RMB
For the period ended 31 December (since date of acquisition 1 October 2016)	
Revenue	**9,504,380**
Profit for the period	**1,725,766**
Total comprehensive income	**1,725,766**
Profit allocated to non-controlling interests	**172,577**
Dividends paid to non-controlling interests	**–**
Cash inflows from operating activities	**3,092,996**
Cash inflows from investing activities	**527**
Cash outflows from financing activities	**(1,894,836)**
Net cash inflows	**1,198,687**
Current assets	**14,180,118**
Non-current assets	**69,580,263**
Current liabilities	**(26,728,196)**
Non-current liabilities	**(10,306,419)**
Net assets	**46,725,766**
Accumulated non-controlling interests	**4,672,577**

19. INTEREST IN A JOINT VENTURE

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

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:

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

20. INTERESTS IN ASSOCIATES

	31 December 2016 RMB	2015 RMB
Share of net assets	**1,822,595**	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 material associate is presented below:

Shanghai Yunbao	**2016**
	RMB
As at 31 December	
Current assets	**6,423,688**
Non-current assets	**497,523**
Current liabilities	**(3,201,629)**
Non-current liabilities	**–**
Net assets	**3,719,582**
Group's share of the net assets of the associate	**1,822,595**
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:

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

21. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	31 December	
	2016	2015
	RMB	*RMB*
Unlisted equity securities in the PRC, at cost *(notes)*	**2,250,000**	–

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 the 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

	31 December	
	2016	2015
	RMB	*RMB*
Trade receivables	**144,983,809**	169,364,572
Less: Impairment	**(8,249,672)**	(123,875)
	136,734,137	169,240,697
Bills receivables	**80,000**	5,900,000
	136,814,137	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	2015
	RMB	*RMB*
Not more than 1 month	**25,087,321**	44,372,921
More than 1 month but not more than 3 months	**33,289,857**	58,633,443
More than 3 months but not more than 6 months	**37,367,668**	36,270,325
More than 6 months but not more than 1 year	**40,198,403**	25,885,144
Over 1 year	**790,888**	4,078,864
	136,734,137	169,240,697
Bills receivables	**80,000**	5,900,000
	136,814,137	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	2015
	RMB	*RMB*
Neither past due nor impaired *(note i)*	**125,818,448**	146,069,554
Past due but not impaired *(note ii):*		
less than 1 month	**4,010,632**	9,735,407
1 to 3 months	**151,515**	6,179,634
more than 3 months but less than 12 months	**6,753,542**	7,256,102
	136,734,137	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	2015
	RMB	*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	**8,249,672**	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	2015
	RMB	*RMB*
Current		
Deposits	**182,458**	297,709
Prepayments *(note (a))*	**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
	24,370,522	9,906,331
Less: Impairment	**(2,610,649)**	(1,589,804)
	21,759,873	8,316,527
Non-current		
Deposits paid that are not repayable within one year	**5,584,500**	–
	27,344,373	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:

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

	31 December	
	2016	2015
	RMB	*RMB*
Not more than 1 month	**20,845,731**	12,635,755
More than 1 month but not more than 3 months	**11,467,583**	3,588,824
More than 3 months but not more than 6 months	**2,995,229**	4,421,438
More than 6 months but not more than 1 year	**5,280,708**	4,598,743
Over 1 year	**4,532,204**	3,851,330
	45,121,455	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 *(note (i))*	**7,275,994**	15,684,829
Amount due to a joint venture *(note (ii))*	**13,225,451**	–
	35,634,848	20,883,857
Non-current		
Deposits received	**10,897,805**	–
	46,532,653	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	Deferred tax liabilities in respect of fair value surplus in respect of business combination	Total
	RMB	*RMB*	*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 *(note 33)*	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	4,297,193	(10,027,867)	(5,730,674)

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	2015
	RMB	*RMB*
Deferred tax assets	**4,297,193**	–
Deferred tax liabilities	**(10,027,867)**	(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:

	31 December 2016 *RMB*
2017	–
2018	–
2019	–
2020	–
2021	**51,918,420**
	51,918,420

29. SHARE CAPITAL

	Number	RMB
Authorised:		
At 1 January 2015, 31 December 2015, 1 January 2016 and 31 December 2016	2,000,000,000	16,632,421
Issued and fully paid:		
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 *(note)*	4,960,885	40,944
At 31 December 2016	251,771,079	2,037,681

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 RMB3,356) 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 (note a) RMB	Exchange reserve (note b) RMB	Accumulated losses (note c) 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 *(note 29)*	9,864,189	–	–	9,864,189
At 31 December 2016	212,873,290	2,707,038	(31,685,657)	183,894,671

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	2015
	RMB	*RMB*
Salaries, allowances and benefits in kinds	**4,602,094**	3,094,659
Pension scheme contributions	**657,014**	469,868
	5,259,108	3,564,527

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 *(note 15)*	8,393,320
Intangible assets *(note 17)*	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 *(note 28)*	(5,427,180)
Non-controlling interests	(4,500,000)
	40,500,000
Cash consideration	40,500,000
Net cash outflows arising from acquisition:	
Cash consideration paid	40,500,000
Cash and cash equivalents acquired	(46,312)
Net cash outflows arising from acquisition:	40,453,688

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	31 December	
	2016	2015
	RMB	*RMB*
Within one year	**24,837,495**	7,013,585
In the second to fifth years, inclusive	**98,573,962**	2,601,811
After five years	**101,281,197**	–
	224,692,654	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	31 December	
	2016	2015
	RMB	*RMB*
Within one year	**26,586,600**	–
In the second to fifth years, inclusive	**105,460,450**	–
After five years	**152,873,760**	–
	284,920,810	–

35. CAPITAL COMMITMENTS

	31 December	
	2016	2015
	RMB	*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:

	Year ended 31 December	
	2016	2015
	RMB	*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
	230,996,455	322,073,752

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:

	Year ended 31 December	
	2016	2015
	RMB	*RMB*
Financial liabilities measured at amortised cost		
Trade payables	**45,121,455**	29,096,090
Financial liabilities included in accrued liabilities and other payables	**31,399,250**	15,684,829
Bank borrowings	**3,935,000**	–
	80,455,705	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	2015
	RMB	*RMB*
Assets		
Non-current assets		
Investments in subsidiaries	**161,682,763**	161,682,763
Current assets		
Prepayments and other receivables	**638,913**	800,015
Amounts due from subsidiaries	**38,829,799**	27,262,953
Cash and cash equivalents	**106,965**	12,228,426
Total current assets	**39,575,677**	40,291,394
Total assets	**201,258,440**	201,974,157
Liabilities		
Current liabilities		
Other payables and accruals	**2,556,063**	11,457,823
Amounts due to subsidiaries	**8,835,025**	9,634,387
Bank borrowings	**3,935,000**	–
Total current liabilities	**15,326,088**	21,092,210
Net current assets	**24,249,589**	19,199,184
Total assets less current liabilities	**185,932,352**	180,881,947
Total liabilities	**15,326,088**	21,092,210
NET ASSETS	**185,932,352**	180,881,947

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

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.

BUSINESS REVIEW

Intensified transformation and adjustment of business structure of the Group

Branding China Group Limited (the "Company", together with its subsidiaries, the "Group") has intensified its transformation during the year ended 1 December 2016 (the "Reporting Period") by adjusting the business of its subsidiary, Grand Rapids Mobile Holding (Hong Kong) Limited (巨流無限控股(香港)有限公司) to 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 incorporated in the People's Republic of China ("China") or the ("PRC"), 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 creater 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 framework 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 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 Heijing 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.

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 RMB80,997,065 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 operations was approximately RMB20,283,308 (2015: RMB115,996,032); the cost of sales were RMB17,895,426 (2015: approximately RMB62,460,322); the gross profit was RMB2,387,882 (2015: approximately RMB53,535,710); the sales and distribution expenses were 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 RMB15,293,197 (2015:nil); the impairment loss of intangible assets was RMB1,500,211 (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 purpose. Most of the assets, receipts and payments of the Group were denominated in Renminbi.

Significant Investments Held

Save as disclosed in this announcement, there was no significant investment 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.

Event after the Review Period

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 announcement.

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 controlling 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.

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.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SHARES OF THE COMPANY

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

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.

ANNUAL GENERAL MEETING

The forthcoming annual general meeting (the "AGM") will be held on Thursday, 8 June 2017, and the notice of the AGM will be published and despatched to the shareholders of the Company in due course.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") had reviewed the audited financial statements and annual results announcement of the Group for the year ended 31 December 2016. Members of the Audit Committee were of the opinion that the preparation of such results announcement complied with the applicable accounting standards and the Listing Rules and that adequate disclosure had been made.

PUBLICATION

This annual results announcement of the Company is published on the websites of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (www.hkexnews.hk) and the Company (http://www.brandingchinagroup.com/) respectively. The 2016 annual report will be despatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

By order of the Board
Branding China Group Limited
Fang Bin
Chairman

Shanghai, the PRC, 29 March 2017

As at the date of this announcement, the executive Directors are Mr. Fang Bin, Mr. Fan Youyuan, Mr. Patrick Zheng, Mr. Huang Wei and Mr. Song Yijun; and the independent non-executive Directors are Mr. Zhou Ruijin, Mr. Lin Zhiming and Ms. Hsu Wai Man, Helen.