

THIS COMPOSITE DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of the Offer, this Composite Document and/or the accompanying Form of Acceptance or the action to be taken, you should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Branding China Group Limited, you should at once hand this Composite Document and the accompanying Form of Acceptance to the purchaser(s) or transferee(s) or the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

This Composite Document should be read in conjunction with the accompanying Form of Acceptance, the contents of which form part of the terms of the Offer contained herein.

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this Composite Document and the accompanying Form of Acceptance, make no representation as to their accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Composite Document and the Form of Acceptance.



品牌中国
BRANDING CHINA

East Harvest Global Limited
*(incorporated in the British Virgin Islands
with limited liability)*

Branding China Group Limited
品牌中國集團有限公司
*(incorporated in the Cayman Islands
with limited liability)*
(Stock Code: 863)

**COMPOSITE OFFER AND RESPONSE DOCUMENT RELATING TO
MANDATORY UNCONDITIONAL CASH OFFER BY**



KINGSTON SECURITIES
FOR AND ON BEHALF OF EAST HARVEST GLOBAL LIMITED
TO ACQUIRE ALL THE ISSUED SHARES
IN BRANDING CHINA GROUP LIMITED
(OTHER THAN THOSE ALREADY OWNED OR TO BE ACQUIRED BY
EAST HARVEST GLOBAL LIMITED
AND PARTIES ACTING IN CONCERT WITH IT)

Financial adviser to the Offeror

 **KINGSTON CORPORATE FINANCE**

Financial adviser to the Company



Independent Financial Adviser to the Independent Board Committee



SOMERLEY CAPITAL LIMITED

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this Composite Document.

A letter from Kingston Securities containing, among other things, details of the terms of the Offer is set out on pages 8 to 17 of this Composite Document.

A letter from the Board is set out on pages 18 to 22 of this Composite Document. A letter from the Independent Board Committee is set out on pages 23 to 24 of this Composite Document. A letter from the Independent Financial Adviser, containing its advice to the Independent Board Committee, is set out on pages 25 to 43 of this Composite Document.

The procedures for acceptance and settlement of the Offer and other related information are set out in Appendix I to this Composite Document and in the accompanying Form of Acceptance. Acceptance of the Offer should be received by the Registrar as soon as possible and in any event no later than 4:00 p.m. on Thursday, 3 May 2018 (or such later time and/or date as the Offeror may decide and announce in accordance with the requirements under the Takeovers Code).

This Composite Document will remain on the websites of the Stock Exchange at <http://www.hkexnews.hk> and the Company at <http://www.brandingchinagroup.com> as long as the Offer remains open.

12 April 2018

CONTENTS

	<i>Page</i>
EXPECTED TIMETABLE	ii
IMPORTANT NOTICES	1
DEFINITIONS	2
LETTER FROM KINGSTON SECURITIES	8
LETTER FROM THE BOARD	18
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	23
LETTER FROM THE INDEPENDENT FINANCIAL ADVISER	25
APPENDIX I — FURTHER TERMS OF THE OFFER AND PROCEDURES FOR ACCEPTANCE AND SETTLEMENT ..	I-1
APPENDIX II — FINANCIAL INFORMATION OF THE GROUP	II-1
APPENDIX III — GENERAL INFORMATION OF THE OFFEROR	III-1
APPENDIX IV — GENERAL INFORMATION OF THE GROUP	IV-1
ACCOMPANYING DOCUMENT — FORM OF ACCEPTANCE	

EXPECTED TIMETABLE

The expected timetable set out below is indicative only and may be subject to change. Further announcement(s) will be made in the event of any changes to the timetable as and when appropriate.

All time and date references contained in this Composite Document refer to Hong Kong time and dates.

Event	Time & Date 2018
Despatch date of this Composite Document and the Form of Acceptance (<i>Note 1</i>).....	Thursday, 12 April
Offer opens for acceptance (<i>Note 1</i>).....	Thursday, 12 April
Latest time and date for acceptance of the Offer and the Closing Date (<i>Note 2</i>).....	4:00 p.m. on Thursday, 3 May
Announcement of the results of the Offer (or its extension or revision, if any) on the website of the Stock Exchange (<i>Note 2</i>)	no later than 7:00 p.m. on Thursday, 3 May
Latest date for posting of remittances in respect of valid acceptances received under the Offer (<i>Note 3</i>)	Monday, 14 May

Notes:

1. The Offer, which is unconditional in all respects, is made on the date of posting of this Composite Document, and is capable of acceptance on and from that date until 4:00 p.m. on the Closing Date, unless the Offeror revises the Offer in accordance with the Takeovers Code. Acceptances of the Offer shall be irrevocable and not capable of being withdrawn, except in the circumstances set out in the paragraph headed “6. RIGHT OF WITHDRAWAL” in Appendix I to this Composite Document.
2. In accordance with the Takeovers Code, the Offer must initially be open for acceptance for at least 21 days following the date on which this Composite Document is posted. The latest time and date for acceptance of the Offer is 4:00 p.m. on Thursday, 3 May 2018 unless the Offeror revises the Offer in accordance with the Takeovers Code. An announcement in respect of the result of the Offer will be issued on the website of the Stock Exchange by 7:00 p.m. on the Closing Date. In the event that the Offeror decides to revise the Offer, all Independent Shareholders, whether or not they have already accepted the Offer, will be entitled to accept the revised Offer under the revised terms. The revised Offer must be kept open for at least 14 days following the date on which the revised offer document(s) are posted and shall not close earlier than the Closing Date.

If there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force on the Closing Date and (i) not cancelled in time for trading on the Stock Exchange to resume in the afternoon, the time and date of the close of the Offer will be postponed to 4:00 p.m. on the next Business Day which does not have either of those warnings in force in Hong Kong or such other day as the Executive may approve; or (ii) cancelled in time for trading on the Stock Exchange to resume in the afternoon, the time and date of the close of the Offer will remain on the same day, i.e. 4:00 p.m. on the Closing Date.

EXPECTED TIMETABLE

3. Remittances in respect of the cash consideration (after deducting the seller's ad valorem stamp duty) payable for the Offer Shares tendered under the Offer will be despatched to the Independent Shareholders accepting the Offer by ordinary post at their own risk as soon as possible, but in any event within seven (7) Business Days following the date of receipt of all relevant documents required to render such acceptance complete and valid in accordance with the Takeovers Code.

Save as mentioned above, if the latest time for acceptance of the Offer and the posting of remittances do not take effect on the date and time as stated above, the other dates mentioned above may be affected. The Offeror and the Company will notify the Shareholders any change to the expected timetable as soon as practicable by way of announcement(s).

IMPORTANT NOTICES

NOTICE TO THE OVERSEAS SHAREHOLDERS

The making of the Offer to persons with a registered address in jurisdictions outside Hong Kong may be prohibited or affected by the laws of the relevant jurisdictions. Overseas Shareholders who are citizens or residents or nationals of jurisdictions outside Hong Kong should inform themselves about and observe any applicable legal requirements. It is the responsibility of any such person who wishes to accept the Offer to satisfy himself/herself/itself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required or the compliance with other necessary formalities or legal requirements and the payment of any transfer or other taxes or other required payments due in respect of such jurisdiction. The Offeror and parties acting in concert with it, the Company, Kingston Corporate Finance, Kingston Securities, First Shanghai, Somerley, the Registrar, their respective ultimate beneficial owners, directors, officers, agents and associates and any other person involved in the Offer shall be entitled to be fully indemnified and held harmless by such person for any taxes as such person may be required to pay. Please refer to the paragraph headed “Overseas Shareholders” in the “Letter from Kingston Securities”.

DEFINITIONS

In this Composite Document, unless otherwise defined or the context otherwise requires, the following expressions shall have the following meanings:

“acting in concert”	has the meaning ascribed thereto under the Takeovers Code
“associate(s)”	has the meaning ascribed thereto under the Takeovers Code
“Attributable Shareholding”	has the meaning ascribed thereto under the section headed “INFORMATION ON THE OFFEROR” in the “Letter from Kingston Securities”
“Bell Haven”	Bell Haven Limited, a company incorporated in the British Virgin Islands with limited liabilities which is owned as to 30.82% by Mr. Lo Ken Bon, 22.09% by Mr. Chapman David James, 22.09% by Mr. Madden Hugh Douglas and 25% by Ms. Cheng Wan Gi
“Board”	the board of Directors
“Business Day(s)”	a day on which the Stock Exchange is open for the transaction of business
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Closing Date”	Thursday, 3 May 2018, being the closing date of the Offer which is 21 days following the date on which this Composite Document is posted (or if the Offer is extended, any subsequent closing date as may be determined by the Offeror and jointly announced by the Offeror and the Company in accordance with the Takeovers Code)
“Colour Day”	Colour Day Limited, a company incorporated in the British Virgin Islands with limited liabilities which is wholly-owned by Mr. Ko Chun Shun Johnson
“Company”	Branding China Group Limited (stock code: 863), an exempted company incorporated in the Cayman Islands with limited liability and its issued Shares are listed on Stock Exchange
“Completion”	the completion of the sale and purchase of the Sale Shares, which took place on 25 January 2018 (being the first Business Day from the date of the Sale and Purchase Agreement)

DEFINITIONS

“Composite Document”	this composite offer and response document jointly issued by the Offeror and the Company in accordance with the Takeovers Code to the Independent Shareholders in respect of the Offer
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“controlling shareholder”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“Encumbrances”	a mortgage, charge, pledge, lien, option, restriction, right of first refusal, right of pre-emption, third-party right or interest, other encumbrance or security interest of any kind, or another type of preferential arrangement (including, without limitation, a title transfer or retention arrangement) having similar effect
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“Facility”	a loan facility granted by Kingston Securities as lender to the Offeror as borrower in accordance with the terms of the Facility Agreement for financing the Offer
“Facility Agreement”	the loan facility agreement entered into between Kingston Securities as lender and the Offeror as borrower dated 24 January 2018 in relation to the Facility
“First Shanghai”	First Shanghai Capital Limited, a corporation licensed by the SFC to conduct Type 6 (advising on corporate finance) regulated activity under the SFO, being the financial adviser to the Company in respect of the Offer
“Form of Acceptance”	the form of acceptance and transfer of the Offer Shares in respect of the Offer accompanying this Composite Document
“Group”	collectively, the Company and its subsidiaries from time to time
“Guarantors”	Mr. Fang, Li Xiangchun (李向春), Huang Wei (黃維), Fan Youyuan (范幼元) and Lin Kaiwen (林凱文), being the ultimate beneficial owners of Lapta, Peace C&D Limited, Always Bright Enterprises Limited, Whales Capital Holdings Limited and Jolly Win Management Limited (i.e. the Vendors) respectively
“HKSCC”	Hong Kong Securities Clearing Company Limited

DEFINITIONS

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors, namely Mr. Zhou Ruijin, Mr. Lin Zhiming and Ms. Hsu Wai Man Helen, constituted for the purpose of advising the Independent Shareholders in respect of the Offer and in particular as to whether the terms of the Offer are fair and reasonable and as to acceptance of the Offer
“Independent Financial Adviser” or “Somerley”	Somerley Capital Limited, a corporation licensed by the SFC to conduct Type 1 (dealings in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed by the Company to advise the Independent Board Committee in respect of the Offer
“Independent Shareholders”	the Shareholders other than the Offeror and parties acting in concert with it
“Joint Announcement”	the announcement jointly published by the Offeror and the Company dated 30 January 2018 in relation to, among other things, the Offer pursuant to Rule 3.5 of the Takeovers Code
“Kingston Corporate Finance”	Kingston Corporate Finance Limited, a corporation licensed by the SFC to conduct Type 6 (advising on corporate finance) regulated activity under the SFO, being the financial adviser to the Offeror in respect of the Offer
“Kingston Securities”	Kingston Securities Limited, a corporation licensed by the SFC to conduct Type 1 (dealing in securities) regulated activity under the SFO, being the agent making the Offer on behalf of the Offeror
“Lapta”	Lapta International Limited, one of the Vendors which is wholly-owned by Mr. Fang
“Lapta’s Shareholding Interest”	the 112,500,000 Shares held by Lapta immediately prior to the Completion
“Last Full Trading Day”	23 January 2018, being the last full trading day of the Shares on the Stock Exchange prior to the halt of trading in the Shares prior to the release of the Joint Announcement
“Last Trading Day”	24 January 2018, being the last trading day of the Shares on the Stock Exchange prior to the halt of trading in the Shares prior to the release of the Joint Announcement

DEFINITIONS

“Latest Practicable Date”	10 April 2018, being the latest practicable date prior to the printing of this Composite Document for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Fang”	Mr. Fang Bin (方彬), an executive Director and one of the Guarantors
“Offer”	the mandatory unconditional cash offer being made by Kingston Securities on behalf of the Offeror to acquire all the issued Shares (other than those already owned by or to be acquired by the Offeror and parties acting in concert with it)
“Offeror”	East Harvest Global Limited, a company incorporated in the British Virgin Islands with limited liabilities which is owned as to 60.42% by Wise Aloe, 32.87% by Colour Day and 6.71% by Smart Mission
“Offer Period”	has the meaning ascribed thereto under the Takeovers Code, which commenced on 30 January 2018, being the date of the Joint Announcement and ending on the Closing Date
“Offer Price”	HK\$3.18 per Offer Share
“Offer Share(s)”	all the issued Shares (other than those already beneficially owned or to be acquired by the Offeror and parties acting in concert with it)
“Overseas Shareholders”	Independent Shareholders whose addresses as shown on the register of members of the Company are outside Hong Kong
“PRC”	the People’s Republic of China, which for the purpose of this Composite Document, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Remaining Consideration”	has the meaning ascribed thereto under the section headed “INTRODUCTION” in the “Letter from Kingston Securities”
“Registrar”	Tricor Investor Services Limited, the Hong Kong branch share registrar and transfer office of the Company, located at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong

DEFINITIONS

“Relevant Period”	the period from 30 July 2017, being the date falling six months immediately preceding the commencement of the Offer Period, up to and including the Latest Practicable Date
“Sale Share(s)”	the 187,510,194 Shares acquired by the Offeror from the Vendors pursuant to the terms of the Sale and Purchase Agreement
“Sale and Purchase Agreement”	the sale and purchase agreement dated 24 January 2018 entered into between the Offeror (as purchaser), the Vendors and the Guarantors in relation to the sale and purchase of the Sale Shares
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Share Charge(s)”	collectively, a share charge entered into between Kingston Securities as chargee and the Offeror as chargor dated 24 January 2018 whereby the Offeror charged to Kingston Securities as security for the Facility all of the Sale Shares owned by the Offeror upon Completion; and a share charge entered into between Kingston Securities as chargee and the Offeror as chargor dated 24 January 2018 whereby the Offeror charged to Kingston Securities as security for the Facility the Shares to be acquired by the Offeror
“Shareholder(s)”	the holder(s) of the Share(s)
“Smart Mission”	Smart Mission Investments Limited, a company incorporated in the British Virgin Islands with limited liabilities which is wholly-owned by Ms. Peng Cheng
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Vendors”	collectively, Lapta, Peace C&D Limited, Always Bright Enterprises Limited, Whales Capital Holdings Limited and Jolly Win Management Limited
“Wise Aloe”	Wise Aloe Limited, a company incorporated in the British Virgin Islands with limited liabilities which is owned as to 89% by Bell Haven and 11% by Colour Day

DEFINITIONS

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.



12 April 2018

To the Independent Shareholders

Dear Sir or Madam,

MANDATORY UNCONDITIONAL CASH OFFER BY
** KINGSTON SECURITIES**
FOR AND ON BEHALF OF EAST HARVEST GLOBAL LIMITED
TO ACQUIRE ALL THE ISSUED SHARES
IN BRANDING CHINA GROUP LIMITED
(OTHER THAN THOSE ALREADY OWNED OR TO BE ACQUIRED BY
EAST HARVEST GLOBAL LIMITED
AND PARTIES ACTING IN CONCERT WITH IT)

INTRODUCTION

Reference is made to the Joint Announcement. The Company was informed by the Vendors that on 24 January 2018 (after trading hours of the Stock Exchange), the Offeror (as purchaser), the Vendors (as vendors) and the Guarantors (as guarantors) entered into the Sale and Purchase Agreement in relation to the sale and purchase of 187,510,194 Sale Shares (representing approximately 74.48% of the entire issued share capital of the Company as at the Latest Practicable Date) for the total consideration of HK\$595,811,702.42 (equivalent to approximately HK\$3.18 per Sale Share). Completion took place on 25 January 2018.

The total consideration for the Sale Shares had been settled by the Offeror and the Vendors on the date of Completion, save and except for the amount of HK\$92,467,586.65, representing approximately the remaining 25.86% of the consideration payable by the Offeror to Lapta under the Sale and Purchase Agreement (the “**Remaining Consideration**”), which was payable on 24 March 2018 (or such other date as agreed in writing by the Offeror and Lapta) pursuant to the terms of the Sale and Purchase Agreement (the “**Deferred Payment Arrangement**”). Notwithstanding the Deferred Payment Arrangement, the title and voting rights in respect of all of the Sale Shares have been transferred to the Offeror upon Completion. The Remaining Consideration was paid on 23 March 2018.

Given that the Deferred Payment Arrangement constitutes financial assistance by Lapta to the Offeror for the purpose of class (9) of the definition of “acting in concert” under the Takeovers Code, Lapta was presumed to be a party acting in concert with the Offeror under the presumption in class (9) of the definition of “acting in concert” under the Takeovers Code until the Remaining Consideration has been paid by the Offeror to Lapta in full. Immediately after the Remaining Consideration was paid on 23 March 2018 and as at the Latest Practicable Date, Lapta is not presumed to be a party acting in concert with the Offeror under the Takeovers Code.

LETTER FROM KINGSTON SECURITIES

To the best of the Directors' knowledge, information and belief having made all reasonable inquiries, each of the Offeror, its ultimate beneficial owners and parties acting in concert with any of them is a third party independent of the Company.

Immediately prior to the Completion, save for Lapta's Shareholding Interest, the Offeror and the parties acting in concert with it did not hold, own, control or have direction over any Shares or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company. Immediately following the Completion and as at the Latest Practicable Date and the parties acting in concert with it are interested in 187,510,194 Shares, representing approximately 74.48% of the total issued share capital of the Company as at the Latest Practicable Date.

Pursuant to Rule 26.1 of the Takeovers Code, the Offeror is required to make a mandatory unconditional cash offer for all the issued Shares (other than those already owned or to be acquired by the Offeror and the parties acting in concert with it).

PRINCIPAL TERMS OF THE OFFER

Kingston Securities is, on behalf of the Offeror, making the Offer in compliance with the Takeovers Code on the terms set out on the following basis:

The Offer

For each Offer Share HK\$3.18 in cash

As at the Latest Practicable Date, the Company has 251,771,079 Shares in issue. Save as aforesaid, the Company does not have any outstanding options, derivatives, warrants, relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) or securities which are convertible or exchangeable into Shares as at the Latest Practicable Date.

The Offer Price of HK\$3.18 per Offer Share is determined at a price of approximately equal to but not lower than the price per Sale Share paid by the Offeror under the Sale and Purchase Agreement.

The Offer is unconditional in all aspects when it is made and is not conditional upon acceptances being received in respect of a minimum number of Shares or other conditions.

Comparison of value

The Offer Price of HK\$3.18 per Offer Share represents:

- (i) a discount of approximately 79.00% to the closing price of HK\$15.14 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 30.87% to the closing price of HK\$4.60 per Share as quoted on the Stock Exchange on the Last Trading Day prior to commencement of the Offer Period;

LETTER FROM KINGSTON SECURITIES

- (iii) a discount of 15.20% to the closing price of HK\$3.75 per Share as quoted on the Stock Exchange on the Last Full Trading Day;
- (iv) a discount of approximately 12.73% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day of HK\$3.644 per Share;
- (v) a discount of approximately 1.91% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the 10 consecutive trading days up to and including the Last Trading Day of approximately HK\$3.242 per Share;
- (vi) a premium of approximately 11.11% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the 30 consecutive trading days up to and including the Last Trading Day of HK\$2.862 per Share;
- (vii) a premium of approximately 200.00% over the unaudited consolidated net asset value attributable to the owners of the Company of approximately RMB0.87 per Share (equivalent to approximately HK\$1.06 per Share) (based on the total number of issued Shares as at the Latest Practicable Date) as at 30 June 2017; and
- (viii) a premium of approximately 269.77% over the unaudited consolidated net asset value attributable to the owners of the Company of approximately RMB0.69 per Share (equivalent to approximately HK\$0.86 per Share) (based on the total number of issued Shares as at the Latest Practicable Date) as at 31 December 2017, being the date to which the latest financial results of the Group were made up.

Highest and lowest closing prices of the Shares

The highest and lowest closing prices of the Shares as quoted on the Stock Exchange during the Relevant Period were HK\$20.00 per Share on 7 February 2018 and HK\$1.92 per Share on 14 August 2017, respectively.

Total consideration of the Offer

Based on the Offer Price of HK\$3.18 per Offer Share and the 251,771,079 Shares in issue as at the Latest Practicable Date, of which 187,510,194 Shares are already owned by the Offeror and parties acting in concert with it as at the Latest Practicable Date, 64,260,885 Shares will be subject to the Offer (assuming there is no change to the issued share capital of the Company from the Latest Practicable Date up to the Closing Date), and based on the Offer Price per Offer Share and on the basis of full acceptance of the Offer, the cash consideration payable by the Offeror under the Offer will amount to HK\$204,349,614.30.

LETTER FROM KINGSTON SECURITIES

Confirmation of financial resources available for the Offer

The Offeror intends to finance the entire consideration payable under the Offer through the Facility provided by Kingston Securities.

Kingston Corporate Finance, being the financial adviser to the Offeror, is satisfied that sufficient financial resources are available to the Offeror to satisfy the total consideration payable by the Offeror upon full acceptance of the Offer.

On the date of the Sale and Purchase Agreement, the Offeror has entered into the Facility Agreement in connection with the Facility, and the Offeror has entered into the Share Charges in favour of Kingston Securities. The voting rights of the Shares subject to the Share Charges would not be transferred to Kingston Securities unless and until the security under the Share Charge(s) shall have become enforceable, and the Lender has elected to enforce the security thereunder, pursuant to the terms and conditions thereof. The Offeror confirms the payment of interest on, repayment of or security for any existing liability (contingent or otherwise) in relation to the Facility will not depend on the business of the Company in any significant extent.

Effects of accepting the Offer

The Offer is unconditional in all respects. By validly accepting the Offer, the relevant Shareholders will sell their respective Shares to the Offeror at the Offer Price free from all Encumbrances and together with all rights accruing or attaching thereto, including (without limitation) the right to receive dividends and distributions declared, made or paid, if any, on or after the date of the posting of this Composite Document (i.e. the date on which the Offer is made).

Acceptance of the Offer tendered by the Independent Shareholders shall be irrevocable and cannot be withdrawn, except in the circumstances set out in subparagraph (b) under the paragraph headed “6. RIGHT OF WITHDRAWAL” in Appendix I to this Composite Document.

Stamp duty

The seller's Hong Kong ad valorem stamp duty payable by the Independent Shareholders who accept the Offer and calculated at a rate of 0.1% of the higher of (i) the market value of the Offer Shares; or (ii) the consideration payable by the Offeror in respect of the relevant acceptances of the Offer, whichever is higher, will be deducted from the amount payable by the Offeror to such person on acceptance of the Offer.

The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of the relevant Independent Shareholders who accept the Offer and pay the buyer's Hong Kong ad valorem stamp duty in connection with the acceptances of the Offer and the transfers of the Offer Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

LETTER FROM KINGSTON SECURITIES

Payment

Payment in cash in respect of acceptances of the Offer will be made as soon as possible but in any event within seven (7) Business Days following the date on which the duly completed acceptance of the Offer and the relevant documents of title of the Shares in respect of such acceptance are received by or for the Offeror to render each such acceptance of any of the Offer complete and valid.

No fractions of a cent will be payable and the amount of the consideration payable to a Shareholder who accepts the Offer will be rounded up to the nearest cent.

Overseas Shareholders

The availability of the Offer to persons who are not residents in Hong Kong or who have registered addresses outside Hong Kong may be affected by the applicable laws of the relevant jurisdiction in which they reside. Overseas Shareholders and Shareholders who are citizens, residents or nationals of a jurisdiction outside Hong Kong should fully observe all applicable legal or regulatory requirements and, where necessary, seek their own legal advice. It is the responsibility of the Overseas Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdiction in connection therewith (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer of other taxes due by such accepting Overseas Shareholders in respect of such jurisdiction).

Acceptance of the Offer by any Overseas Shareholder will be deemed to constitute a representation and warranty from such Overseas Shareholder to the Offeror that the local laws and requirements have been complied with. The Overseas Shareholders should consult their professional advisers in case of any doubt.

Taxation advice

Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Offer. None of the Offeror, parties acting in concert with the Offeror, the Company, Kingston Securities, Kingston Corporate Finance and their respective ultimate beneficial owners, directors, officers, advisers, agents or associates or any other person involved in the Offer accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offer.

INFORMATION ON THE OFFEROR

The Offeror is an investment holding company incorporated in the British Virgin Islands with limited liabilities. The Offeror is owned as to 60.42% by Wise Aloe, 32.87% by Colour Day and 6.71% by Smart Mission. Wise Aloe is owned as to 89% by Bell Haven and 11% by Colour Day. Bell Haven is in turn owned as to 30.82% by Mr. Lo Ken Bon (“**Mr. Lo**”). Mr. Ko Chun Shun Johnson (“**Mr. Ko**”) is the sole owner of Colour Day. Save for the shareholding interest of the Offeror in the Company, the Offeror does not hold any other assets and has not engaged in any other business.

LETTER FROM KINGSTON SECURITIES

As at the Latest Practicable Date, the directors of the Offeror are Mr. Ko and Mr. Lo.

Mr. Ko is currently an independent non-executive director of Meitu, Inc., the deputy chairman and an executive director of Frontier Services Group Limited (stock code: 500), an non-executive director of KuangChi Science Limited (stock code: 439), and an non-executive director of Yunfeng Financial Group Limited (stock code: 376), all of the above companies are listed on the Main Board of the Stock Exchange.

Mr. Lo is the chief executive officer of ANX International, a blockchain solutions provider. Prior to co-founding ANX International, Mr. Lo was in senior management at companies including BT Global Services, Verizon Business and Accenture. Mr. Lo is a frequent speaker at major industry events including The Belt and Road Conference and Keynote 2016, and has appeared in interviews with top-tier media including Bloomberg, CNBC and CNN.

Pursuant to: (i) a shareholders agreement dated 29 January 2018 entered into between the Offeror, Wise Aloe, Colour Day and Smart Mission, the Offeror shall be bound to exercise its voting rights in the Company in accordance with directions from each of its shareholders (which include Wise Aloe and Colour Day) in respect of such shareholder's effective or attributable shareholding percentage in the Company ("**Attributable Shareholding**"); and (ii) a shareholders agreement dated 29 January 2018 entered into between Wise Aloe, Bell Haven and Colour Day, Bell Haven shall be entitled to direct Wise Aloe to give such voting instructions to the Offeror in respect of Wise Aloe's Attributable Shareholding in the absolute discretion of Bell Haven, and Wise Aloe shall instruct and procure the Offeror to exercise the voting rights in respect of Wise Aloe's Attributable Shareholding in the Company solely and entirely in accordance with the directions of Bell Haven. As such, in effect, each of Bell Haven and Colour Day is entitled to indirectly control the exercise of approximately 45% and 24.48% of the voting rights in the Company respectively.

INFORMATION ON THE GROUP

Details of the information on the Group are set out in the paragraph headed "INFORMATION ON THE GROUP" in the "Letter from the Board" in this Composite Document.

INTENTIONS OF THE OFFEROR IN RELATION TO THE GROUP

The Group is principally engaged in the provision of corporate entrepreneurship and development services, including advertising, public relations, event marketing services and business park operation and management services.

LETTER FROM KINGSTON SECURITIES

The Offeror is of the view that the Group is an attractive investment whose current businesses represent a potential opportunity that can be further enhanced by implementing new technology and processes. Upon completion of the Offer, the Offeror will assist the Group in reviewing its business and operations as the Offeror believes that its knowledge and experience in the areas of blockchain and financial technology, including in the areas of building tools and platforms for cryptographic assets, designing secure storage and operational management protocols for such assets, and constructing and operating trading platforms based on blockchain technologies. By leveraging on the extensive experience of Mr. Lo in the blockchain and financial technology sector (further details are described in the paragraph headed “Proposed change of the Board composition” below), it is expected that such experience and input from Mr. Lo can enable the Group to become more technology-focused and further expand its commercial business offerings to include new blockchain related technology services and products. As at the Latest Practicable Date, detailed business plans for expansion initiatives has not yet been developed as it is dependent on the Offeror’s examination of the Group’s existing capabilities and resources. There are certain blockchain-related technology services and product offerings that have been preliminarily identified by the Offeror as opportunities for further analysis. These areas include (a) advertising marketplaces; (b) blockchain analytics; and (c) custodial and/or trustee services for digital assets. The Offeror and its nominated executive directors have experience in the fields of finance and technology and the Offeror’s intent is to utilize such knowledge to expand the Group’s businesses.

The Offeror has no intention to make material changes to the employment of the employees of the Group, nor to cease any existing businesses of the Group or to dispose any material assets of the Group as at the Latest Practicable Date, save for the changes to the members of the Board as described in the paragraph headed “Proposed change of the Board composition” below. However, in order to launch and execute the above and/or any other new business initiatives, the Group will (i) hire or contract personnel who have the appropriate execution and industry knowledge; and (ii) expand facilities such as office space and IT infrastructures and resources.

Nevertheless, the Offeror intends to maintain continuity of normal business considerations but will retain the flexibility at any time to consider any options of opportunities which may present themselves and which it regards to be in the interests of the Group and its Shareholders.

Proposed change of the Board composition

The Board currently consists of Mr. Fang, Mr. Fan Youyuan, Mr. Patrick Zheng, Mr. Huang Wei, Mr. Song Yijun, Mr. Zhou Ruijin, Mr. Lin Zhiming and Ms. Hsu Wai Man, Helen. It is currently expected that the Offeror will require all Directors (except for Mr. Fang) to resign from the Board, and the resignations will take effect on the date after the close of the Offer.

The Offeror intends to nominate 4 new Directors into the Board, namely Mr. Ko and Mr. Lo as new executive Directors and Mr. Chau Shing Yim, David (“**Mr. Chau**”) and Mr. Chia Lawrence (“**Mr. Chia**”) as new independent non-executive Directors (together, the “**New Directors**”). The proposed appointment will take effect from a date which is no earlier than the date of this Composite Document in accordance with Rule 26.4 of the Takeovers Code.

LETTER FROM KINGSTON SECURITIES

The biographical details of the New Directors are set out below:

Mr. Ko, aged 66, is currently an independent non-executive director of Meitu, Inc., the deputy chairman and an executive director of Frontier Services Group Limited (stock code: 500), an non-executive director of KuangChi Science Limited (stock code: 439), and an non-executive director of Yunfeng Financial Group Limited (stock code: 376), all of the above companies are listed on the Main Board of the Stock Exchange.

Mr. Lo, aged 41, is the chief executive officer of ANX International, a blockchain solutions provider. Prior to co-founding ANX International, Mr. Lo was in senior management at companies including BT Global Services, Verizon Business and Accenture. Mr. Lo is a frequent speaker at major industry events including The Belt and Road Conference and Keynote 2016, and has appeared in interviews with top-tier media including Bloomberg, CNBC and CNN.

Mr. Chau, aged 54, is currently a director of the Hong Kong Securities and Investment Institute and an independent non-executive director of Man Wah Holdings Limited (stock code: 1999), Lee & Man Paper Manufacturing Limited (stock code: 2314), China Evergrande Group (stock code: 3333) and Richy Field China Development Limited (stock code: 313), Evergrade Health Industry Group Limited (stock code: 708), HengTen Networks Group Limited (stock code: 136), IDG Energy Investment Group Limited (stock code: 650) and Asia Grocery Distribution Limited (stock code: 8413), all the aforesaid companies are listed on the Stock Exchange.

Mr. Chia, aged 63, is currently the chief executive officer of Samling Group of Companies (the “**Samling**”), which is a conglomerate with global businesses in a number of sectors notably automotive, timber, palm oil, properties and infrastructure. Before joining Samling, Mr. Chia was the chief executive officer of Deloitte China until September 2016. Mr. Chia is a Chartered Accountant of the Institute of the Chartered Accountants in England and Wales and a member of the Hong Kong Institute of Certified Public Accountants.

Save as disclosed above, each of the New Directors has not held any other directorships in other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years.

As at the Latest Practicable Date, the Offeror is owned as to 32.87% by Colour Day which is in turn wholly-owned by Mr. Ko. Save as disclosed above, as at the Latest Practicable Date, each of the New Directors did not have any interest in the Shares (within the meaning of Part XV of the SFO).

Any resignation and appointment as disclosed above will be made in compliance with the Takeovers Code and the Listing Rules. Further announcement(s) will be made upon any resignation and appointment of the Directors becomes effective.

LETTER FROM KINGSTON SECURITIES

Maintaining the listing status of the Company

The Stock Exchange has stated that if, at the close of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public, or if the Stock Exchange believes that:

- (i) a false market exists or may exist in the trading of the Shares; or
- (ii) that there are insufficient Shares in public hands to maintain an orderly market,

it will consider exercising its discretion to suspend dealings in the Shares.

The Offeror intends the Company to remain listed on the Stock Exchange. The directors of the Offeror and new directors to be appointed to the Board have jointly and severally undertaken to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in Shares.

In this connection, in the event that the public float of the Company falls below 25% upon the close of the Offer, the Offeror will, as soon as practicable, dispose of such number of Shares either directly in the market or through a placing agent to be appointed by the Offeror to ensure that the public float requirement under the Listing Rules can be met. Appropriate announcement(s) will be made in this regard as and when appropriate in compliance with the Listing Rules.

Compulsory acquisition

The Offeror does not intend to avail itself of any powers of compulsory acquisition of any Shares outstanding after the close of the Offer.

GENERAL

To ensure equality of treatment of all Shareholders, those Shareholders who hold Shares as nominee on behalf of more than one beneficial owner should, as far as practicable, treat the holding of such beneficial owner separately. It is essential for the beneficial owners of the Shares whose investments are registered in the names of nominees to provide instructions to their nominees of their intentions with regard to the Offer.

All documents and remittances to be sent to the Independent Shareholders will be sent to them by ordinary post at their own risk. Such documents and remittances will be sent to the Independent Shareholders at their respective addresses as they appear in the register of members of the Company or in the case of joint Shareholders, to such Shareholder whose name appears first in the register of members of the Company. The Company, the Offeror and parties acting in concert with it, Kingston Securities, Kingston Corporate Finance, First Shanghai, Somerley, the Registrar or any of their respective ultimate beneficial owners, directors, officers, agents or associates or any other persons involved in the Offer will not be responsible for any loss or delay in transmission or any other liabilities that may arise as a result thereof or in connection therewith.

LETTER FROM KINGSTON SECURITIES

Additional information

Your attention is drawn to the additional information set out in the appendices to this Composite Document which form part of this Composite Document. You are reminded to carefully read the “Letter from the Board”, the “Letter from the Independent Board Committee”, the “Letter from the Independent Financial Adviser” and other information about the Group, which are set out in this Composite Document before deciding whether or not to accept the Offer.

Yours faithfully,
For and on behalf of
Kingston Securities Limited
Chu, Nicholas Yuk-yui
Director

LETTER FROM THE BOARD



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: 863)

Executive Directors:

Mr. Fang Bin (*Chairman of the Board*)

Mr. Fan Youyuan

(Chief Executive Officer of the Company)

Mr. Patrick Zheng

Mr. Huang Wei

Mr. Song Yijun

Registered office:

Clifton House, 75 Fort Street

P.O. Box 1350

Grand Cayman, KY1-1108

Cayman Islands

Principal place of business in Hong Kong:

Room 1603

16th Floor, China Building

29 Queen's Road Central

Central, Hong Kong

Independent Non-executive Directors:

Mr. Zhou Ruijin

Mr. Lin Zhiming

Ms. Hsu Wai Man, Helen

12 April 2018

To the Independent Shareholders

Dear Sir or Madam,

MANDATORY UNCONDITIONAL CASH OFFER BY

 **KINGSTON SECURITIES**

FOR AND ON BEHALF OF EAST HARVEST GLOBAL LIMITED

TO ACQUIRE ALL THE ISSUED SHARES

IN BRANDING CHINA GROUP LIMITED

(OTHER THAN THOSE ALREADY OWNED OR TO BE ACQUIRED BY

EAST HARVEST GLOBAL LIMITED

AND PARTIES ACTING IN CONCERT WITH IT)

INTRODUCTION

Reference is made to the Joint Announcement. On 30 January 2018, the Offeror and the Company jointly announced that, among other things, the Vendors, the Guarantors and the Offeror entered into the Sale and Purchase Agreement in relation to the sale and purchase of the Sale Shares at the total consideration of HK\$595,811,702.42, equivalent to approximately

LETTER FROM THE BOARD

HK\$3.18 per Sale Share. The Sale Shares represent approximately 74.48% of the existing entire issued share capital of the Company as at the Latest Practicable Date. Completion took place on 25 January 2018.

Immediately before Completion, save for Lapta's Shareholding Interest, none of the Offeror and parties acting in concert with it owned any Shares, options, derivatives, warrants, convertible securities or voting rights of the Company. Immediately following Completion and as at the Latest Practicable Date, the Offeror and parties acting in concert with it own in aggregate 187,510,194 Shares, representing approximately 74.48% of the entire issued share capital of the Company. Pursuant to Rule 26.1 of the Takeovers Code, the Offeror is required to make a mandatory unconditional cash offer for all Offer Shares. Kingston Securities is making the Offer for and on behalf of the Offeror.

As at the Latest Practicable Date, the Company has 251,771,079 Shares in issue. The Company does not have any outstanding options, derivatives, warrants or securities which are convertible or exchangeable into Shares and has not entered into any agreement for the issue of such options, derivatives, warrants or securities which are convertible or exchangeable into Shares.

The purpose of this Composite Document is to provide you with, among other things, (i) information relating to the Group, the Offeror and the Offer; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders in respect of the terms of the Offer and as to acceptance of the Offer; and (iii) the letter from the Independent Financial Adviser containing its advice and recommendation to the Independent Board Committee in relation to the Offer.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee, which comprises all the independent non-executive Directors, namely Mr. Zhou Ruijin, Mr. Lin Zhiming and Ms. Hsu Wai Man, Helen, has been established by the Company pursuant to Rule 2.1 and Rule 2.8 of the Takeovers Code to make a recommendation to the Independent Shareholders in relation to the Offer as to whether the terms of the Offer are fair and reasonable and as to the acceptance of the Offer.

Somerley has been appointed, with the approval of the Independent Board Committee, as the Independent Financial Adviser pursuant to Rule 2.1 of the Takeovers Code to advise the Independent Board Committee in connection with the Offer and as to whether the terms of the Offer are fair and reasonable and as to the acceptance of the Offer.

You are advised to read the "Letter from the Independent Board Committee" addressed to the Independent Shareholders, the "Letter from the Independent Financial Adviser" and the additional information contained in the appendices to this Composite Document before taking any action in respect of the Offer.

LETTER FROM THE BOARD

THE OFFER

Principal terms of the Offer

The terms of the Offer as set out in the “Letter from Kingston Securities” are extracted below. You are recommended to refer to the “Letter from Kingston Securities” and the accompanying Form of Acceptance for further details.

Kingston Securities, for and on behalf of the Offeror, is making the Offer to acquire all of the Offer Shares pursuant to Rule 26.1 of the Takeovers Code on the following basis:

For each Offer Share HK\$3.18 in cash

The Offer Price of HK\$3.18 per Offer Share is determined with reference to the purchase price per Sale Share under the Sale and Purchase Agreement, which was arrived after arm’s length negotiations among the Offeror and the Vendors.

The Offer is unconditional in all respects.

INFORMATION ON THE GROUP

The Company was incorporated in the Cayman Islands with limited liability. The Group is principally engaged in providing its clients with corporate entrepreneurship and development services, including advertising, public relations, event marketing services and business park area operation and management services.

Set out below is a summary of the audited consolidated results of the Group for each of the three financial years ended 31 December 2017, as extracted from the annual report of the Company for the year ended 31 December 2016 and annual results announcement of the Company for the financial year ended 31 December 2017, respectively:

	For the financial year ended 31 December		
	2015	2016	2017
	<i>RMB’million</i>	<i>RMB’million</i>	<i>RMB’million</i>
	(audited)	(audited)	(audited)
Revenue	318	181	162
(Loss)/profit before tax	52	(208)	(56)
(Loss)/profit attributable to owners of the Company	37	(209)	(59)

Note: The figures have taken into account both continuing and discontinued operations.

LETTER FROM THE BOARD

The unaudited consolidated net assets of the Group attributable to Shareholders as at 31 December 2017 were approximately RMB175 million. The audited consolidated net assets of the Group attributable to Shareholders as at 31 December 2015 and 2016 were approximately RMB433 million and RMB234 million respectively.

Your attention is drawn to the further details of the information of the Group as set out in Appendices II and IV to this Composite Document.

SHAREHOLDING STRUCTURE OF THE COMPANY

The following table sets out the shareholding structure of the Company immediately after the Completion and as at the Latest Practicable Date:

	Immediately after the Completion and as at the Latest Practicable Date	
	<i>Number of Shares</i>	<i>Approx. %</i>
The Offeror and parties acting in concert	187,510,194	74.48
Public Shareholders	<u>64,260,885</u>	<u>25.52</u>
Total	<u><u>251,771,079</u></u>	<u><u>100.00</u></u>

INFORMATION ON THE OFFEROR

Your attention is drawn to the section headed “Information on the Offeror” in the “Letter from Kingston Securities” as set out on page 12 of this Composite Document.

INTENTION OF THE OFFEROR IN RELATION TO THE GROUP

Please refer to the section headed “Intentions of the Offeror in relation to the Group” in the “Letter from Kingston Securities” for detailed information on the Offeror’s intention on the business and management of the Group. The Board is aware of the intention of the Offeror in respect of the Company and is willing to render reasonable cooperation with the Offeror which is in the interests of the Company and the Shareholders as a whole.

MAINTAINING THE LISTING STATUS OF THE COMPANY

The Stock Exchange has stated that if, at the close of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public, or if the Stock Exchange believes that:

- (i) a false market exists or may exist in the trading of the Shares; or
- (ii) there are insufficient Shares in public hands to maintain an orderly market,

it will consider exercising its discretion to suspend dealings in the Shares.

LETTER FROM THE BOARD

As mentioned in the “Letter from Kingston Securities”, the Offeror intends the Company to remain listed on the Stock Exchange. The directors of the Offeror and new directors to be appointed to the Board have jointly and severally undertaken to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in Shares. In this connection, in the event that the public float of the Company falls below 25% upon the close of the Offer, the Offeror will, as soon as practicable, dispose of such number of Shares either directly in the market or through a placing agent to be appointed by the Offeror to ensure that the public float requirement under the Listing Rules can be met. Appropriate announcement(s) will be made in this regard as and when appropriate in compliance with the Listing Rules.

RECOMMENDATION

Your attention is drawn to the “Letter from the Independent Board Committee” set out on pages 23 to 24 of this Composite Document and the “Letter from the Independent Financial Adviser” set out on pages 25 to 43 of this Composite Document, which contain, among other things, their advice in relation to the Offer and the principal factors considered by them in arriving at their recommendation.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information contained in the appendices to this Composite Document. You are also recommended to read carefully Appendix I to this Composite Document and the accompanying Form of Acceptance for further details in respect of the terms and procedures for acceptance of the Offer.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Set out below is the text of the letter of recommendation from the Independent Board Committee in respect of the Offer which has been prepared for the purpose of inclusion in this Composite Document.



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: 863)

12 April 2018

To the Independent Shareholders

Dear Sir or Madam,

MANDATORY UNCONDITIONAL CASH OFFER BY

 **KINGSTON SECURITIES**

**FOR AND ON BEHALF OF EAST HARVEST GLOBAL LIMITED
TO ACQUIRE ALL THE ISSUED SHARES
IN BRANDING CHINA GROUP LIMITED
(OTHER THAN THOSE ALREADY OWNED OR TO BE ACQUIRED BY
EAST HARVEST GLOBAL LIMITED
AND PARTIES ACTING IN CONCERT WITH IT)**

We refer to this composite offer and response document dated 12 April 2018 jointly issued by the Offeror and the Company (the “**Composite Document**”), of which this letter forms part. Unless the context otherwise requires, terms used in this letter shall have the same meanings as those defined in this Composite Document.

We have been appointed to constitute the Independent Board Committee to consider the terms of the Offer and to advise you as to whether, in our opinion, the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned and as to the acceptance of the Offer. Somerley has been appointed as the independent financial adviser to advise us in this respect. Details of its advice and the principal factors taken into consideration in arriving at its recommendation are set out in the “Letter from Independent Financial Adviser” on pages 25 to 43 of this Composite Document.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

We also wish to draw your attention to the “Letter from the Board”, the “Letter from Kingston Securities” and the additional information set out in the appendices to this Composite Document and the accompanying Form of Acceptance in respect of the terms and procedures for acceptance of the Offer.

Taking into account the terms of the Offer and the advice from Somerley, we consider that the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned and recommend the Independent Shareholders to accept the Offer.

However, Independent Shareholders should note that the average closing price of HK\$15.73 per Share since publication of the Joint Announcement up to the Latest Practicable Date represents approximately 4.9 times the Offer Price of HK\$3.18 per Offer Share and the price closed at HK\$15.14 per Share on the Latest Practicable Date. If the market price of the Shares continues to exceed the Offer Price, Independent Shareholders who are inclined to accept the Offer should instead sell their Shares in the market if the sales proceeds, net of transaction costs, exceed HK\$3.18 per Share. Independent Shareholders who are attracted to the prospects of the Group may consider retaining some or all of their Shares.

The Independent Shareholders are reminded to monitor carefully the market price and liquidity of the Shares during and before the end of the Offer Period.

In any case, the Independent Shareholders are strongly advised that the decision to realise or to hold their investment is subject to individual circumstances and investment objectives. If in doubt, the Independent Shareholders should consult their own professional advisers for advice. Furthermore, the Independent Shareholders who wish to accept the Offer are recommended to read carefully the terms and procedures for acceptance of the Offer as detailed in this Composite Document and the accompanying Form of Acceptance.

Yours faithfully,
Independent Board Committee of
Branding China Group Limited

Mr. ZHOU Ruijin

Mr. LIN Zhiming

Ms. HSU Wai Man, Helen

Independent Non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is the letter of advice from Somerley Capital Limited, the Independent Financial Adviser, to the Independent Board Committee, which has been prepared for the purpose of inclusion in this composite document.



SOMERLEY CAPITAL LIMITED

20th Floor
China Building
29 Queen's Road Central
Hong Kong

12 April 2018

To: the Independent Board Committee

Dear Sirs,

MANDATORY UNCONDITIONAL CASH OFFER BY
 KINGSTON SECURITIES
FOR AND ON BEHALF OF EAST HARVEST GLOBAL LIMITED
TO ACQUIRE ALL THE ISSUED SHARES
IN BRANDING CHINA GROUP LIMITED
(OTHER THAN THOSE ALREADY OWNED OR TO BE ACQUIRED
BY
EAST HARVEST GLOBAL LIMITED
AND PARTIES ACTING IN CONCERT WITH IT)

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee in relation to the mandatory unconditional cash offer by Kingston Securities on behalf of the Offeror to acquire all the issued Shares, other than those Shares already owned by or agreed to be acquired by the Offeror and parties acting in concert with it. Details of the Offer are set out in the Composite Document dated 12 April 2018, of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Composite Document unless the context otherwise requires.

As set out in the Joint Announcement, on 24 January 2018, the Offeror, the Vendors and the Guarantors, entered into the Sale and Purchase Agreement in relation to the sale and purchase of the Sale Shares at the consideration of HK\$595,811,702.42 (equivalent to approximately HK\$3.18 per Sale Share). Further details of the Sale and Purchase Agreement are set out in the Joint Announcement. Completion of the Sale and Purchase Agreement took place on 25 January 2018. Immediately after Completion and as at the Latest Practicable Date, the Offeror and parties acting in concert with it own 187,510,194 Shares, representing approximately 74.48% of the total issued share capital of the Company as at the respective date

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

thereof. Accordingly, upon Completion, the Offeror is required to make the Offer for all the issued Shares, other than those Shares already owned by or agreed to be acquired by the Offeror and parties acting in concert with it.

The Independent Board Committee comprising all three independent non-executive Directors, namely Mr. Zhou Ruijin, Mr. Lin Zhiming and Ms. Hsu Wai Man, Helen, has been established to advise the Independent Shareholders on whether the terms of the Offer are fair and reasonable and as to their acceptance of the Offer. The Independent Board Committee has approved our appointment as the Independent Financial Adviser to advise the Independent Board Committee in relation to the Offer.

We are not associated with the Company, the Offeror, the Vendors and the Guarantors or any party acting, or presumed to be acting, in concert with any of them and, accordingly, are considered eligible to give independent advice on the Offer. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company, the Offeror, the Vendors and the Guarantors or any party acting, or presumed to be acting, in concert with any of them.

BASIS OF OUR OPINION

In formulating our opinion, we have reviewed, among other things, (i) the Composite Document; (ii) the annual report of the Company for the year ended 31 December 2016 and the annual results announcement of the Company for the year ended 31 December 2017; (iii) the announcements published by the Company on the website of the Stock Exchange since 1 January 2017; and (iv) the material change statement set out in Appendix II to the Composite Document. We have sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed by them. We consider that the information we have received is sufficient for us to reach our opinion and recommendation as set out in this letter. We have no reason to doubt the truth and accuracy of the information provided to us or to believe that any material facts have been omitted or withheld. We have, however, not conducted any independent investigation into the business and affairs of the Group or the Offeror, nor have we carried out any independent verification of the information supplied. We have also assumed that all representations contained or referred to in the Composite Document are true as at the Latest Practicable Date, and that the Independent Shareholders will be notified of any material changes to the Composite Document as soon as reasonably practicable during the Offer Period.

We have not considered the tax and regulatory implications on the Independent Shareholders of acceptance or non-acceptance of the Offer since these depend on their individual circumstances. In particular, the Independent Shareholders who are resident overseas or subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax positions and, if in any doubt, consult their own professional advisers.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL TERMS OF THE OFFER

Kingston Securities are making the Offer for and on behalf of the Offeror on the following basis:

For each Offer Share..... HK\$3.18 in cash

The Offer Price of HK\$3.18 per Offer Share is approximately equal to but not lower than the purchase price of approximately HK\$3.18 per Sale Share paid by the Offeror pursuant to the Sale and Purchase Agreement. Based on 251,771,079 Shares in issue and 187,510,194 Shares held by the Offeror and the parties acting in concert with it as at the Latest Practicable Date, and assuming that there is no change in the issued share capital of the Company prior to the close of the Offer, a total of 64,260,885 Shares will be subject to Offer.

The Offer is unconditional in all respects and is not conditional upon acceptances being received in respect of a minimum number of the Shares or any other conditions. Acceptances of the Offer shall be irrevocable and not capable of being withdrawn, except in the circumstances set out in sub-paragraph headed “Right of withdrawal” in Appendix I to the Composite Document.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendations with regard to the Offer, we have taken into account the following principal factors and reasons:

1. Information and prospects of the Group

(a) Background and information of the Group

The Company is incorporated in Cayman Islands with limited liability, and the Company’s Shares were listed on the Growth Enterprise Market of the Stock Exchange in 2012 and transferred to the Main Board of the Stock Exchange in 2015. The Group is principally engaged in providing its clients with corporate entrepreneurship and development services, including advertising, public relations, event marketing services and business park area operation and management services.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(b) Financial information of the Group

i. Financial performance

The following is an extract of the financial results of the Group for the three years ended 31 December 2015, 2016 and 2017 (2015 annual results having been extracted from the Company's 2016 annual report and both of 2016 and 2017 annual results having been extracted from the Company's 2017 annual results announcement).

	For the year ended 31 December		
	2017	2016	2015
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	(audited)	(audited)	(audited)
			(re-presented)
<i>Continuing Operations</i>			
Revenue	162,015,156	160,374,361	201,569,895
Cost of sales	<u>(142,222,816)</u>	<u>(150,119,592)</u>	<u>(161,485,889)</u>
Gross profit	19,792,340	10,254,769	40,084,006
Other income and gains, net	1,234,882	3,227,713	2,719,069
Selling and distribution expenses	(10,573,430)	(12,474,240)	(1,882,607)
Administrative and other expenses	(66,437,938)	(36,948,915)	(30,630,663)
Finance costs	(425,428)	(638,718)	(994,193)
Share of (loss)/profit of associates	(1,890,329)	(4,348,914)	47,957
Share of profit of a joint venture	<u>4,844,289</u>	<u>6,583,611</u>	<u>—</u>
(Loss)/profit before income tax expense	(53,455,614)	(34,344,694)	9,343,569
Income tax expense	<u>(1,870,192)</u>	<u>(503,352)</u>	<u>(5,560,624)</u>
(Loss)/profit for the year from continuing operations	(55,325,806)	(34,848,046)	3,782,945
<i>Discontinued operations</i>			
(Loss)/profit for the year from discontinued operations	(3,012,125)	(173,901,301)	33,573,881
(Loss)/profit for the year	(58,337,931)	(208,749,347)	37,356,826

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

	For the year ended 31 December		
	2017	2016	2015
	RMB	RMB	RMB
	(audited)	(audited)	(audited)
			(re-presented)
Attributable to:			
Owners of the Company			
— (Loss)/profit for the year from continuing operations	(56,202,582)	(35,020,623)	3,782,945
— (Loss)/profit for the year from discontinued operations	(3,012,125)	(173,901,301)	33,573,881
Non-controlling interests			
— Profit for the year from continuing operations	876,776	172,577	—
(Loss)/profit for the year	<u>(58,337,931)</u>	<u>(208,749,347)</u>	<u>37,356,826</u>
(Loss)/earning per share — basic and diluted (in RMB cents)			
— From continuing operations	(23.00)	(14.00)	2.00
— From discontinued operations	<u>(1.00)</u>	<u>(70.00)</u>	<u>13.00</u>
	<u>(24.00)</u>	<u>(84.00)</u>	<u>15.00</u>

(1) Revenue

As set out above, the revenue of the Group from continuing operations decreased by approximately 20.4% from approximately RMB201.6 million for the year ended 31 December 2015 to approximately RMB160.4 million for the year ended 31 December 2016. For the year ended 31 December 2016, the revenue of traditional advertising business (including advertising, public relations and event marketing services) decreased by approximately RMB50.7 million as compared with last year, representing a decrease of approximately 25.1%. The rental revenue arose from the Group's park operation and management business acquired in September 2016 amounted to approximately RMB9.5 million for the year ended 31 December 2016. As stated in the Company's 2016 annual report, the decrease in the revenue of traditional advertising business was mainly due to (i) the intensified competition within advertising agency industry; and (ii) the recession in motor industry resulted in some clients deducted their budget on advertising.

Revenue of the Group from continuing operations increased by approximately 1.0% from approximately RMB160.4 million for the year ended 31 December 2016 to approximately RMB162.0 million for the year ended 31 December 2017. For the year ended 31 December 2017, the revenue of traditional advertising business decreased by approximately RMB26.6 million as compared with last year, representing a year-on-year decrease of approximately 17.6%. The rental revenue arose from the Group's park operation and management business increased by

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

approximately RMB28.2 million from approximately RMB9.5 million in 2016 to approximately RMB37.7 million in 2017, representing a year-on-year increase of approximately 296.8%.

(2) Loss/profit attributable to owners of the Company

The Group recorded a loss attributable to owners of the Company from continuing operations of approximately RMB35.0 million for the year ended 31 December 2016 as compared with a profit attributable to owners of the Company from continuing operations of approximately RMB3.8 million for the year ended 31 December 2015. The loss for 2016 was mainly attributable to (a) the reduction in revenue of approximately RMB41.2 million; (b) an increase in selling and distribution expenses of approximately RMB10.6 million mainly due to the expenses arising from business expansion of the Group; (c) an increase in administrative and other expenses of approximately RMB6.3 million mainly arose from the renovation in some areas in the business park and provision of bad debts made; and (d) share of loss of associates of approximately RMB4.3 million for the year ended 31 December 2016, which were mainly offset by (a) the decrease in cost of sales of approximately RMB11.4 million in 2016; (b) share of profit of a joint venture of approximately RMB6.6 million for the year ended 31 December 2016; and (c) the decrease in income tax expenses in 2016 of approximately RMB5.1 million comparing to that in 2015. As stated in the Company's 2016 annual report, the discontinued operations of the Group (the wireless advertising business) recorded a loss of approximately RMB173.9 million for the year ended 31 December 2016. The main reason for discontinuing the wireless advertising business was that, with the rapid development of new media, especially the self-media, this business of the Group could not catch up with the current trend of media development to satisfy the clients' needs.

The Group recorded a loss attributable to owners of the Company from continuing operations of approximately RMB56.2 million for the year ended 31 December 2017 as compared with a loss attributable to owners of the Company from continuing operations of approximately RMB35.0 million for the year ended 31 December 2016. The loss for 2017 was mainly attributable to an increase in administrative and other expenses of approximately RMB29.5 million which mainly arose from impairment of a joint venture and employee compensation expenses. The increase in administrative and other expenses was partly offset by (a) a decrease in cost of sales of approximately RMB7.9 million in 2017 and (b) a decrease in share of losses of associates of approximately RMB2.5 million.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(3) Loss/earning per share

Basic and diluted earning per share for the year ended 31 December 2015 was approximately RMB15.00 cents. Basic and diluted loss per share for the year ended 31 December 2016 and 2017 was approximately RMB84.00 cents and RMB24.00 cents respectively. The movements in the loss/earning per share generally followed the movements of the Group's financial results.

ii. Financial position

Set out below is an extract of the financial position of the Group as at 31 December 2015, 2016 and 2017 (2015 financial position having been extracted from the Company's 2016 annual report and both the 2016 and 2017 financial position having been extracted from the Company's 2017 annual results announcement).

	As at 31 December		
	2017	2016	2015
	RMB	RMB	RMB
	(audited)	(audited)	(audited)
Assets			
Non-current assets			
Property, plant and equipment	10,689,462	12,599,059	3,487,450
Goodwill	—	—	156,293,197
Intangible assets	44,648,413	50,232,101	2,664,614
Interest in a joint venture	—	24,083,611	—
Interests in associates	—	1,822,595	1,271,509
Available-for-sale financial assets	—	2,250,000	—
Deposits	5,584,500	5,584,500	—
Deferred tax assets	1,312,793	4,297,193	—
Total non-current assets	62,235,168	100,869,059	163,716,770
Current assets			
Trade and bills receivables	89,229,785	136,814,137	175,140,697
Prepayments, deposits and other receivables	71,056,673	21,759,873	8,316,527
Tax recoverable	1,058,629	1,058,629	—
Restricted bank deposits	10,000,000	4,100,000	—
Cash and cash equivalents	53,772,080	80,210,595	144,609,439
Sub-total	225,117,167	243,943,234	328,066,663
Assets classified as held for sale	8,760,115	—	—
Total current assets	233,877,282	243,943,234	328,066,663
Total assets	296,112,450	344,812,293	491,783,433

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

	As at 31 December		
	2017	2016	2015
	RMB	RMB	RMB
	(audited)	(audited)	(audited)
Liabilities			
Current liabilities			
Trade payables	40,976,809	45,121,455	29,096,090
Receipts in advance, other payables and accruals	41,928,085	35,634,848	20,883,857
Bank borrowings	9,565,000	3,935,000	—
Current tax liabilities	412,006	412,006	8,006,836
<i>Sub-total</i>	92,881,900	85,103,309	57,986,783
Liabilities associated with assets classified as held for sale	2,927,849	—	—
Total current liabilities	95,809,749	85,103,309	57,986,783
Net current assets	138,067,533	158,839,925	270,079,880
Total assets less current liabilities	200,302,701	259,708,984	433,796,650
Non-current liabilities			
Deposits received	10,897,805	10,897,805	—
Deferred tax liabilities	8,913,659	10,027,867	639,800
Total non-current liabilities	19,811,464	20,925,672	639,800
Total liabilities	115,621,213	106,028,981	58,626,583
NET ASSETS	<u>180,491,237</u>	<u>238,783,312</u>	<u>433,156,850</u>
Equity attributable to owners of the Company			
Issued capital	2,037,681	2,037,681	1,996,737
Reserves	172,904,203	232,073,054	431,160,113
Equity attributable to owners of the Company	174,941,884	234,110,735	433,156,850
Non-controlling interests	5,549,353	4,672,577	—
TOTAL EQUITY	<u>180,491,237</u>	<u>238,783,312</u>	<u>433,156,850</u>

As at 31 December 2017, the Group's total assets were approximately RMB296.1 million. Assets of the Group mainly include (a) trade and bills receivables of approximately RMB89.2 million; (b) prepayments, deposits and other receivables of approximately RMB71.1 million; (c) cash and cash equivalents of approximately RMB53.8 million; and (d) intangible assets of approximately RMB44.6 million. As at 31 December 2017, the Group recorded total liabilities of approximately RMB115.6 million, which mainly consisted of (a) trade payables of approximately RMB41.0 million; (b) receipts in advance,

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

other payables and accruals of approximately RMB41.9 million; (c) bank borrowings of approximately RMB9.6 million; and (d) deposits received of approximately RMB10.9 million.

Net assets value attributable to owners of the Company amounted to approximately RMB174.9 million as at 31 December 2017, with a value per ordinary share of approximately RMB0.69 (equivalent to approximately HK\$0.86 per Share), calculated based on the total number of issued Shares as at 31 December 2017 of 251,771,079. The Offer Price of HK\$3.18 per Offer Share represents a premium of approximately 269.8% over the net assets value attributable to owners of the Company per ordinary share as at 31 December 2017.

(c) Prospects of the Group

As stated in the Company's 2017 annual results announcement, the Group continued its business transformation and optimised its business structure in 2017. As advised by the management of the Company, business transformation of the Group includes expanding service scopes of corporate services from branding communication services to park area services and corporate value-added services. In 2016, a subsidiary of the Group ceased its advertising business and focused on its park area services. In addition, as stated in the Company's 2016 annual report, the Group acquired a subsidiary engaging in management and operation of park area office properties in the core commercial area of Shanghai in 2016. This new business park area management business contributed rental revenue of approximately RMB9.5 million and approximately RMB37.7 million to the Group for the year ended 31 December 2016 and 2017 respectively. Revenue generated from such business for the year ended 31 December 2017 accounted for approximately 23.3% of the Group's total revenue for the same year. As set out in the section headed "Intentions of the Offeror in relation to the Group" in the "Letter from Kingston Securities" of the Composite Document, the Offeror is of the view that the Group is an attractive investment whose current businesses represent a potential opportunity that can be further enhanced by implementing new technology and processes. Upon completion of the Offer, the Offeror will assist the Group in reviewing its business and operations as the Offeror believes that its knowledge and experience in the areas of blockchain and financial technology can enable the Group to become more technology-focused and further expand its commercial business offerings to include new blockchain related technology services and products. Further details on the intention of the Offeror are set out in the aforesaid section of the Composite Document. Despite current challenges, taking into account the above, in particular (i) the contribution of the business park area management business; (ii) the Offeror's intended review of the Group's business and operations to include new blockchain related technology services and products; and (iii) by upholding the transformation policy and focus on it, keeping on to deepen the general layout of the integrated corporate services as well as optimizing the business models continuously, the Company's management considers, and we concur, that the long term prospects of the Group remain generally positive.

2. Information on the Offeror and its intention for the Group

As set out in the section headed “Information on the Offeror” in the “Letter from Kingston Securities” of the Composite Document, the Offeror is an investment holding company incorporated in the British Virgin Islands with limited liabilities, and is owned as to 60.42% by Wise Aloe (owned as to 89% by Bell Haven, which is in turn owned as to 30.82% by Mr. Lo Ken Bon (“**Mr. Lo**”)), 32.87% by Colour Day (wholly-owned by Mr. Ko Chun Shun Johnson (“**Mr. Ko**”)) and 6.71% by Smart Mission. Pursuant to two shareholders agreements, each of Bell Haven and Colour Day is entitled to indirectly control the exercise of approximately 45% and 24.48% of the voting rights in the Company respectively. As at the Latest Practicable Date, the directors of the Offeror are Mr. Ko, a director of several companies listed on the Main Board of the Stock Exchange, and Mr. Lo, the chief executive officer of ANX International which is a blockchain solutions provider. Further details of the shareholders agreements and profile of Mr. Ko and Mr. Lo are set out in the aforesaid section in the “Letter from Kingston Securities” of the Composite Document.

As set out in the section headed “Intentions of the Offeror in relation to the Group” in the “Letter from Kingston Securities” of the Composite Document, the Offeror is of the view that the Group is an attractive investment whose current businesses represent a potential opportunity that can be further enhanced by implementing new technology and processes. Upon completion of the Offer, the Offeror will assist the Group in reviewing its business and operations as the Offeror believes that its knowledge and experience in the areas of blockchain and financial technology can enable the Group to become more technology-focused and further expand its commercial business offerings to include new blockchain related technology services and products. As at the Latest Practicable Date, detailed business plans for expansion initiatives have not yet been developed but certain blockchain-related technology services and product offerings, including (a) advertising marketplaces, (b) blockchain analytics; and (c) custodial and/or trustee services for digital assets, have been preliminarily identified by the Offeror as opportunities for further analysis. It is currently expected that the Offeror will require all Directors (except for Mr. Fang) to resign from the Board, and the resignations will take effect on the date after the close of the Offer. The Offeror intends to nominate 4 new Directors into the Board and such proposed appointment will take effect from a date which is no earlier than the date of the Composite Document in accordance with Rule 26.4 of the Takeovers Code. As set out in the sub-section headed “Proposed change of Board composition” in the “Letter from Kingston Securities” of the Composite Document, the Offeror intends to appoint Mr. Lo as one of the new Directors. Mr. Lo is the chief executive officer of ANX International which is a blockchain solutions provider. Further details on Mr. Lo’s background are set out in the above-mentioned sub-section in the “Letter from Kingston Securities” of the Composite Document. Save for the proposed changes to the members of the Board, the Offeror has no intention to make material changes to the employment of the employees of the Group, nor to cease any existing businesses of the Group or to dispose any material assets of the Group as at the Latest Practicable Date. However, in order to launch and execute the above and/or any other new business initiatives, the Group will (i) hire or contract personnel who have the appropriate execution and industry knowledge, and (ii) expand facilities such as office space and IT infrastructures and

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

resources. Nevertheless, the Offeror intends to maintain continuity of normal business considerations but will retain the flexibility at any time to consider any options of opportunities which may present themselves and which it regards to be in the interests of the Group and its Shareholders. Further details of the Offeror's intention for the Group and the proposed changes in the Board composition (together with the profile of the new Directors) are set out in the aforesaid section in the "Letter from Kingston Securities" of the Composite Document.

Revenue generated from the major business segment of traditional advertising has been declining and the Group has incurred losses since 2016. In these circumstances, we are of the view that the Offeror's intention as set out above and the expertise of Mr. Lo (one of the proposed new Directors) would provide an opportunity for the Group to broaden its business model by becoming more technology-focused and expanding its business to include new blockchain related technology services and products, which, if materialised, can complement the existing businesses of the Group.

3. Maintenance of the listing status of the Company

As set out in the "Letter from Kingston Securities" of the Composite Document, the Offeror does not intend to avail itself of any powers of compulsory acquisition of any Shares outstanding after the close of the Offer. The Offeror intends the Company to remain listed on the Stock Exchange. The Stock Exchange has stated that if, at the close of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public, or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares; or (ii) that there are insufficient Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend dealings in the Shares. The directors of the Offeror and new directors to be appointed to the Board have jointly and severally undertaken to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares. In the event that the public float of the Company falls below 25% upon the close of the Offer, the Offeror will, as soon as practicable, dispose of such number of Shares either directly in the market or through a placing agent to be appointed by the Offeror to ensure that the public float requirement under the Listing Rules can be met. Appropriate announcement(s) will be made in this regard as and when appropriate in compliance with the Listing Rules.

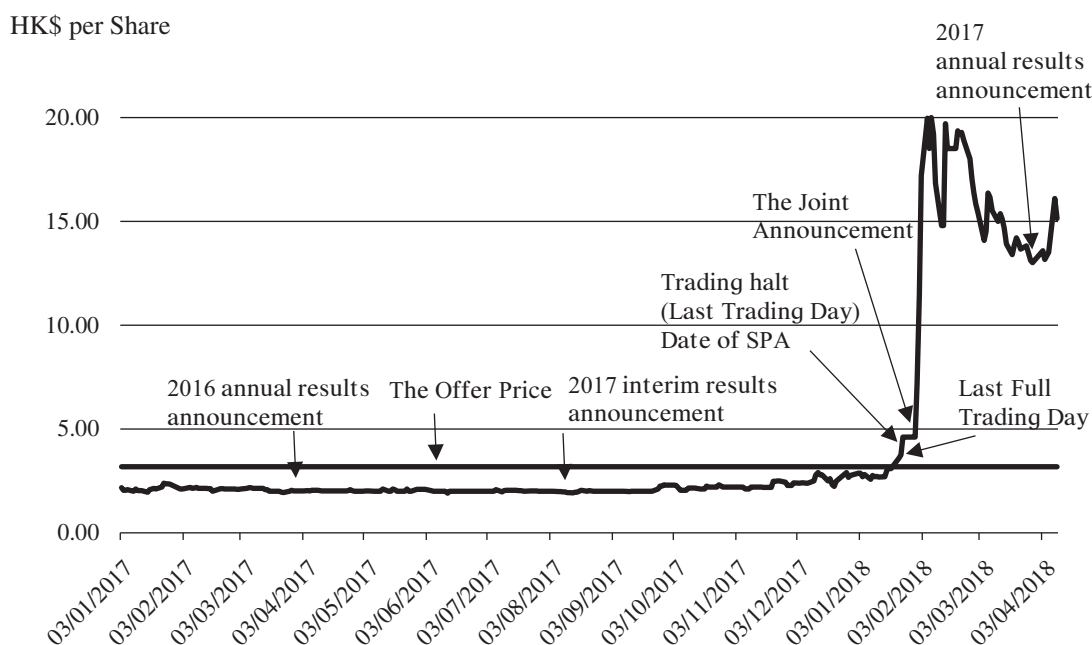
LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

4. Analysis of the Offer Price

(a) Historical price performance of the Shares

The chart below illustrates the daily closing price per Share for the period from 1 January 2017 up to and including the Latest Practicable Date.

Share price chart



Source: Bloomberg

The Offer Price of HK\$3.18 per Offer Share is above the closing price of the Shares for all trading days from 1 January 2017 up to and including 18 January 2018, where the Shares closed at HK\$3.08. Over the next three trading days from 19 January to 23 January 2018, Share price surged by approximately 21.8% from HK\$3.08 and closed at HK\$3.75 on 23 January 2018 (being the Last Full Trading Day). On 24 January 2018, Share price further spiked by approximately 22.67% from last day's closing price to HK\$4.60, before trading in the Shares was halted at 1:20 p.m. on 24 January 2018. After trading hours on 30 January 2018, the Joint Announcement was published. After trading in the Shares resumed on 31 January 2018, the Shares continued to surge, with Share price up over 50% and closed at HK\$7.20 on the same day. As advised by the management of the Company, they are not aware of any reasons for the price surge. From 1 February to 10 April 2018, Share price closed at a range from HK\$11.44 to HK\$20.00 per Share. The Shares closed at HK\$15.14 per Share on the Latest Practicable Date, representing premium of approximately 376.1% to the Offer Price of HK\$3.18 per Offer Share.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(b) Offer price comparisons

The Offer Price of HK\$3.18 per Offer Share represents:

- (i) a discount of approximately 30.87% to the closing price of HK\$4.60 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of 15.20% to the closing price of HK\$3.75 per Share as quoted on the Stock Exchange on the Last Full Trading Day;
- (iii) a discount of approximately 12.73% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day (the “**5-day Average Price**”) of HK\$3.644 per Share;
- (iv) a discount of approximately 1.91% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the 10 consecutive trading days up to and including the Last Trading Day (the “**10-day Average Price**”) of approximately HK\$3.242 per Share;
- (v) a premium of approximately 11.11% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the 30 consecutive trading days up to and including the Last Trading Day (the “**30-day Average Price**”) of approximately HK\$2.862 per Share; and
- (vi) a discount of approximately 79.00% to the closing price of HK\$15.14 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

As set out above, the premia and discounts of the Offer Price of HK\$3.18 per Offer Share varied from a discount of approximately 30.87% to a premium of approximately 11.11% to the closing prices of the Shares on and before the date of the Last Trading Day/last Full Trading Day. As set out in the paragraph headed “Financial information of the Group” in the sub-section headed “Information and prospects of the Group” above of this letter, the Offer Price represents a premium of approximately 269.8% over the unaudited net assets value attributable to owners of the Company of approximately HK\$0.86 per Share as at 31 December 2017. In our opinion, the discount with reference to the closing prices of the Shares on the Last Trading Day and the Last Full Trading Day may not be representative of the Company’s fundamentals given the price surge since 19 January 2018. As mentioned in the sub-section above of this letter, the closing price of the Shares was below the Offer Price of HK\$3.18 for all trading days from 1 January 2017 up to and including 18 January 2018. We are of the view that a comparison between the Offer Price and average closing price of the Shares for a longer time period would be more relevant in assessing the fairness and reasonableness of the Offer Price. The discounts and premia of the Offer Price of HK\$3.18 per Offer Share to/over the 5-day Average Price, the 10-day Average Price and the 30-day Average Price ranged from a discount of approximately 12.73% to a premium of approximately 11.11%.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(c) Trading liquidity

Set out in the table below are the monthly total trading volumes of the Company's Shares and the percentages of such monthly total trading volumes to the total issued share and the public float of the Company during the period from 1 January 2017 up to and including the Latest Practicable Date:

	Monthly total trading volume of the Company's Shares (Note 1)	Percentage of the monthly total trading volume of the Company's Shares to the total issued Shares of the Company (Note 2)	Percentage of the monthly total trading volume of the Company's Shares to the public float of the Company (Note 2 and 3)
2017			
January	1,920,000	0.8%	2.5%
February	1,462,000	0.6%	1.9%
March	772,000	0.3%	1.0%
April	360,000	0.1%	0.5%
May	172,000	0.1%	0.2%
June	121,700	0.0%	0.2%
July	238,000	0.1%	0.3%
August	368,000	0.1%	0.5%
September	316,000	0.1%	0.4%
October	700,000	0.3%	0.9%
November	324,000	0.1%	0.4%
December	2,434,000	1.0%	3.1%
2018			
January	33,559,001	13.3%	52.2%
February	65,513,855	26.0%	101.9%
March	9,028,000	3.6%	14.0%
From 1 April 2018 to the Latest Practicable Date	2,342,000	0.9%	3.6%

Notes:

1. Source: Bloomberg
2. The calculation is based on the monthly total trading volume of the Company's Shares divided by the total issued Shares of the Company or the total number of the Company's Shares in public hands at the end of each month (or at the Latest Practicable Date for April 2018).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

3. The total number of the Company's Shares in public hands is calculated based on the number of total issued Shares of the Company excluding the Company's Shares held by the substantial shareholders and director of the Company at the end of each month (or at the Latest Practicable Date for April 2018).

Based on the above table, the trading volume of the Company's Shares in 2017 has been consistently below 5%, ranging between approximately 0.0% to 1.0% of the total issued Shares, and between approximately 0.2% to 3.1% of the total issued Shares in public hands.

Prior to the trading halt at 1:20 p.m. on 24 January 2018, trading volume of the Company's Shares in January 2018 (from 2 January 2018 to 24 January 2018) was approximately 6.0% of the total issued Shares, and approximately 23.3% of the total issued Shares in public hands, which approximates to an average daily trading volume of approximately 883,000 Shares. After trading in the Shares resumed on 31 January 2018, trading volume on the same day reached approximately 18.6 million Shares, representing approximately 7.4% of the total issued Shares and 28.9% of that in public hands.

Trading remained active after publication of the Joint Announcement on 30 January 2018. In February 2018, trading volume of the Shares reached approximately 26.0% of the total issued Shares, and approximately 101.9% of the total issued Shares in public hands, which approximates to an average daily trading volume of approximately 3.3 million Shares. In March 2018, trading volume declined to approximately 3.6% of the total issued Shares, and approximately 14.1% of the total issued Shares in public hands, which approximates to an average daily trading volume of approximately 432,000 Shares. From 1 April 2018 to the Latest Practicable Date, trading volume of the Shares was approximately 0.9% of the total issued Shares, and approximately 3.6% of the total issued Shares in public hands, representing an average daily trading volume of approximately 468,000 Shares. In our opinion, the higher trading volume and surge in Share price as discussed in paragraph (a) above after the publication of the Joint Announcement is likely to be due to the market's perception of enhanced prospects for growth owing to the background of the Offeror and its shareholders. Independent Shareholders who intend to realise their investment should carefully consider the opportunity to sell their Shares during the Offer Period.

(d) Peer comparison

As mentioned in the sub-section headed "Information and prospects of the Group" above of this letter, the Group is principally engaged in providing its clients with corporate entrepreneurship and development services, including advertising, public relations, event marketing services and business park area operation and management services. Accordingly, we have conducted a search on Bloomberg on a best effort basis for companies (the "**Comparable Companies**") primarily listed on the Main Board of the Stock Exchange where, based on their latest published annual results announcements available as at the date immediately before the Latest

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Practicable Date, are principally engaged in, among other things, advertising business. The Comparable Companies set out in the table below represent an exhaustive list of companies comparable to the Company based on the above criteria.

As mentioned in the paragraph headed “Financial information of the Group” in the sub-section headed “Information and prospects of the Group” above of this letter, the Group recorded a loss from continuing operations attributable to owners of the Company of approximately RMB35.0 million and RMB56.2 million for the year ended 31 December 2016 and 2017 respectively. We consider that analysis of the Offer Price based on the 2017 annual results of the Company is not meaningful. Alternatively, we have performed an analysis of the Offer Price based on the historical price to sales ratio (P/Ss) of the Company and the Comparable Companies. The results are as follows:

Comparable Companies	Closing market capitalisation as at the Latest Practicable Date (HK\$' million) (Note 1)	Historical P/S (Approximate times) (Note 1)
RoadShow Holdings Limited (stock code: 888)	1,565.9	4.49
Clear Media Limited (stock code: 100)	3,250.2	1.65
Asiaray Media Group Limited (stock code: 1993)	897.6	0.51
SinoMedia Holding Limited (stock code: 623)	1,073.6	0.60
KK Culture Holdings Limited (previously known as Cinderella Media Group Limited) (stock code: 550)	663.3	6.69
Modern Media Holdings Limited (stock code: 72)	289.3	0.53
SEEC Media Group Limited (stock code: 205)	159.3	0.50
	Simple average	2.14
	Maximum	6.69
	Minimum	0.50
	The Offer (Note 2)	3.96

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Notes:

1. Closing market capitalisation and historical P/Ss of the Comparable Companies are sourced from Bloomberg as at the Latest Practicable Date.
2. The implied P/S of the Offer is calculated based on the Offer Price of HK\$3.18 per Offer Share and the sales per Share of the Company of approximately RMB0.6435 per Share for the year ended 31 December 2017 (equivalent to approximately HK\$0.8032 per Share).

As set out in the table above, the historical P/Ss of the Comparable Companies range from approximately 0.50 time to 6.69 times, with an average of approximately 2.14 times. The implied P/S of the Offer as discussed above of approximately 3.96 times is within the range and above the mean of the historical P/Ss of the Comparable Companies.

DISCUSSION

As a result of the acquisition of approximately 74.48% of interests in the Company, the Offeror is required by the Takeovers Code to make the Offer. The Offer is being made to all Independent Shareholders at an Offer Price of HK\$3.18 per Offer Share which is approximately equal to but not lower than the purchase price that the Offeror acquired the Company's controlling interest.

The Group is principally engaged in providing its clients with corporate entrepreneurship and development services, including advertising, public relations, event marketing services and business park area operation and management services. The Group has carried out business transformation in recent years and discontinued the wireless advertising business in 2016. Excluding the discontinued business, the Group was loss-making for the year 2016 and 2017.

The Offeror is, in effect, indirectly controlled as to 45% by Bell Haven and 24.48% by Colour Day, which are 30.82% owned by Mr. Lo and 100% owned by Mr. Ko respectively. The intentions of the Offeror for the Group are summarised in the "Letter from Kingston Securities" of the Composite Document. The Offeror intends to maintain the listing status of the Company after the close of the Offer. The Offeror also considers that the current businesses of the Group can be further enhanced by implementing new technology and processes. The Offeror has no plan to cease any existing businesses of the Group or to dispose any material assets of the Group, but a review of the business and operations of the Group will be conducted. New Directors will be appointed by the Offeror to facilitate the business operation, management and strategy of the Group as soon as practicable after Completion.

The Offer Price of HK\$3.18 per Offer Share is above the closing Share price in most of the trading days in our review period (since 1 January 2017 and up to the Latest Practicable Date) prior to the Last Trading Day, except for a few days prior to the Last Trading Day with sudden surge in Share prices and the subsequent period. We also note that trading volume of the Shares have been consistently thin during our review period prior to the Last Trading Day, except for the few trading days closer to the Last Trading Day and subsequent period in general. As the Group has been making losses in latest financial year, it is not possible to

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

calculate a price earnings ratio for the Company at the Offer Price. The implied P/S of the Offer as represented by the Offer Price is approximately 3.96 times which is within the range and above the mean of the historical P/Ss of the Comparable Companies we have identified.

The Offer is a mandatory general offer, that is the Offeror is obliged to make it under Rule 26 of the Takeovers Code. The purpose of the Offer is, in our view, to comply with this obligation and is not made with the objective or the expectation of acquiring more Shares. The Offer Price is based on the Offeror's acquisition price of the controlling interest of the Company, which was agreed after arm's length negotiations. There have been significant increases in price and volume of the Shares after publication of the Joint Announcement and the average closing price of HK\$15.73 per Share since publication of the Joint Announcement up to the Latest Practicable Date represents a very substantial premium of approximately 394.7% over the Offer Price of HK\$3.18 per Offer Share. While some of these increases and premium may prove short-term, we consider a significant portion may be due to the market's perception of enhanced prospects for growth owing to the background of the Offeror and its shareholders as described in this letter above. Although the Offeror intends to maintain the listing of the Company, Independent Shareholders should bear in mind possibility of a temporary suspension in trading of the Shares following the close of the Offer if the public float requirement of 25% is not met. As set out in the section headed "Maintaining the listing status of the Company" in the "Letter from Kingston Securities" of the Composite Document, the directors of the Offeror and new directors to be appointed to the Board have jointly and severally undertaken to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares.

OPINION AND RECOMMENDATIONS

Based on the above principal factors and reasons and as summarised in the section headed "Discussion" above, we consider, based on the historical financial fundamentals of the Company, that the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to accept the Offer.

However, Independent Shareholders should note that the average closing price of HK\$15.73 per Share since publication of the Joint Announcement up to the Latest Practicable Date represents approximately 4.9 times the Offer Price of HK\$3.18 per Offer Share and the price closed at HK\$15.14 per Share on the Latest Practicable Date. If the market price of the Shares continues to exceed the Offer Price, Independent Shareholders who are inclined to accept the Offer should instead sell their Shares in the market if the sales proceeds, net of transaction costs, exceed HK\$3.18 per Share. Independent Shareholders who are attracted to the prospects of the Group may consider retaining some or all of their Shares.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER
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The Independent Shareholders are reminded to monitor carefully the market price and liquidity of the Shares during and before the end of the Offer Period.

Yours faithfully,
for and on behalf of
SOMERLEY CAPITAL LIMITED
M. N. Sabine
Chairman

Mr. M. N. Sabine is a licensed person registered with the SFC and a responsible officer of Somerley Capital Limited, which is licensed under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. He has over thirty years' experience in the corporate finance industry.

For the purpose of illustration only, any amount denominated in RMB in this letter is translated into HK\$ at the rate of RMB0.8012 = HK\$1. Such translation should not be construed as a representation that the amounts in question have been, could have been or could be, converted at any particular rate at all.

1. PROCEDURES FOR ACCEPTANCE OF THE OFFER

- (a) To accept the Offer, you should complete and sign the accompanying Form of Acceptance in accordance with the instructions printed thereon, which instructions form part of the terms of the Offer.
- (b) If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in your name, and you wish to accept the Offer, you must send the duly completed and signed Form of Acceptance together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar, being Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, by post or by hand, marked "**Branding China Group Limited General Offer**" on the envelope, as soon as possible and in any event not later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code.
- (c) If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in the name of a nominee company or a name other than your own, and you wish to accept the Offer whether in full or in part of your Shares, you must either:
 - (i) lodge your Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) with the nominee company, or other nominee, with instructions authorising it to accept the Offer on your behalf and requesting it to deliver in an envelope marked "**Branding China Group Limited General Offer**" the duly completed Form of Acceptance together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or
 - (ii) arrange for the Shares to be registered in your name by the Company through the Registrar, and deliver in an envelope marked "**Branding China Group Limited General Offer**" the duly completed and signed Form of Acceptance together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar by no later than 4:00 p.m. on the Closing Date; or
 - (iii) if your Shares have been lodged with your licensed securities dealer/registered institution in securities/custodian bank through CCASS, instruct your licensed securities dealer/registered institution in securities/custodian bank to authorize HKSCC Nominees Limited to accept the Offer on your behalf on or before the deadline set by HKSCC Nominees Limited. In order to meet the deadline set by

HKSCC Nominees Limited, you should check with your licensed securities dealer/registered institution in securities/custodian bank for the timing on the processing of your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/custodian bank as required by them; or

- (iv) if your Shares have been lodged with your investor participant's account maintained with CCASS, authorise your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set out by HKSCC Nominees Limited.
- (d) If the Share certificate(s) and/or transfer receipts and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are not readily available and/or is/are lost, as the case may be, and you wish to accept the Offer in respect of your Shares, the Form of Acceptance should nevertheless be completed and delivered in an envelope marked **“Branding China Group Limited General Offer”** to the Registrar together with a letter stating that you have lost one or more of your Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) or that it/they is/are not readily available. If you find such document(s) or if it/they become(s) available, it/they should be forwarded to the Registrar as soon as possible thereafter. If you have lost your Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title, you should also write to the Registrar a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Registrar.
- (e) If you have lodged transfer(s) of any of your Shares for registration in your name and have not yet received your Share certificate(s), and you wish to accept the Offer in respect of your Shares, you should nevertheless complete and sign the Form of Acceptance and deliver it in an envelope marked **“Branding China Group Limited General Offer”** to the Registrar together with the transfer receipt(s) duly signed by yourself. Such action will be deemed to be an irrevocable authority to the Offeror and/or Kingston Securities and/or their respective agent(s) to collect from the Company or the Registrar on your behalf the relevant Share certificate(s) when issued and to deliver such Share certificate(s) to the Registrar on your behalf and to authorize and instruct the Registrar to hold such Share certificate(s), subject to the terms and conditions of the Offer, as if it was/they were delivered to the Registrar with the Form of Acceptance.

- (f) Acceptance of the Offer will be treated as valid only if the completed Form of Acceptance is received by the Registrar by no later than 4:00 p.m. on the Closing Date (or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code) and the Registrar has recorded the Form of Acceptance and any relevant documents required by the Takeovers Code have been so received, and is:
- (i) accompanied by the relevant Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and, if that/those Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) is/are not in your name, such other documents (e.g. a duly stamped transfer of the relevant Share(s) in blank or in your favour executed by the registered holder) in order to establish your right to become the registered holder of the relevant Shares; or
 - (ii) from a registered Shareholder or his personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to the Shares which are not taken into account under another subparagraph of this paragraph (f)); or
 - (iii) certified by the Registrar or the Stock Exchange.

If the Form of Acceptance is executed by a person other than the registered Shareholder, appropriate documentary evidence of authority (e.g. grant of probate or certified copy of a power of attorney) to the satisfaction of the Registrar must be produced.

- (g) No acknowledgement of receipt of any Form of Acceptance, Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

2. SETTLEMENT OF THE OFFER

Provided that a valid Form of Acceptance and the relevant certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) are complete and in good order in all respects in accordance with the Takeovers Code and have been received by the Registrar by no later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code, a cheque for the amount representing the cash consideration due to each of the Independent Shareholders who accepts the Offer less seller's ad valorem stamp duty in respect of the Shares tendered by it/him/her under the Offer will be despatched to such Independent Shareholder by ordinary post at its/his/her own risk as soon as possible but in any event within seven (7) Business Days after the date on which all the relevant documents which render such acceptance complete and valid are received by the Registrar in accordance with the Takeovers Code.

Settlement of the consideration to which any accepting Independent Shareholder is entitled under the Offer will be implemented in full in accordance with the terms of the Offer (save with respect to the payment of seller's ad valorem stamp duty), without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such accepting Independent Shareholder.

3. ACCEPTANCE PERIOD AND REVISIONS

- (a) In order to be valid for the Offer, the Form of Acceptance must be received by the Registrar in accordance with the instructions printed thereon by 4:00 p.m. on the Closing Date, unless the Offer is extended or revised in accordance with the Takeovers Code. The Offer is unconditional.
- (b) The Offeror reserves the right to revise the terms of the Offer in accordance with the Takeovers Code. If the Offeror revises the terms of the Offer, all the Independent Shareholders, whether or not they have already accepted the Offer, will be entitled to accept the revised Offer under the revised terms.
- (c) If the Offer is extended or revised, the announcement of such extension or revision will state the next closing date or the Offer will remain open until further notice. In the latter case, at least 14 days' notice in writing will be given before the Offer is closed to the Independent Shareholders who have not accepted the Offer, and an announcement will be released. The revised Offer will be kept open for at least 14 days thereafter.
- (d) If the Closing Date of the Offer is extended, any reference in this Composite Document and in the Form of Acceptance to the Closing Date shall, except where the context otherwise requires, be deemed to refer to the closing date of the Offer as so extended.
- (e) Any acceptance of the relevant revised Offer shall be irrevocable unless and until the Independent Shareholders who accept the Offer become entitled to withdraw their acceptance under the paragraph headed "6. RIGHT OF WITHDRAWAL" below and duly do so.

4. NOMINEE REGISTRATION

To ensure equality of treatment of all Independent Shareholders, those registered Independent Shareholders who hold the Shares as nominees for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. It is essential for the beneficial owners of the Shares whose investments are registered in the names of nominees to provide instructions to their nominees of their intentions with regard to the Offer.

5. ANNOUNCEMENTS

- (a) By 6:00 p.m. on the Closing Date (or such later time and/or date as the Executive may in exceptional circumstances permit), the Offeror must inform the Executive and the Stock Exchange of its decision in relation to the revision, extension or expiry of the Offer. The Offeror must post an announcement on the Stock Exchange's website by 7:00 p.m. on the Closing Date stating the results of the Offer and whether the Offer has been revised, extended, or has expired (and, in each case, whether as to acceptances or in all respects).

The announcement will state the total number of Shares and rights over Shares:

- (i) for which acceptances of the Offer have been received;
- (ii) held, controlled or directed by the Offeror or persons acting in concert with it before the Offer Period; and
- (iii) acquired or agreed to be acquired during the Offer Period by the Offeror and persons acting in concert with it.

The announcement must include details of any relevant securities (as defined in the Takeovers Code) in the Company which the Offeror and parties acting in concert with it have borrowed or lent, save for any borrowed shares which have been either on-lent or sold.

The announcement must also specify the percentages of the issued share capital of the Company and the percentages of voting rights of the Company represented by these numbers.

In computing the total number or principal amount of Shares represented by acceptances, only valid acceptances that are complete, in good order and fulfill the acceptance conditions set out in the paragraph headed "1. PROCEDURES FOR ACCEPTANCE OF THE OFFER" above, and which have been received by the Registrar respectively no later than 4:00 p.m. on the Closing Date, unless the Offer is extended or revised in accordance with the Takeovers Code, shall be included.

- (b) As required under the Takeovers Code, all announcements in relation to the Offer which the Executive and the Stock Exchange have confirmed that they have no further comments thereon must be made in accordance with the requirements of the Takeovers Code and the Listing Rules.

6. RIGHT OF WITHDRAWAL

- (a) Acceptance of the Offer tendered by the Independent Shareholders shall be irrevocable and cannot be withdrawn, except in the circumstances set out in subparagraph (b) below.
- (b) If the Offeror is unable to comply with the requirements set out in the paragraph headed “5. ANNOUNCEMENTS” above, the Executive may require that the Independent Shareholders who have tendered acceptances to the Offer be granted a right of withdrawal on terms that are acceptable to the Executive until the requirements set out in that paragraph are met.

In such case, when the Independent Shareholders withdraw their acceptance(s), the Offeror shall, as soon as possible but in any event within 10 days thereof, return by ordinary post the Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the Shares lodged with the Form of Acceptance to the relevant Independent Shareholder(s).

If the Offer is withdrawn, the Offeror must, as soon as possible but in any event within 10 days thereof, post the Share certificates(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) lodged with the Form(s) of Acceptance to, or make such share certificate(s) and/or document(s) available for collection by, the relevant Independent Shareholders who have accepted the Offer.

7. STAMP DUTY

Seller’s ad valorem stamp duty payable by the Shareholders who accept the Offer and calculated at a rate of 0.1% of (i) the market value of the Offer Shares; or (ii) consideration payable by the Offeror in respect of the relevant acceptances of the Offer, whichever is higher, will be deducted from the amount payable by the Offeror to the relevant Shareholder on acceptance of the Offer. The Offeror will arrange for payment of the sellers’ ad valorem stamp duty on behalf of the accepting Shareholders and will pay the buyer’s ad valorem stamp duty in connection with the acceptance of the Offer and the transfer of the Offer Shares.

8. OVERSEAS SHAREHOLDERS

As the Offer to persons not residing in Hong Kong might be affected by the laws of the relevant jurisdiction in which they are resident, Overseas Shareholders whose addresses as shown in the register of members of the Company are outside Hong Kong and beneficial owners of the Shares who are citizens, residents or nationals of a jurisdiction outside Hong Kong should obtain information about and observe any applicable legal or regulatory requirements and, where necessary, seek legal advice in respect of the Offer. It is the responsibility of the Overseas Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith.

(including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due in respect of such jurisdictions).

Any acceptance by any Overseas Shareholders will be deemed to constitute a representation and warranty from such Overseas Shareholders to the Offeror that the local laws and requirements have been complied with. The Overseas Shareholders should consult their professional advisers if in doubt. Shareholders who are in doubt as to the action they should take should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional advisers.

9. TAXATION ADVICE

Shareholders are recommended to consult their own professional advisers as to the taxation implications of accepting or rejecting the Offer. None of the Offeror nor the Company accepts any responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offer.

10. GENERAL

- (a) All communications, notices, Form of Acceptance, Share certificate(s), transfer receipt(s), other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and remittances to settle the consideration payable under the Offer to be delivered by or sent to or from the Independent Shareholders will be delivered by or sent to or from them, or their designated agents, by ordinary post at their own risk, and the Offeror, its beneficial owners, the Company, Kingston Corporate Finance, Kingston Securities, First Shanghai, Somerley, the Registrar, any of their respective directors and professional advisers and any other parties involved in the Offer and any of their respective agents do not accept any liability for any loss or delay in postage or any other liabilities that may arise as a result thereof.
- (b) The provisions set out in the Form of Acceptance form part of the terms and conditions of the Offer.
- (c) The accidental omission to despatch this Composite Document and/or Form of Acceptance or any of them to any person to whom the Offer is made will not invalidate the Offer in any way.
- (d) The Offer is, and all acceptances will be, governed by and construed in accordance with the laws of Hong Kong.
- (e) Due execution of the Form(s) of Acceptance will constitute an authority to the Offeror, Kingston Securities or such person or persons as the Offeror may direct to complete, amend and execute any document on behalf of the person or persons

accepting the Offer and to do any other act that may be necessary or expedient for the purposes of vesting in the Offeror, or such person or persons as they may direct, the Shares in respect of which such person or persons has/have accepted the Offer.

- (f) Acceptance of the Offer by any person or persons will be deemed to constitute a warranty by such person or persons to the Offeror and the Company that the Shares acquired under the Offer are sold by such person or persons free from all Encumbrances and together with all rights accruing or attaching thereto including (without limitation) the rights to receive in full all dividends and distributions declared, made or paid on or after the date on which the Offer is made.
- (g) References to the Offer in this Composite Document and the Form of Acceptance shall include any revision and/or extension thereof.
- (h) The making of the Offer to the Overseas Shareholders may be prohibited or affected by the laws of the relevant jurisdictions. The Overseas Shareholders should inform themselves about and observe any applicable legal or regulatory requirements. It is the responsibility of each Overseas Shareholder who wishes to accept the Offer to satisfy himself/herself/itself as to the full observance of the laws and regulations of all relevant jurisdictions in connection therewith, including, but not limited to the obtaining of any governmental, exchange control or other consents and any registration or filing which may be required and the compliance with all necessary formalities, regulatory and/or legal requirements. Such Overseas Shareholders shall be fully responsible for the payment of any transfer or other taxes and duties due by such Overseas Shareholders in respect of the relevant jurisdictions. The Overseas Shareholders are recommended to seek professional advice on deciding whether or not to accept the Offer.
- (i) Acceptances of the Offer by any persons will be deemed to constitute a warranty by such persons that such persons are permitted under all applicable laws and regulations to receive and accept the Offer, and any revision thereof, and such acceptances shall be valid and binding in accordance with all applicable laws and regulations. Any such persons will be responsible for any such issue, transfer and other applicable taxes or other governmental payments payable by such persons.
- (j) Subject to the Takeovers Code, the Offeror reserves the right to notify any matter (including the making of the Offer) to all or any Independent Shareholders with registered address(es) outside Hong Kong or whom the Offeror or Kingston Securities knows to be nominees, trustees or custodians for such persons by announcement in which case such notice shall be deemed to have been sufficiently given notwithstanding any failure by any such Independent Shareholders to receive or see such notice, and all references in this Composite Document to notice in writing shall be construed accordingly.
- (k) In making their decision, the Independent Shareholders must rely on their own examination of the Offeror, the Group and the terms of the Offer, including the merits and risks involved. The contents of this Composite Document, including any

general advice or recommendation contained herein, together with the Form of Acceptance, shall not be construed as any legal or business advice on the part of the Company, the Offeror and parties acting in concert with it, Kingston Securities, Kingston Corporate Finance, First Shanghai, Somerley, the Registrar or any of their respective ultimate beneficial owners, directors, officers, agents or associates or any other persons involved in the Offer. The Independent Shareholders should consult their own professional advisers for professional advice.

1. SUMMARY OF FINANCIAL INFORMATION

The following is a summary of the audited consolidated financial results of the Group for each of the three years ended 31 December 2015, 2016 and 2017, as extracted from the annual reports of the Company for the years ended 31 December 2015 and 2016, and the annual results announcement of the Company for the year ended 31 December 2017 respectively.

	For the year ended 31 December 2017 <i>RMB</i> (audited)	For the year ended 31 December 2016 <i>RMB</i> (audited)	For the year ended 31 December 2015 <i>RMB</i> (audited)
Revenue	162,015,156	180,657,669	317,565,927
Profit/(loss) before tax	(56,467,739)	(208,488,344)	51,671,735
Income tax expense	(1,870,192)	(261,003)	(14,314,909)
Profit/(loss) attributable to owners of the Company	(59,214,707)	(208,921,924)	37,356,826
Profit/(loss) attributable to non-controlling interest	876,776	172,577	—
Dividend attributable to the equity owners of the Company	—	—	—
Dividend per Share (<i>HK cents</i>)	—	—	—
Earnings/(loss) per Share (<i>RMB</i>)	(0.24)	(0.84)	0.15

Notes:

1. The auditor of the Company, BDO Limited, did not issue any qualified opinion on the consolidated financial statements of the Group for each of the three years ended 31 December 2015, 2016 and 2017.
2. The Group did not have any extraordinary items or items which are exceptional because of its size, nature or incidence for each of the three years ended 31 December 2015, 2016 and 2017.
3. The figures have taken into account both continuing and discontinued operations.

2. AUDITED CONSOLIDATED FINANCIAL INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2016

The following financial information has been derived from the audited consolidated financial statements of the Group for the year ended 31 December 2016 as set forth in the annual report of the Company for the year ended 31 December 2016. References to page number in this section refer to page number of the corresponding annual report of the Company.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

For The Year Ended 31 December 2016

	<i>Notes</i>	2016 <i>RMB</i>	2015 <i>RMB</i> (Re-presented)
Continuing operations			
Revenue	6	160,374,361	201,569,895
Cost of sales		<u>(150,119,592)</u>	<u>(161,485,889)</u>
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		<u>6,583,611</u>	<u>—</u>
(Loss)/profit before income tax expense	8	(34,344,694)	9,343,569
Income tax expense	11	<u>(503,352)</u>	<u>(5,560,624)</u>
(Loss)/profit for the year from continuing operations		(34,848,046)	3,782,945
Discontinued operations			
(Loss)/profit for the year from discontinued operations		<u>(173,901,301)</u>	<u>33,573,881</u>
(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		<u>(29,324)</u>	<u>49,536</u>
Total comprehensive income for the year		<u><u>(208,778,671)</u></u>	<u><u>37,406,362</u></u>

	<i>Notes</i>	2016 <i>RMB</i>	2015 <i>RMB</i> (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		<u>(173,901,301)</u>	<u>33,573,881</u>
		(208,921,924)	37,356,826
Non-controlling interests			
Profit for the year from continuing operations		<u>172,577</u>	<u>—</u>
		<u>(208,749,347)</u>	<u>37,356,826</u>
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		<u>(173,901,301)</u>	<u>33,573,881</u>
		(208,951,248)	37,406,362
Non-controlling interests			
Profit for the year from continuing operations		<u>172,577</u>	<u>—</u>
		<u>(208,778,671)</u>	<u>37,406,362</u>
(Loss)/earning per share — Basic and diluted			
— From continuing operations	14	(0.14)	0.02
— From discontinued operations		<u>(0.70)</u>	<u>0.13</u>
		<u>(0.84)</u>	<u>0.15</u>

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	<u>4,297,193</u>	<u>—</u>
Total non-current assets		<u>100,869,059</u>	<u>163,716,770</u>
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	<u>84,310,595</u>	<u>144,609,439</u>
Total current assets		<u>243,943,234</u>	<u>328,066,663</u>
Total assets		<u>344,812,293</u>	<u>491,783,433</u>
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		<u>412,006</u>	<u>8,006,836</u>
Total current liabilities		<u>85,103,309</u>	<u>57,986,783</u>
Net current assets		<u>158,839,925</u>	<u>270,079,880</u>
Total assets less current liabilities		<u>259,708,984</u>	<u>433,796,650</u>

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

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 interests 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	<u>2,037,681</u>	<u>212,873,290</u>	<u>2,000,000</u>	<u>(898,102)</u>	<u>7,922,791</u>	<u>10,175,075</u>	<u>234,110,735</u>	<u>4,672,577</u>	<u>238,783,312</u>

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

Note:

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

CONSOLIDATED STATEMENT OF CASH FLOWS*For The Year Ended 31 December 2016*

	2016 <i>RMB</i>	2015 <i>RMB</i> (Re-presented)
(Loss)/profit before income tax expense		
From continuing operations	(34,344,694)	9,343,569
From discontinued operations	<u>(174,143,650)</u>	<u>42,328,166</u>
	(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	<u>1,500,221</u>	<u>—</u>
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	<u>10,115,411</u>	<u>4,666,677</u>

	<i>Notes</i>	2016 <i>RMB</i>	2015 <i>RMB</i> (Re-presented)
Cash flows from operating activities		5,055,089	81,684,348
Income taxes paid		<u>(9,250,768)</u>	<u>(12,447,605)</u>
Net cash (used in)/generated from operating activities		<u>-----</u> (4,195,679)	<u>-----</u> 69,236,743
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		<u>441,518</u>	<u>955,960</u>
Net cash used in investing activities		<u>-----</u> (67,395,256)	<u>-----</u> (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		<u>9,905,133</u>	<u>—</u>
Net cash generated from/(used in) financing activities		<u>-----</u> 11,321,415	<u>-----</u> (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		<u>144,609,439</u>	<u>109,623,594</u>
Cash and cash equivalents at the end of year		<u><u>84,310,595</u></u>	<u><u>144,609,439</u></u>
Analysis of the balances of cash and cash equivalents			
Cash and bank balances	24	<u><u>84,310,595</u></u>	<u><u>144,609,439</u></u>

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

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

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

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

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

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

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

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

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

2.1 ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”)**(a) Adoption of new/revised IFRSs — effective on 1 January 2016**

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

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

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

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

Amendments to IAS 7	Disclosure Initiative 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 IFRS 15) 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 event marketing services.
- Wireless advertising — provision of wireless advertising services.
- Business park area management — providing operation and management services in business park area.

(a) Business segment

For the year ended 31 December 2016

	Continuing operations				Discontinued operations	
	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

APPENDIX II
FINANCIAL INFORMATION OF THE GROUP
For the year ended 31 December 2015

	Continuing operations Traditional advertising RMB	Unallocated RMB	Subtotal RMB	Discontinued operations Wireless advertising RMB	Total RMB (Re- presented)
Results					
Revenue from external customers	<u>201,569,895</u>	<u>—</u>	<u>201,569,895</u>	<u>115,996,032</u>	<u>317,565,927</u>
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 (<i>note (i)</i>)	<u>—</u>	<u>(13,410,103)</u>	<u>(13,410,103)</u>	<u>(13,738)</u>	<u>(13,423,841)</u>
Profit/(loss) before income tax expense	22,732,149	(13,388,580)	9,343,569	42,328,166	51,671,735
Income tax expense	<u>(5,560,624)</u>	<u>—</u>	<u>(5,560,624)</u>	<u>(8,754,285)</u>	<u>(14,314,909)</u>
Profit/(loss) for the year	<u>17,171,525</u>	<u>(13,388,580)</u>	<u>3,782,945</u>	<u>33,573,881</u>	<u>37,356,826</u>
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 (<i>note 12</i>)	<u>—</u>	<u>—</u>	<u>—</u>	<u>33,573,881</u>	<u>33,573,881</u>
Profit/(loss) for the year	<u>17,171,525</u>	<u>(13,388,580)</u>	<u>3,782,945</u>	<u>33,573,881</u>	<u>37,356,826</u>
Asset and liabilities					
Reportable segment assets (<i>note (ii)</i>)	<u>221,160,805</u>	<u>15,262,545</u>	<u>236,423,350</u>	<u>255,360,083</u>	<u>491,783,433</u>
Reportable segment liabilities (<i>note (ii)</i>)	<u>22,695,780</u>	<u>11,774,210</u>	<u>34,469,990</u>	<u>24,156,593</u>	<u>58,626,583</u>
Other Segment information					
Depreciation and amortisation	<u>655,111</u>	<u>134,638</u>	<u>789,749</u>	<u>1,063,944</u>	<u>1,853,693</u>
Capital expenditure incurred during the year	<u>2,687,884</u>	<u>—</u>	<u>2,687,884</u>	<u>232,000</u>	<u>2,919,884</u>

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				Year ended 31 December			
	2016			Total	2015			Total
	Traditional Advertising income	Business park area management	Wireless Advertising income		Traditional Advertising income	Business park area management	Wireless Advertising income	
	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 RMB	2015 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

	Year ended 31 December	
	2016	2015
	RMB	RMB
		(Re-presented)
Other income and gains:		
Government grants (<i>note</i>)	2,653,841	1,226,666
Gain on disposal of financial assets at fair value through profit or loss	15,411	26,677
Interest income	415,470	895,036
Reversal of impairment loss on trade receivables	—	568,797
Others	142,991	1,893
	<u>3,227,713</u>	<u>2,719,069</u>
Total	<u>3,227,713</u>	<u>2,719,069</u>

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 (<i>note 9</i>)):		
Wages and salaries	10,517,407	10,149,713
Pension scheme contributions	2,057,842	1,957,562
	<u>12,575,249</u>	<u>12,107,275</u>
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 (<i>note 22</i>)	—	(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 RMB	Salaries, allowances and benefit in kinds RMB	Pension scheme contributions RMB	Total RMB
Year ended 31 December 2016				
<i>Executive directors:</i>				
Mr. Fang Bin	—	720,000	81,520	801,520
Mr. Song Yijun	—	435,054	83,349	518,403
Mr. Patrick Zheng (note (a))	—	455,000	—	455,000
Mr. Fan Youyuan (note (b))	700,000	80,000	—	780,000
Mr. Huang Wei (note (c))	—	33,000	6,750	39,750
<i>Non-executive directors:</i>				
Mr. Zhou Ruijin	154,254	—	—	154,254
Mr. Lin Zhiming	154,254	—	—	154,254
Ms. Hsu Wai Man, Helen	154,254	—	—	154,254
	<u>1,162,762</u>	<u>1,723,054</u>	<u>171,619</u>	<u>3,057,435</u>
Year ended 31 December 2015				
<i>Executive directors:</i>				
Mr. Fang Bin	—	660,000	69,804	729,804
Mr. Song Yijun	—	420,000	78,268	498,268
Mr. Patrick Zheng (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
<i>Non-executive directors:</i>				
Mr. Zhou Ruijin	136,569	—	—	136,569
Mr. Lin Zhiming	136,578	—	—	136,578
Ms. Hsu Wai Man, Helen	136,578	—	—	136,578
	<u>527,733</u>	<u>1,777,000</u>	<u>181,372</u>	<u>2,486,105</u>

Notes:

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

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

10. FIVE HIGHEST PAID EMPLOYEES

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

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

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

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
	<i>RMB</i>	<i>RMB</i>
		(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	<u>303,494</u>	<u>—</u>
Income tax expense	<u><u>503,352</u></u>	<u><u>5,560,624</u></u>

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
	<i>RMB</i>	<i>RMB</i>
	(Re-presented)	
Continuing Operations		
(Loss)/profit before income tax expense	<u>(34,344,694)</u>	<u>9,343,569</u>
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	<u>(283,767)</u>	<u>(721,705)</u>
Income tax expense	<u>503,352</u>	<u>5,560,624</u>

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
	<i>RMB</i>	<i>RMB</i>
	(Re-presented)	
Revenue	20,283,308	115,996,032
Cost of sales	<u>(17,895,426)</u>	<u>(62,460,322)</u>
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	<u>(1,500,221)</u>	<u>—</u>
(Loss)/profit before income tax expense	(174,143,650)	42,328,166
Income tax credit/(expense)	<u>242,349</u>	<u>(8,754,285)</u>
(Loss)/profit and total comprehensive income for the year from discontinued operation (attributable to owners of the Company)	<u>(173,901,301)</u>	<u>33,573,881</u>

	Year ended 31 December	
	2016 RMB	2015 RMB (Re-presented)
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	<u>18,831</u>	<u>(3,171)</u>
Net cash (outflows)/inflows	<u>(15,888,291)</u>	<u>8,454,276</u>

13. DIVIDENDS

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

14. (LOSS)/EARNING PER SHARE

(i) For continuing and discontinued operations

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

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

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

(ii) For continuing operations

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

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

16. GOODWILL

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

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
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
	<i>RMB</i>
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	<u>1,725,766</u>
Profit allocated to non-controlling interests	<u>172,577</u>
Dividends paid to non-controlling interests	<u>—</u>
Cash inflows from operating activities	3,092,996
Cash inflows from investing activities	527
Cash outflows from financing activities	<u>(1,894,836)</u>
Net cash inflows	<u>1,198,687</u>
Current assets	14,180,118
Non-current assets	69,580,263
Current liabilities	(26,728,196)
Non-current liabilities	<u>(10,306,419)</u>
Net assets	<u>46,725,766</u>
Accumulated non-controlling interests	<u>4,672,577</u>

19. INTEREST IN A JOINT VENTURE

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

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
	<i>RMB</i>
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	<u>29,404,385</u>
Group's share of net assets of the joint venture	<u>9,997,491</u>
<i>Included in the above amounts are:</i>	
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	<u>—</u>
<i>Included in the above amounts are:</i>	
Depreciation and amortisation	148,692
Interest income	52,508
Interest expense	—
Income tax expense	<u>6,467,681</u>

20. INTERESTS IN ASSOCIATES

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

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

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

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

Summarised financial information of a material associate is presented below:

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

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
	<i>RMB</i>	<i>RMB</i>
(Loss)/profit for the year	(1,271,509)	47,957
Other comprehensive income	<u>—</u>	<u>—</u>
Total comprehensive income	<u>(1,271,509)</u>	<u>47,957</u>

21. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	31 December 2016 RMB	2015 RMB
Unlisted equity securities in the PRC, at cost (<i>notes</i>)	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 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 RMB	2015 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
	<i>RMB</i>	<i>RMB</i>
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	<u>790,888</u>	<u>4,078,864</u>
	136,734,137	169,240,697
Bills receivables	<u>80,000</u>	<u>5,900,000</u>
	<u><u>136,814,137</u></u>	<u><u>175,140,697</u></u>

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
	<i>RMB</i>	<i>RMB</i>
Neither past due nor impaired (<i>note i</i>)	125,818,448	146,069,554
Past due but not impaired (<i>note ii</i>) :		
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	<u>6,753,542</u>	<u>7,256,102</u>
	<u><u>136,734,137</u></u>	<u><u>169,240,697</u></u>

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
	<i>RMB</i>	<i>RMB</i>
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	<u>(4,352,600)</u>	<u>—</u>
At the end of the year	<u><u>8,249,672</u></u>	<u><u>123,875</u></u>

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

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
	<i>RMB</i>	<i>RMB</i>
At the beginning of the year	1,589,804	—
Reversal of impairment loss previously recognised	(1,589,804)	—
Impairment loss	<u>2,610,649</u>	<u>1,589,804</u>
At the end of the year	<u><u>2,610,649</u></u>	<u><u>1,589,804</u></u>

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
	<i>RMB</i>	<i>RMB</i>
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
	<u>45,121,455</u>	<u>29,096,090</u>

26. RECEIPTS IN ADVANCE, OTHER PAYABLES AND ACCRUALS

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

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	2015
	<i>RMB</i>	<i>RMB</i>
Secured interest-bearing borrowings	<u>3,935,000</u>	<u>—</u>

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 <i>RMB</i>	Deferred tax liabilities in respect of fair value surplus in respect of business combination <i>RMB</i>	Total <i>RMB</i>
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 <i>RMB</i>	2015 <i>RMB</i>
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 <i>RMB</i>
2017	—
2018	—
2019	—
2020	—
2021	51,918,420
	51,918,420

29. SHARE CAPITAL

	<i>Number</i>	<i>RMB</i>
Authorised:		
At 1 January 2015, 31 December 2015, 1 January 2016 and 31 December 2016	<u>2,000,000,000</u>	<u>16,632,421</u>
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 (<i>note</i>)	<u>4,960,885</u>	<u>40,944</u>
At 31 December 2016	<u>251,771,079</u>	<u>2,037,681</u>

Note:

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

30. RESERVES

Company

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

Notes:

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

31. RELATED PARTY TRANSACTIONS

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

(a) Key management personnel compensation

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

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

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:

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

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

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

34. OPERATING LEASE COMMITMENTS

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

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

The Group as lessee	31 December	
	2016	2015
	<i>RMB</i>	<i>RMB</i>
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	<u>101,281,197</u>	<u>—</u>
	<u>224,692,654</u>	<u>9,615,396</u>

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	—
	<u>284,920,810</u>	<u>—</u>

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
	<u>—</u>	<u>22,400,000</u>

36. FINANCIAL INSTRUMENTS BY CATEGORY

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

Financial assets

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

	31 December	
	2016	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
	<u>230,996,455</u>	<u>322,073,752</u>

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:

	31 December	
	2016	2015
	<i>RMB</i>	<i>RMB</i>
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	<u>3,935,000</u>	<u>—</u>
	<u>80,455,705</u>	<u>44,780,919</u>

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 years ended 31 December 2016 and 2015. As at the Latest Practicable Date, there are no share options that have been granted but not yet exercised.

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

		2016 RMB	2015 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
		2016	2015
	<i>Note</i>	<i>RMB</i>	<i>RMB</i>
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.

3. AUDITED CONSOLIDATED FINANCIAL INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2017

The following financial information has been derived from the audited consolidated financial statements of the Group for the year ended 31 December 2017 as set forth in the annual results announcement of the Company for the year ended 31 December 2017. References to page number in this section refer to page number of the corresponding annual results announcement of the Company.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	<i>Notes</i>	2017 RMB	2016 RMB
Continuing operations			
Revenue	6	162,015,156	160,374,361
Cost of sales		(142,222,816)	(150,119,592)
Gross profit		19,792,340	10,254,769
Other income and gains	6	1,234,882	3,227,713
Selling and distribution expenses		(10,573,430)	(12,474,240)
Administrative and other expenses		(66,437,938)	(36,948,915)
Finance costs	7	(425,428)	(638,718)
Share of losses of associates		(1,890,329)	(4,348,914)
Share of profit of a joint venture		4,844,289	6,583,611
Losses before income tax expense	8	(53,455,614)	(34,344,694)
Income tax expense	11	(1,870,192)	(503,352)
Losses for the year from continuing operations		(55,325,806)	(34,848,046)
Discontinued operations			
Losses for the year from discontinued operations	12	(3,012,125)	(173,901,301)
Losses for the year		(58,337,931)	(208,749,347)
Other comprehensive income			
Item that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		46,127	(29,324)
Total comprehensive income for the year		(58,291,804)	(208,778,671)

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

	<i>Notes</i>	2017 RMB	2016 RMB
Losses for the year attributable to:			
Owners of the Company			
Losses for the year from continuing operations		(56,202,582)	(35,020,623)
Losses for the year from discontinued operations		<u>(3,012,125)</u>	<u>(173,901,301)</u>
		(59,214,707)	(208,921,924)
Non-controlling interests			
Profits for the year from continuing operations		<u>876,776</u>	<u>172,577</u>
		<u>(58,337,931)</u>	<u>(208,749,347)</u>
Total comprehensive income for the year attributable to:			
Owners of the Company			
Losses for the year from continuing operations		(56,156,455)	(35,049,947)
Losses for the year from discontinued operations		<u>(3,012,125)</u>	<u>(173,901,301)</u>
		(59,168,580)	(208,951,248)
Non-controlling interests			
Profits for the year from continuing operations		<u>876,776</u>	<u>172,577</u>
		<u>(58,291,804)</u>	<u>(208,778,671)</u>
Loss per share – Basic and diluted			
– From continuing operations		(0.23)	(0.14)
– From discontinued operations		<u>(0.01)</u>	<u>(0.70)</u>
	15	<u>(0.24)</u>	<u>(0.84)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	2017 RMB	2016 RMB
Assets			
Non-current assets			
Property, plant and equipment	16	10,689,462	12,599,059
Intangible assets	17	44,648,413	50,232,101
Interest in a joint venture	19	–	24,083,611
Interests in associates	20	–	1,822,595
Available-for-sale financial assets	21	–	2,250,000
Deposits	23	5,584,500	5,584,500
Deferred tax assets	29	1,312,793	4,297,193
Total non-current assets		62,235,168	100,869,059
Current assets			
Trade and bills receivables	22	89,229,785	136,814,137
Prepayments, deposits and other receivables	23	71,056,673	21,759,873
Tax recoverable		1,058,629	1,058,629
Restricted bank deposits	24	10,000,000	4,100,000
Cash and cash equivalents	25	53,772,080	80,210,595
		225,117,167	243,943,234
Assets classified as held for sale	13	8,760,115	–
Total current assets		233,877,282	243,943,234
Total assets		296,112,450	344,812,293
Liabilities			
Current liabilities			
Trade payables	26	40,976,809	45,121,455
Receipts in advance, other payables and accruals	27	41,928,085	35,634,848
Bank borrowings	28	9,565,000	3,935,000
Current tax liabilities		412,006	412,006
		92,881,900	85,103,309

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

	<i>Notes</i>	2017 RMB	2016 RMB
Liabilities associated with assets classified as held for sale	13	<u>2,927,849</u>	<u>—</u>
Total current liabilities		<u>95,809,749</u>	<u>85,103,309</u>
Net current assets		<u>138,067,533</u>	<u>158,839,925</u>
Total assets less current liabilities		<u>200,302,701</u>	<u>259,708,984</u>
Non-current liabilities			
Deposits received	27	<u>10,897,805</u>	<u>10,897,805</u>
Deferred tax liabilities	29	<u>8,913,659</u>	<u>10,027,867</u>
Total non-current liabilities		<u>19,811,464</u>	<u>20,925,672</u>
Total liabilities		<u>115,621,213</u>	<u>106,028,981</u>
NET ASSETS		<u>180,491,237</u>	<u>238,783,312</u>
Capital and reserves attributable to owners of the Company			
Issued capital	30	<u>2,037,681</u>	<u>2,037,681</u>
Reserves		<u>172,904,203</u>	<u>232,073,054</u>
Equity attributable to owners of the Company		<u>174,941,884</u>	<u>234,110,735</u>
Non-controlling interests		<u>5,549,353</u>	<u>4,672,577</u>
TOTAL EQUITY		<u>180,491,237</u>	<u>238,783,312</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Issued capital RMB	Share premium* RMB	Surplus* RMB	Exchange reserve* RMB (Note)	Statutory reserve* RMB	Retained profits* RMB	Equity attributable to owners of the Company RMB	Non- controlling interest RMB	Total RMB
At 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
(Losses)/profit for the year	-	-	-	-	-	(208,921,924)	(208,921,924)	172,577	(208,749,347)
Other comprehensive income	-	-	-	(29,324)	-	-	(29,324)	-	(29,324)
Total comprehensive income	-	-	-	(29,324)	-	(208,921,924)	(208,951,248)	172,577	(208,778,671)
Issue of new 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 and 1 January 2017	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
(Losses)/profit for the year	-	-	-	-	-	(59,214,707)	(59,214,707)	876,776	(58,337,931)
Other comprehensive income	-	-	-	46,127	-	-	46,127	-	46,127
Total comprehensive income	-	-	-	46,127	-	(59,214,707)	(59,168,580)	876,776	(58,291,804)
Disposal of a subsidiary	-	-	-	-	(271)	-	(271)	-	(271)
At 31 December 2017	<u>2,037,681</u>	<u>212,873,290</u>	<u>2,000,000</u>	<u>(851,975)</u>	<u>7,922,520</u>	<u>(49,039,632)</u>	<u>174,941,884</u>	<u>5,549,353</u>	<u>180,491,237</u>

* the aggregate of these reserve accounts are shown in the consolidated statements of financial position at the amounts of RMB172,904,203 and RMB232,073,054 as at 31 December 2017 and 2016 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 2017*

	2017 RMB	2016 RMB
Losses before income tax expense		
From continuing operations	(53,455,614)	(34,344,694)
From discontinued operations	(3,012,125)	(174,143,650)
	(56,467,739)	(208,488,344)
Adjustments for:		
Interest income	(913,091)	(441,518)
Finance costs	425,428	638,718
Amortisation of intangible assets	5,583,688	2,464,389
Depreciation of property, plant and equipment	2,251,761	1,440,876
Losses on write-off/disposals of property, plant and equipment	282,293	573,921
Loss on disposal of a subsidiary	155,686	–
Gain on disposal of financial assets at fair value through profit or loss	–	(15,411)
Impairment loss on trade receivables	4,007,887	12,478,397
Reversal of impairment loss on trade receivables	(127,050)	–
Reversal of impairment loss on prepayment, deposits, and other receivables	–	(1,589,804)
Impairment loss on prepayments, deposits and other receivables	–	2,610,649
Share of losses of associates	1,890,329	4,348,914
Share of profit on a joint venture	(4,844,289)	(6,583,611)
Impairment loss on remeasurement of assets held for sale	12,849,322	–
Impairment loss on goodwill	–	156,293,197
Impairment loss on intangible assets	–	1,500,221
Operating losses before working capital changes	(34,905,775)	(34,769,406)
Decrease in trade and bills receivables	43,703,515	37,591,961
Increase in prepayments, deposits and other receivables	(57,627,763)	(14,459,191)
Increase in trade and bills payables	15,154,234	3,207,604
Increase in receipts in advance, other payables and accruals	19,518,689	13,468,710
Purchases of financial assets at fair value through profit or loss	–	(10,100,000)
Proceed from disposal of financial assets at fair value through profit or loss	–	10,115,411
Cash flows from operating activities	(14,157,100)	5,055,089
Income taxes paid	–	(9,250,768)
Net cash used in operating activities	(14,157,100)	(4,195,679)

CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

	<i>Notes</i>	2017 RMB	2016 RMB
Cash flows from investing activities			
Balance payment in the acquisition of a subsidiary		–	(40,453,688)
Investment in an associate		(3,000,000)	(4,900,000)
Investment in a joint venture		–	(17,500,000)
Disposal of a subsidiary, net of cash acquired		(11,116,634)	–
Purchase of available-for-sale financial asset		–	(2,250,000)
Purchases of property, plant and equipment		(2,022,719)	(2,831,144)
Proceeds from disposals of property, plant and equipment		1,391,021	98,058
Proceed from disposal of available for sale financial asset		2,250,000	–
Interest received		913,091	441,518
Increase in restricted bank deposits		(5,900,000)	(4,100,000)
Net cash used in investing activities		(17,485,241)	(71,495,256)
Cash flows from financing activities			
Interest paid	34	(425,428)	(638,718)
New borrowings	34	9,565,000	3,935,000
Repayment of borrowings	34	(3,935,000)	(1,880,000)
Net proceeds from issue of ordinary shares		–	9,905,133
Net cash generated from financing activities		5,204,572	11,321,415
Net decrease in cash and cash equivalents		(26,437,769)	(64,369,520)
Effect of exchange rate changes on cash and cash equivalents		46,127	(29,324)
Cash and cash equivalents at the beginning of year		80,210,595	144,609,439
Cash and cash equivalents at the end of year		53,818,953	80,210,595
Analysis of the balances of cash and cash equivalents			
Cash and bank balances included in cash and bank balance	25	53,772,080	80,210,595
Cash and bank balances included in assets held for sale	13	46,873	–
		53,818,953	80,210,595

NOTES TO THE FINANCIAL STATEMENTS*For the year ended 31 December 2017***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.

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.

On 23 October 2017, Century Linker, SMU, Mr. Fang and Shanghai SumZone Enterprise entered into the SMU Termination Agreement whereby the parties thereto agreed that the Structured Contracts in relation to SMU would be terminated on the same day.

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

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

2.1 ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”)**(a) Adoption of new/revised IFRSs – effective on 1 January 2017**

Amendments to IAS 7	Disclosure Initiative
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Annual Improvements to IFRSs 2014–2016 Cycle	Amendments to IFRS 12, Disclosure of Interests in Other Entities

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

Amendments to IAS 7 – Disclosure Initiative

The amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The adoption of the amendments has led to the additional disclosure presented in the notes to the cash flow statement, note 34.

Annual Improvements to IFRSs 2014–2016 Cycle – Amendments to IFRS 12, Disclosure of Interests in Other Entities

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to IFRS 12, Disclosure of Interests in Other Entities, to clarify that the disclosure requirements of IFRS 12, other than the requirements to disclose summarised financial information, also apply to an entity’s interests in other entities classified as held for sale or discontinued operations in accordance with IFRS 5, Non-Current Assets Held for Sale and Discontinued Operations.

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

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

Annual Improvements to IFRSs 2014–2016 Cycle	Amendments to IFRS 1, First-time adoption of Hong Kong Financial Reporting Standards ¹
Annual Improvements to IFRSs 2014–2016 Cycle	Amendments to IAS 28, Investments in Associates and Joint Ventures ¹
Amendments to IFRS 2	Classification and Measurement of Share-Based Payment Transactions ¹
IFRS 9	Financial Instruments ¹
IFRS 15	Revenue from Contracts with Customers ¹
Amendments to IFRS 15	Revenue from Contracts with Customers (Clarification to IFRS 15) ¹
Amendments to HKAS 40	Transfers of Investment Property ¹
IFRIC-Int 22	Foreign Currency Transactions and Advance Consideration ¹
Amendments to IFRS 9	Prepayment Features with Negative Compensation ²
IFRS 16	Leases ²
IFRIC-Int 23	Uncertainty over Income Tax Treatments ²
Amendments to IFRSs	Annual Improvements to IFRSs 2015–2017 Cycle ²
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
IFRS 17	Insurance Contracts ⁴

- 1 Effective for annual periods beginning on or after 1 January 2018
- 2 Effective for annual periods beginning on or after 1 January 2019
- 3 Effective for annual periods beginning on or after a date to be determined
- 4 Effective for annual periods beginning on or after 1 January 2021

The Directors are in the process of assessing the impact of these new/revised IFRS and do not intend to adopt them before their respective effective dates. Other than Amendments to IAS 28, IFRS 9, IFRS 15 and IFRS 16, the Directors expect that the adoption of the new/revised IFRS above will have no material impact on the financial statements in the period of initial application. Specifically, the Group assesses the impact of Amendments to IAS 28, IFRS 9, IFRS 15 and IFRS 16 as follows:

Annual Improvements to IFRSs 2014–2016 Cycle – Amendments to IAS 28, Investments in Associates and Joint Ventures

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to IAS 28, Investments in Associates and Joint Ventures, clarifying that a Venture Capital organisation's permissible election to measure its associates or joint ventures at fair value is made separately for each associate or joint venture.

The adoption of the amendments to IFRS 12 has no impact on these financial statements as the latter treatment is consistent with the manner in which the Group has dealt with disclosures relating to its interests in other entities classified as held for sale or discontinued operations in according to IFRS.

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 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 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.

Amendments IFRS 15 – Revenue from Contracts with customers

The amendments to IFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

IFRS 16 – Leases

IFRS 16, which upon the effective date will supersede IAS 17 “Leases” and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more 12 months, unless the underlying asset is of low value. Specifically, under IFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, IAS 17.

In respect of the lessor accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

Total operating lease commitments of the Group in respect of office premises as at 31 December 2017 amounted to approximately RMB209,180,261 as disclosed in note 37. 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. In addition, the application of new requirement may result changes in measurement, presentation and disclosures as indicated above.

Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognized in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognized only to the extent of the unrelated investors' interests in the joint venture or associate.

2.2 BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable IFRSs, International Accounting Standards ("IASs") and Interpretations (hereinafter collectively referred to as the "IFRSs") 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 Group accounts for its interests joint operations by recognising its share of assets, liabilities, revenues and expenses in accordance with its contractually conferred rights and obligations.

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, 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	10–25% per annum
Leasehold improvement	over the lease term

An asset is write 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
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 or Held-to-maturity investment

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, amount due to an associate and a shareholder and bank borrowing. 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) *Non-current assets held for sale and disposal groups*

Non-current assets and disposal groups are classified as held for sale when:

- (i) they are available for immediate sale;
- (ii) management is committed to a plan to sell;
- (iii) it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn;
- (iv) an active programme to locate a buyer has been initiated;

- (v) the asset or disposal group is being marketed at a reasonable price in relation to its fair value; and
- (vi) a sale is expected to complete within 12 months from the date of classification.

Non-current assets and disposal groups classified as held for sale are measured at the lower of:

- (i) their carrying amount immediately prior to being classified as held for sale in accordance with the Group's accounting policy; and
- (ii) fair value less costs to sell.

Following their classification as held for sale, non-current assets (including those in a disposal group) are not depreciated.

The results of operations disposed of during the year are included in profit or loss up to the date of disposal.

(l) 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.

(m) 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.

(n) 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.

(iii) Termination benefits

Termination benefits are recognised on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

(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) 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.

(r) 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 operation lease 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.
- (s) 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 allowances for trade and other receivables

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

5. SEGMENT REPORTING

The chief operating decision-maker of the Group has been identified as the executive directors of the Company. The executive directors regularly review revenue and operating results derived from different segments.

The Group has three reportable segments in 2017 and 2016. The segments are managed separately as each business offers different services and requires different business strategies. The following summary describes the operations in each of the Group's reportable segments:

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

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 2017 and 2016 were classified as discontinued operations in the Group's consolidated financial statements.

(a) Business segment**For the year ended 31 December 2017**

	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	124,322,438	37,692,718	–	162,015,156	–	162,015,156
Segment results	(22,139,146)	(11,790,440)	–	(33,929,586)	992,266	(32,937,320)
Interest income	896,101	983	–	897,084	16,007	913,091
Finance costs	(425,428)	–	–	(425,428)	–	(425,428)
Impairment loss on trade receivables	–	–	–	–	(4,007,887)	(4,007,887)
Reversal of impairment loss on trade receivables	127,050	–	–	127,050	–	127,050
Share of losses of associates	–	(1,890,329)	–	(1,890,329)	–	(1,890,329)
Share of profit of a joint venture	–	4,844,289	–	4,844,289	–	4,844,289
Impairment loss on remeasurement of assets held for sale	–	(12,849,322)	–	(12,849,322)	–	(12,849,322)
Unallocated expenses (note (i))	–	–	(10,229,372)	(10,229,372)	(12,511)	(10,241,883)
Losses before income tax expense	(21,541,423)	(21,684,819)	(10,229,372)	(53,455,614)	(3,012,125)	(56,467,739)
Income tax expense	–	(1,870,192)	–	(1,870,192)	–	(1,870,192)
Losses for the year	(21,541,423)	(23,555,011)	(10,229,372)	(55,325,806)	(3,012,125)	(58,337,931)
Losses for the year from continuing operations	(21,541,423)	(23,555,011)	(10,229,372)	(55,325,806)	–	(55,325,806)
Loss for the year from discontinued operations (note 12)	–	–	–	–	(3,012,125)	(3,012,125)
	(21,541,423)	(23,555,011)	(10,229,372)	(55,325,806)	(3,012,125)	(58,337,931)
Asset and liabilities						
Reportable segment assets (note (ii))	173,504,992	88,942,264	17,298,087	279,745,343	7,606,992	287,352,335
Assets classified as held for sale	–	5,827,849	2,932,266	8,760,115	–	8,760,115
Reportable segment liabilities (note (ii))	52,617,352	37,731,437	15,433,249	105,782,038	6,911,326	112,693,364
Liabilities associated with assets classified as held for sale	–	2,927,849	–	2,927,849	–	2,927,849
Other Segment information						
Depreciation and amortisation	1,253,493	6,505,170	43,954	7,802,617	32,832	7,835,449

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 losses 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)
(Losses)/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)
(Losses)/profit for the year	(25,158,783)	5,510,524	(15,199,787)	(34,848,046)	(173,901,301)	(208,749,347)
(Losses)/profit for the year from continuing operations	(25,158,783)	5,510,524	(15,199,787)	(34,848,046)	–	(34,848,046)
Losses 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	2,813,581	–	17,564	2,831,145	–	2,831,145

Notes:

- (i) Unallocated expenses mainly include salaries, rental expenses, consultancy and professional fees for head office.
- (ii) Unallocated assets mainly include cash and cash equivalent in head office and unallocated liabilities mainly include 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 2017, revenue from transactions with 2 customers (2016: 3 customers) from traditional advertising segment and 1 customer (2016: N/A) from business park area management segment contributed over 10% of total revenue of the Group is as follows:

	Year ended 31 December							
	2017			Total	2016			Total
	Traditional Advertising income	Business park area management	Wireless Advertising income		Traditional Advertising income	Business park area management	Wireless Advertising income	
	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB
Client A	-	31,046,068	-	31,046,068	-	N/A	-	N/A
Client B	29,228,219	-	-	29,228,219	21,915,665	-	-	21,915,665
Client C	18,101,248	-	-	18,101,248	N/A	-	-	N/A
Client D	N/A	-	-	N/A	42,641,031	-	-	42,641,031
Client E	N/A	-	-	N/A	20,675,976	-	-	20,675,976

N/A: Transactions during the year did not exceed 10% of the Group's revenue.

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. An analysis of revenue and other income and gains is as follows:

	Year ended 31 December	
	2017 RMB	2016 RMB
Continuing operations		
Revenue:		
Advertising income	86,511,977	80,725,463
Public relation services income	22,572,530	53,077,002
Event marketing income	16,847,943	18,297,431
Less: cultural business development charge	(1,610,012)	(1,217,443)
	<u>124,322,438</u>	<u>150,882,453</u>
Rental income	<u>37,692,718</u>	<u>9,491,908</u>
Total	<u><u>162,015,156</u></u>	<u><u>160,374,361</u></u>
Other income and gains:		
Government grants (<i>note</i>)	162,008	2,653,841
Gain on disposal of financial assets at fair value through profit or loss	–	15,411
Interest income	897,084	415,470
Reversal of impairment loss on trade receivables	127,050	–
Others	48,740	142,991
	<u>1,234,882</u>	<u>3,227,713</u>
Total	<u><u>1,234,882</u></u>	<u><u>3,227,713</u></u>

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	
	2017	2016
	RMB	RMB
Continuing operations		
Interest on bank borrowings:		
– wholly repayable within one year	<u>425,428</u>	<u>638,718</u>

8. LOSSES BEFORE INCOME TAX EXPENSE

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

	Year ended 31 December	
	2017	2016
	RMB	RMB
Continuing operations		
Depreciation of property, plant and equipment	2,251,761	1,408,044
Amortisation of intangible assets	5,583,688	1,405,409
Minimum lease payments under operating leases for buildings	7,312,916	6,856,228
Employee benefit expenses (including directors' remuneration (note 9):		
Severance payment	11,601,261	–
Wages and salaries	12,094,258	10,517,407
Pension scheme contributions	<u>2,585,444</u>	<u>2,057,842</u>
	26,280,963	12,575,249
Auditor's remuneration	1,049,219	1,163,802
Losses on write-off/disposal of property, plant and equipment	282,293	569,339
Loss on disposal of a subsidiary	155,686	–
Reversal of impairment loss on trade receivables	(127,050)	–
Impairment losses on trade receivables	<u>4,007,887</u>	<u>3,023,200</u>

9. DIRECTORS' REMUNERATION

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

	Fee RMB	Salaries, allowances and benefit in kinds RMB	Pension scheme contributions RMB	Total RMB
Year ended 31 December 2017				
<i>Executive directors:</i>				
Mr. Fang Bin	–	720,000	88,149	808,149
Mr. Song Yijun	–	495,708	87,879	583,587
Mr. Patrick Zheng	–	455,000	–	455,000
Mr. Fan Youyuan	700,000	80,000	–	780,000
<i>Non-executive directors:</i>				
Mr. Zhou Ruijin	155,708	–	–	155,708
Mr. Lin Zhiming	155,708	–	–	155,708
Ms. Hsu Wai Man, Helen	155,708	–	–	155,708
	1,167,124	1,750,708	176,028	3,093,860

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

Note:

There was no arrangement under which a director waived or agreed to waive any remuneration during the years ended 31 December 2017 and 2016.

10. FIVE HIGHEST PAID EMPLOYEES

Of the five highest paid employees in the Group during the year ended 31 December 2017, four (2016: three) were directors of the Company whose emoluments are disclosed in note 9 above.

For the year ended 31 December 2017, details of the remuneration of the remaining one (2016: two) non-director, highest paid employee of the Group are as follows:

	Year ended 31 December	
	2017	2016
	RMB	RMB
Salaries, allowances and benefits in kinds	480,000	843,900
Pension scheme contributions	88,149	163,039
	568,149	1,006,939

During the years ended 31 December 2017 and 2016, 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 2017 and 2016.

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 2017 and 2016 was 25% on their taxable profits.

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

	Year ended 31 December	
	2017	2016
	RMB	RMB
Continuing Operations		
Current tax – PRC corporate income tax		
– tax for the year	–	–
– under provision in prior year	–	199,858
Deferred tax	1,870,192	303,494
Income tax expense	1,870,192	503,352

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

	Year ended 31 December	
	2017 RMB	2016 RMB
Continuing Operations		
Losses before income tax expense	<u>(53,455,614)</u>	<u>(34,344,694)</u>
Tax on losses before income tax expense, calculated at 25% (2016: 25%)	(13,363,904)	(8,586,173)
Tax effect of share of results of associates	472,583	1,087,229
Tax effect of share of results of a joint venture	(1,211,072)	(1,645,903)
Tax effect of non-deductible expenses	2,490,515	2,429,812
Tax effect of non-taxable income	(456,591)	(766,896)
Tax effect of tax losses not recognised	13,938,661	8,269,050
Others	<u>—</u>	<u>(283,767)</u>
Income tax expense	<u>1,870,192</u>	<u>503,352</u>

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 2017 and 2016, 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 2017 in the foreseeable future. Accordingly no deferred tax liabilities have been recognised as at 31 December 2017 and 2016.

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 2017 and 2016 is as below:

	2017 RMB	2016 RMB
Discontinued operations		
Revenue	–	20,283,308
Cost of sales	–	(17,895,426)
Gross profit	–	2,387,882
Other income and gains	2,184,843	3,614,433
Selling and distribution expenses	–	(198,939)
Administrative and other expenses	(5,196,968)	(22,153,608)
Impairment losses on goodwill	–	(156,293,197)
Impairment losses on intangible assets	–	(1,500,221)
Losses before income tax expense from discontinued operation (attributable to owners of the Company)	(3,012,125)	(174,143,650)
Income tax expense	–	(242,349)
Losses for the year from continuing operations	(3,012,125)	(173,901,301)
Net cash (used in)/generated from operating activities	(278,040)	24,566,830
Net cash used in investing activities	–	(40,473,952)
Net cash generated from financing activities	–	18,831
Net cash outflows	(278,040)	(15,888,291)

13. NON-CURRENT ASSETS HELD FOR SALE

During the year ended 31 December 2017, the Group decided to market a group of investments, including (i) 100% equity interest in the Company's direct and indirect wholly-owned subsidiaries, Elegant Expert Investment Limited and 上海和斐投資管理有限公司 ("Disposal Group"), (ii) 30% equity interest in an associate, as management has the view that results of fund management business is behind their expectation, and they prefer focusing on advertising business. The directors expect the disposals will be completed before the end of January 2018. As the marketing process has already begun before the year-end, the assets with a carrying amount of approximately RMB15,749,322 and RMB 2,932,000 respectively have been classified as held for sale in the consolidated statement of financial position.

In accordance with IFRS 5, the assets classified as held for sale are measured at lower of their carrying amount immediately prior to being classified as held for sale and fair value less costs to sell. (i) For the disposal of Disposal Group, impairment loss of RMB12,800,000 was recorded as the fair value less costs to sell is lower than the assets' carrying value immediately prior to being classified as held for sale. (ii) For the disposal of an associate, no impairment losses was recorded as the fair value less costs to sell is higher than the assets' carrying value immediately prior to being classified as held for sale.

The following major classes of assets and liabilities relating to the associate and the Disposal Group has been classified as held for sale in the consolidated statement of financial position:

	Year ended 31 December 2017 RMB
Interest in an associate	2,932,266
Interest in a joint venture	5,780,976
Cash and cash equivalents	46,873
Assets classified as held for sale	8,760,115
Other payables	2,927,849
Liabilities associated with assets classified as held for sale	2,927,849

14. DIVIDENDS

The directors do not recommend the payment of any dividend for the year ended 31 December 2017 (2016: Nil).

15. LOSS PER SHARE**(i) For continuing and discontinued operations**

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

	Year ended 31 December	
	2017	2016
	RMB	RMB
Losses		
Losses for the purposes of basic and diluted loss per share	<u>(59,214,707)</u>	<u>(208,921,924)</u>
Number of shares		
Weighted average number of ordinary shares	<u>251,771,079</u>	<u>250,144,559</u>
Basic and diluted loss per share	<u>(0.24)</u>	<u>(0.84)</u>

Diluted loss per share equals to basic loss per share, as there were no potential dilutive ordinary shares issued during the years ended 31 December 2017 and 2016.

(ii) For continuing operations

	Year ended 31 December	
	2017	2016
	RMB	RMB
Losses for the year attributable to owners of the Company	(59,214,707)	(208,921,924)
Less: Losses for the year from discontinued operations	<u>(3,012,125)</u>	<u>(173,901,301)</u>
	<u>(56,202,582)</u>	<u>(35,020,623)</u>
Basic and diluted loss per share from continuing operations	<u>(0.23)</u>	<u>(0.14)</u>

(iii) For discontinued operations

Basic and diluted loss per share for discontinued operations is RMB0.01 (2016: loss per share RMB0.70), based on the losses for the year from the discontinued operations of RMB3,012,125 (2016: loss of RMB173,901,301) and the denominators detailed above for both basic and diluted loss per share.

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvement <i>RMB</i>	Office furniture and equipment <i>RMB</i>	Motor vehicles <i>RMB</i>	Total <i>RMB</i>
31 December 2017				
Cost:				
At 1 January 2017	8,393,320	1,275,411	5,129,631	14,798,362
Additions	239,640	213,079	1,570,000	2,022,719
Disposals	–	–	(2,463,432)	(2,463,432)
Disposal of a subsidiary	–	(7,241)	–	(7,241)
Write off	–	(23,361)	(196,410)	(219,771)
At 31 December 2017	8,632,960	1,457,888	4,039,789	14,130,637
Accumulated depreciation:				
At 1 January 2017	226,847	599,880	1,372,576	2,199,303
Charge for the year	921,482	277,371	1,052,908	2,251,761
Eliminated on disposals	–	–	(869,128)	(869,128)
Eliminated on write off	–	(20,265)	(120,496)	(140,761)
At 31 December 2017	1,148,329	856,986	1,435,860	3,441,175
Net book value:				
At 31 December 2017	7,484,631	600,902	2,603,929	10,689,462
At 1 January 2016	–	1,315,610	3,413,126	4,728,736
Additions through business combination (note 35)	8,393,320	–	–	8,393,320
Additions	–	134,639	2,696,505	2,831,144
Disposals	–	–	(980,000)	(980,000)
Write off	–	(174,838)	–	(174,838)
At 31 December 2016	8,393,320	1,275,411	5,129,631	14,798,362
Accumulated depreciation:				
At 1 January 2016	–	505,253	736,033	1,241,286
Charge for the year	226,847	247,786	966,243	1,440,876
Eliminated on disposals	–	–	(329,700)	(329,700)
Eliminated on write off	–	(153,159)	–	(153,159)
At 31 December 2016	226,847	599,880	1,372,576	2,199,303
Net book value:				
At 31 December 2016	8,166,473	675,531	3,757,055	12,599,059

17. INTANGIBLE ASSETS

	Customer relationship <i>RMB</i>	Computer software <i>RMB</i>	Operating lease <i>RMB</i>	Total <i>RMB</i>
31 December 2017				
Cost:				
At 1 January 2017 and 31 December 2017	–	126,496	51,532,097	51,658,593
Accumulated amortisation and impairment losses:				
At 1 January 2017	–	33,733	1,392,759	1,426,492
Charge for the year	–	12,650	5,571,038	5,583,688
At 31 December 2017	–	46,383	6,963,797	7,010,180
Net book value:				
At 31 December 2017	–	80,113	44,568,300	44,648,413
31 December 2016				
Cost:				
At 1 January 2016	4,351,600	1,069,796	–	5,421,396
Additions through business combination (<i>note 35</i>)	–	–	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 losses:				
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
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

18. INVESTMENT IN SUBSIDIARIES

The following are the details of the Group's principal subsidiaries at 31 December 2017 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 US1, unpaid	100%	–	Investment holding
Grand Rapids Mobile International Holding Ltd.	The British Virgin Islands	1 ordinary share of US\$1, paid	100%	–	Investment holding
Super Captain Investment Limited	Hong Kong	HK\$10,000	100%	–	Investment holding
Elegant Expert Investment Limited	Hong Kong	HK\$10,000	100%	–	Investment holding
SMU	The PRC (limited liability company under the laws of the PRC)	Registered capital RMB2,000,000, fully paid	–	100%	Provision for advertising, public relation and event market services in the PRC
上海三眾廣告有限公司 ("SumZone Advertising")	The PRC (limited liability company under the laws of the PRC)	Registered capital RMB5,000,000, fully paid	–	100%	Provision for advertising services in the PRC
上海三眾營銷策劃有限公司 ("SumZone Marketing")	The PRC (limited liability company under the laws of the PRC)	Registered capital RMB5,000,000, fully paid	–	100%	Provision for advertising services in the PRC
上海巨流信息科技 有限公司 ("Ju Liu Information")	The PRC (limited liability company under the laws of the PRC)	Registered capital RMB1,000,000, fully paid	–	100%	Provision for advertising services in the PRC
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 park area operating 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

	2017	2016
	RMB	RMB
For the year ended 31 December 2017/period ended 31 December 2016 (since date of acquisition 1 October 2016)		
Revenue	38,615,481	9,504,380
Profits for the year	8,767,763	1,725,766
Total comprehensive income	8,767,763	1,725,766
	<u>876,776</u>	<u>172,577</u>
Profits allocated to non-controlling interests		
	<u>876,776</u>	<u>172,577</u>
Dividends paid to non-controlling interest	<u>–</u>	<u>–</u>
Cash inflows from operating activities	876,143	3,092,996
Cash (outflows)/inflows from investing activities	(238,658)	527
Cash outflows from financing activities	<u>–</u>	<u>(1,894,836)</u>
Net cash inflows	<u>637,485</u>	<u>1,198,687</u>
Current assets	28,703,705	14,180,118
Non-current assets	65,914,020	69,580,263
Current liabilities	(17,919,973)	(15,830,391)
Non-current liabilities	<u>(21,204,224)</u>	<u>(21,204,224)</u>
Net assets	<u>55,493,528</u>	<u>46,725,766</u>
Accumulated non-controlling interests	<u>5,549,353</u>	<u>4,672,577</u>

19. INTEREST IN A JOINT VENTURE

	31 December 2017 RMB	2016 RMB
Share of net assets other than goodwill	4,544,178	9,997,491
Goodwill	14,086,120	14,086,120
Transferred to assets held for sale (<i>note 13</i>)	(18,630,298)	–
	–	24,083,611

The Group has 34% (2016: 34%) 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 providing 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
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
<i>Included in the above amounts are:</i>	
Cash and cash equivalents	12,118,692
Current financial liabilities (excluding trade and other payables)	(9,982,283)
Non-current financial liabilities (excluding other payables and provision)	–
For the period ended 31 December (since date of acquisition 1 February 2016)	
Revenues	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	–
<i>Included in the above amounts are:</i>	
Depreciation and amortisation	148,692
Interest income	52,508
Interest expense	–
Income tax expense	6,467,681

20. INTERESTS IN ASSOCIATES

	31 December 2017 RMB	2016 RMB
Share of net assets	2,932,266	1,822,595
Transferred to assets held for sale (<i>note 13</i>)	(2,932,266)	—
	—	1,822,595

The investments in associates are unlisted equity interests and details of the Group's associate as at 31 December 2017 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
上海和平濱湖健康管理發展有限公司 ("Shanghai Hepingbinhu") (<i>Note</i>)	Corporation	The PRC	RMB3,000,000	30%	Provision of asset management services

The amount of unrecognised share of the associates, extracted from the relevant management account of associate, both for the year and cumulatively, are as follows:

	RMB	RMB
Unrecognised share of losses of associates for the year	1,432,998	—

Note: Shanghai Hepingbinhu is classified as assets held for sale during the year.

Shanghai Yunbao

	Year ended 31 December	
	2017	2016
	RMB	RMB
Current assets	2,578,905	6,423,688
Non-current assets	2,082,316	497,523
Current liabilities	(7,888,941)	(3,201,629)
Non-current liabilities	(530,000)	–
Net (liabilities)/assets	(3,757,720)	3,719,582
Group's share of the net assets of the associate	–	1,822,595
For the year/period ended 31 December		
Revenue	–	–
Losses from continuing operations	(6,644,068)	(6,280,418)
Other comprehensive income	–	–
Total comprehensive income	(6,644,068)	(6,280,418)
Dividends received by the group 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 is set out below:

	Year ended 31 December	
	2017	2016
	RMB	RMB
Loss for the year	–	(1,271,509)
Other comprehensive income	–	–
Total comprehensive income	–	(1,271,509)

21. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	31 December	
	2017	2016
	RMB	RMB
Unlisted equity securities in the PRC, at cost (<i>note</i>)	–	2,250,000

Note:

- (i) The Group owns 15% of this available-for-sale financial assets, the Group's COO, one of the director and his spouse hold the rest of the equity interests of this available-for-sale financial assets. Management considers that this company is the related party of the Group.
- (ii) On 8 December 2017, the Group disposed 15% of this available-for-sale financial assets to an independence third party with consideration of RMB2,250,000. No gain/loss arise in this transaction.

22. TRADE AND BILLS RECEIVABLES

	31 December	
	2017	2016
	RMB	RMB
Trade receivables	97,272,407	144,983,809
Less: Impairment	(8,122,622)	(8,249,672)
	89,149,785	136,734,137
Bills receivables	80,000	80,000
	89,229,785	136,814,137

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 2017 represented 60% (2016: 57%) of total trade receivables, while 16% (2016: 29%) 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 and bills receivables as at the end of the reporting periods, based on the provision of service date, is as follows:

	31 December	
	2017	2016
	RMB	RMB
Not more than 1 month	25,268,978	25,087,321
More than 1 month but not more than 3 months	24,138,919	33,289,857
More than 3 months but not more than 6 months	15,377,335	37,367,668
More than 6 months but not more than 1 year	24,364,553	40,198,403
Over 1 year	–	790,888
	89,149,785	136,734,137
Bills receivables	80,000	80,000
	89,229,785	136,814,137

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

	31 December	
	2017	2016
	RMB	RMB
Neither past due nor impaired (<i>note i</i>)	75,843,404	125,818,448
Past due but not impaired (<i>note ii</i>):		
less than 1 month	6,018,745	4,010,632
1 to 3 months	5,367,088	151,515
more than 3 months but less than 12 months	2,000,548	6,753,542
	89,229,785	136,734,137

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	
	2017	2016
	RMB	RMB
At the beginning of the year	8,249,672	123,875
Reversal of impairment loss previously recognised	(127,050)	–
Impairment losses recognised	4,007,887	12,478,397
Bad debts written off	(4,007,887)	(4,352,600)
At the end of the year	8,122,622	8,249,672

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

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	31 December 2017 RMB	2016 RMB
Current		
Deposits	1,552,677	182,458
Prepayments (<i>note (a)</i>)	24,136,125	11,507,811
Rent incentive	17,855,005	10,505,334
Advance payment for event marketing expenses	743,442	1,467,670
Other receivables (<i>note(b)</i>)	29,380,073	707,249
	73,667,322	24,370,522
Less: impairment	(2,610,649)	(2,610,649)
	71,056,673	21,759,873
Non-current		
Deposits paid that are not repayable within one year	5,584,500	5,584,500
	76,641,173	27,344,373

Notes:

- (a) At the end of the reporting period, prepayments of RMB19,019,364 (2016: RMB6,079,543) in total were paid to 4 (2016: 4) 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.
- (b) Included in other receivables were amount due from 上海三眾品牌管理有限公司 (“三眾品牌”) of RMB18,501,910 (2016: N/A) and consideration receivable of RMB3,000,000 arising from disposal of 三眾品牌. These receivables have been fully settled in March 2018.

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

	31 December 2017 RMB	2016 RMB
At the beginning of the year	2,610,649	1,589,804
Reversal of impairment loss previously recognised	–	(1,589,804)
Impairment loss	–	2,610,649
At the end of the year	2,610,649	2,610,649

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

24. RESTRICTED BANK DEPOSITS

The Group's restricted bank deposits were denominated in RMB, and as collateral for bank borrowings. The effective interest rates on restricted bank deposits 1.80% per annum as at 31 December 2017 (2016: 1.80% per annum).

25. CASH AND CASH EQUIVALENTS

The cash and cash equivalents of RMB53,501,136(2016: RMB80,210,595) 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.

26. 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	
	2017	2016
	RMB	RMB
Not more than 1 month	21,429,688	20,845,731
More than 1 month but not more than 3 months	9,749,790	11,467,583
More than 3 months but not more than 6 months	414,720	2,995,229
More than 6 months but not more than 1 year	1,936,330	5,280,708
Over 1 year	7,446,281	4,532,204
	40,976,809	45,121,455

27. RECEIPTS IN ADVANCE, OTHER PAYABLES AND ACCRUALS

	31 December 2017 RMB	2016 RMB
Current		
Receipts in advance from clients	6,839,063	3,153,155
Rent incentive	11,503,086	11,980,248
Other payables and accruals (<i>note (i)</i>)	23,585,936	7,275,994
Amount due to a joint venture (<i>note (ii)</i>)	2,927,849	13,225,451
Reclassified as held for sale	(2,927,849)	–
	41,928,085	35,634,848
Non-current		
Deposits received	10,897,805	10,897,805
	52,825,890	46,532,653

Notes:

- (i) Included in other payables and accruals were amount due to 三眾品牌 of RMB11,327,491 (2016: N/A) arising from disposal of 三眾品牌. The amount due has been fully settled in March 2018.
- (ii) The amount due is unsecured, interest-free and repayable on demand.

28. BANK BORROWINGS

	31 December 2017 RMB	2016 RMB
Secured interest-bearing loans	9,565,000	3,935,000

The secured bank borrowings of the Group were guaranteed by the subsidiary of the Group, Shanghai SumZone Enterprise, repayable within one year and a deposit of RMB10,000,000 (2016: RMB 4,100,000) (note 24) is pledged for the bank borrowings. Annual interest is charged at 4.4% (2016: 2.9% to 4.4%).

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

29. DEFERRED TAX ASSETS/(LIABILITIES)

	Deferred tax assets in respect of tax loss <i>RMB</i>	Deferred tax liabilities in respect of fair value surplus in respect of business combination <i>RMB</i>	Total <i>RMB</i>
At 1 January 2016	–	(639,800)	(639,800)
Acquired through acquisition of subsidiary (note 35)	4,879,239	(10,306,419)	(5,427,180)
(Charged)/credited to profit or loss	<u>(582,046)</u>	<u>918,352</u>	<u>336,306</u>
At 31 December 2016 and 1 January 2017	4,297,193	(10,027,867)	(5,730,674)
(Charged)/credited to profit or loss	<u>(2,984,400)</u>	<u>1,114,208</u>	<u>(1,870,192)</u>
At 31 December 2017	<u>1,312,793</u>	<u>(8,913,659)</u>	<u>(7,600,866)</u>

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

	31 December 2017 <i>RMB</i>	2016 <i>RMB</i>
Deferred tax assets	<u>1,312,793</u>	<u>4,297,193</u>
Deferred tax liabilities	<u>(8,913,659)</u>	<u>(10,027,867)</u>

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

30. SHARE CAPITAL

	2017 Number	2017 RMB	2016 Number	2016 RMB
Authorised:				
At the beginning and at the end of the year	<u>2,000,000,000</u>	<u>16,632,421</u>	<u>2,000,000,000</u>	<u>16,632,421</u>
Issued and fully paid:				
At beginning of the year	251,771,079	2,037,681	246,810,194	1,996,737
Issue of shares upon by way of placements (<i>Note</i>)	–	–	4,960,885	40,944
At the end of the year	<u>251,771,079</u>	<u>2,037,681</u>	<u>251,771,079</u>	<u>2,037,681</u>

Note:

On 29 April 2016, the Company issued 4,960,885 shares to a third-party investor (the “Investor”) pursuant to the subscription agreement dated 16 November 2015 (as amended and supplemented by the supplemental agreement dated 29 February 2016) and entered into between the Company and the Investor for an aggregate of approximately HK\$12,005,342 (equivalent to RMB9,908,489) with transaction costs of HK\$4,000 (equivalent to RMB3,356) attributed to the issue of shares. The share capital and share premium increased by RMB40,944 and RMB9,864,189 respectively.

31. RESERVES

Company	Share Premium (<i>note a</i>) RMB	Exchange reserve (<i>note b</i>) RMB	Accumulated losses (<i>note c</i>) RMB	Total RMB
At 1 January 2016	203,009,101	996,471	(25,120,362)	178,885,210
Losses 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 new shares by way of placements	9,864,189	–	–	9,864,189
At 31 December 2016 and 1 January 2017	212,873,290	2,707,038	(31,685,657)	183,894,671
Losses for the year	–	–	(166,827,999)	(166,827,999)
Other comprehensive income	–	(1,769,374)	–	(1,769,374)
Total comprehensive income	–	(1,769,374)	(166,827,999)	(168,597,373)
At 31 December 2017	<u>212,873,290</u>	<u>937,664</u>	<u>(198,513,656)</u>	<u>15,297,298</u>

Notes:

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

32. RELATED PARTY TRANSACTIONS

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

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	
	2017	2016
	RMB	RMB
Salaries, allowances and benefits in kinds	4,927,458	4,602,094
Pension scheme contributions	751,339	657,014
	<u>5,678,797</u>	<u>5,259,108</u>

33. MATERIAL INTERESTS OF DIRECTORS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Except as disclosed in note 32 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.

34. NOTES SUPPORTING CASH FLOW STATEMENT

Reconciliation of liabilities arising from financing activities:

	Bank borrowings
	(note 28)
	RMB
At 1 January 2017	3,935,000
Changes from cash flows:	
Proceeds from new bank borrowings	9,565,000
Repayment of bank loans	(3,935,000)
Interest paid	<u>(425,428)</u>
Total changes from financing cash flows:	5,204,572
Other charge:	
Interest expenses	<u>425,428</u>
At 31 December 2017	<u>9,565,000</u>

35. BUSINESS ACQUISITION

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 does 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:

	<i>RMB</i>
Property, plant and equipment (<i>note 16</i>)	8,393,320
Intangible assets (<i>note 17</i>)	51,532,097
Trade and other receivables	17,333,298
Cash and cash equivalents	46,312
Trade and other payables	(24,997,847)
Borrowings	(1,880,000)
Deferred tax liabilities (<i>note 29</i>)	(5,427,180)
Non-controlling interests	(4,500,000)
	<u>40,500,000</u>
Cash consideration	<u>40,500,000</u>
Net cash outflows arising from acquisition:	
Cash consideration paid	40,500,000
Cash and cash equivalents acquired	(46,312)
	<u>40,453,688</u>

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

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

36. DISPOSAL OF A SUBSIDIARY

On 21 December 2017, the Group disposed of its subsidiary 三眾品牌 which is engaged in the provision for advertising services in the PRC. The net assets of 三眾品牌 at the date of disposal were as follows:

	Carrying amount RMB
Property, plant and equipment	7,241
Other receivables	11,330,963
Cash and cash equivalents	11,116,634
Trade and other payables	<u>(19,298,881)</u>
	3,155,957
Release of statutory reserve upon disposal	(271)
Loss on disposal of a subsidiary	<u>(155,686)</u>
Total consideration receivables	<u><u>3,000,000</u></u>
Net cash outflows arising from disposal:	
Cash and cash equivalents disposed	<u><u>11,116,634</u></u>

37. 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 2017 RMB	2016 RMB
Within one year	30,834,647	24,837,495
In the second to fifth years, inclusive	101,692,065	98,573,962
After five years	<u>76,653,549</u>	<u>101,281,197</u>
	<u><u>209,180,261</u></u>	<u><u>224,692,654</u></u>

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	
	2017	2016
	RMB	RMB
Within one year	26,586,600	26,586,600
In the second to fifth years, inclusive	111,664,800	105,460,450
After five years	109,005,060	152,873,760
	247,256,460	284,920,810

38. FINANCIAL INSTRUMENTS BY CATEGORY

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

Financial assets

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

	Year ended 31 December	
	2017	2016
	RMB	RMB
Available-for-sale financial assets:		
Unlisted investment	–	2,250,000
Loans and receivables		
Trade and bills receivables	89,229,785	136,814,137
Financial assets included in deposits and other receivables	36,940,537	7,621,723
Restricted bank deposits	10,000,000	–
Cash and cash equivalents	53,772,080	84,310,595
	189,942,402	230,996,455

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	
	2017	2016
	RMB	RMB
Financial liabilities measured at amortised cost		
Trade payables	40,976,809	45,121,455
Financial liabilities included in accrued liabilities and other payables	35,089,023	31,399,250
Bank borrowings	9,565,000	3,935,000
	85,630,832	80,455,705

39. 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 RMB270,201 (2016: RMB124,513) that are denominated in Hong Kong Dollars ("HKD"). It is estimated that upon an appreciation or depreciation of 4% (2016: 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 2017 and 2016.

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.

40. 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 2017 and 2016.

41. HOLDING COMPANY STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

	2017 <i>RMB</i>	2016 <i>RMB</i>
Assets		
Non-current assets		
Investments in subsidiaries	16,096	161,682,763
Current assets		
Prepayments and other receivables	409,658	638,913
Amounts due from subsidiaries	37,240,768	38,829,799
Cash and cash equivalents	621,933	106,965
Total current assets	38,272,359	39,575,677
Total assets	38,288,455	201,258,440
Liabilities		
Current liabilities		
Other payables and accruals	2,477,105	2,556,063
Amounts due to subsidiaries	8,911,371	8,835,025
Bank borrowings	9,565,000	3,935,000
Total current liabilities	20,953,476	15,326,088
Net current assets	17,318,883	24,249,589
Total assets less current liabilities	17,334,979	185,932,352
Total liabilities	20,953,476	15,326,088
NET ASSETS	17,334,979	185,932,352

	<i>Note</i>	2017 RMB	2016 RMB
Capital and reserve attributable to owners of the Company			
Issued capital		2,037,681	2,037,681
Share premium	31	212,873,290	212,873,290
Exchange reserve	31	937,664	2,707,038
Accumulated losses	31	(198,513,656)	(31,685,657)
TOTAL EQUITY		17,334,979	185,932,352

42. EVENT AFTER THE REPORTING DATE

- (i) On 18 January 2018, Branding China Group Limited has entered to the Equity Transfer Agreement with Da Mau International Limited of transferring 100% of equity interest of Elegant Expert Investment Limited, a direct wholly owned subsidiary, to Da Mau International Limited at the consideration of RMB2,900,000.
- (ii) The Company was informed by the existing shareholders (Vendors) that on 24 January 2018, East Harvest Global Limited (the Offeror), the Vendors and ultimate beneficial owners of the vendors (the Guarantors) entered into the Sale and Purchase Agreement in relation to the sale and purchase of 187,510,194 Sale Shares for the total consideration of HK\$595,811,702 (equivalent to approximately HK\$3.18 per Sale Share). The completion of sales and purchases of the sales share took place on 25 January 2018.

43. APPROVAL OF FINANCIAL STATEMENTS

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

4. INDEBTEDNESS STATEMENT

As at 28 February 2018, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Composite Document, the Group had aggregate secured bank loans of approximately RMB9.6 million, deposits of RMB10 million of the Group were pledged to secure this bank loans.

Save as disclosed above and apart from intra-group liabilities and normal trade and other payables, the Group did not have any loan capital issued or agreed to be issued, debt securities issued and outstanding, authorised or otherwise created but unissued, bank overdrafts or loans or term loans, other borrowings or other similar indebtedness, liabilities under acceptances, acceptance credits, debentures, mortgages, charges, finance lease or hire purchase commitments, guarantees or other material contingent liabilities outstanding at the close of business on 28 February 2018.

5. MATERIAL CHANGE

Except (i) as set out in this Composite Document as regards the Offer; and (ii) the Sale and Purchase Agreement entered into among the Offeror, the Vendors and the Guarantors in relation to the Sale Shares as set out in the Joint Announcement, the Directors confirm that there has been no material change in the financial or trading position or outlook of the Group since 31 December 2017, being the date to which the latest published audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date.

RESPONSIBILITY STATEMENT

This Composite Document includes particulars given in compliance with the Takeovers Code for the purpose of giving information with regard to the Offer, the Offeror and the Group.

The directors of the Offeror jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than that relating to the Group), and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than that expressed by the Directors) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement contained in this Composite Document misleading.

DISCLOSURE OF INTERESTS BY THE OFFEROR

As at the Latest Practicable Date, the Offeror and parties acting in concert with it held 187,510,194 Shares.

The Offeror is an investment holding company incorporated in the British Virgin Islands with limited liability which is owned as to 60.42% by Wise Aloe, 32.87% by Colour Day and 6.71% by Smart Mission. Wise Aloe is owned as to 89% by Bell Haven and 11% by Colour Day. Bell Haven is owned as to 30.82% by Mr. Lo Ken Bon, 22.09% by Mr. Chapman David James, 22.09% by Mr. Madden Hugh Douglas and 25% by Ms. Cheng Wan Gi. Colour Day is wholly-owned by Mr. Ko Chun Shun Johnson. Smart Mission is wholly-owned by Ms. Peng Cheng.

Save as disclosed above, as at the Latest Practicable Date, none of the Offeror and parties acting in concert with it owned or controlled any securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company.

DEALING AND INTERESTS IN THE COMPANY'S SECURITIES AND OTHER ARRANGEMENTS

Save for the Sale Shares held by the Offeror and Lapta's Shareholding Interest, none of the Offeror and parties acting in concert with it has dealt in nor owned any Shares or relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company during the period from the commencement of the Relevant Period up to immediately before the Remaining Consideration was paid on 23 March 2018. During the period from the Remaining Consideration having been paid on 23 March 2018 up to and including the Latest Practicable Date, none of the Offeror and parties acting in concert with it has dealt in any Shares or relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company, and save for the Sale Shares, none of the Offeror and parties acting in concert with it owned any Shares or relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company.

- (a) During the period from the commencement of the Relevant Period up to immediately before the Remaining Consideration was paid on 23 March 2018, save for the Sale Shares held by the Offeror and Lapta's Shareholding Interest, none of the Offeror, its ultimate beneficial owners and parties acting in concert with any of them (including the directors of the Offeror) holds, owns or has control or direction over any voting rights or rights over any Shares, convertible securities, warrants, options or derivatives of the Company. During the period from the Remaining Consideration having been paid on 23 March 2018 up to and including the Latest Practicable Date, save for the Sale Shares, none of the Offeror, its ultimate beneficial owners and parties acting in concert with any of them (including the directors of the Offeror) holds, owns or has control or direction over any voting rights or rights over any Shares, convertible securities, warrants, options or derivatives of the Company.
- (b) During the Relevant Period and as at the Latest Practicable Date, there is no outstanding derivative in respect of securities in the Company which is owned, controlled or directed by, or has been entered into by the Offeror, its ultimate beneficial owners and parties acting in concert with any of them.
- (c) During the Relevant Period and as at the Latest Practicable Date, none of the Offeror, its ultimate beneficial owners and parties acting in concert with any of them (including the directors of the Offeror) has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company.
- (d) During the Relevant Period and as at the Latest Practicable Date, save for the Sale and Purchase Agreement, the Facility Agreement and the Share Charges, none of the Offeror, its ultimate beneficial owners and parties acting in concert with any of them (including the directors of the Offeror) has any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code.
- (e) During the Relevant Period and as at the Latest Practicable Date, there is no agreement or arrangement to which the Offeror, its ultimate beneficial owners and parties acting in concert with any of them (including the directors of the Offeror) is a party which relates to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Offer.

- (f) During the Relevant Period and as at the Latest Practicable Date, none of the Offeror, its ultimate beneficial owners and parties acting in concert with any of them (including the directors of the Offeror) has received any irrevocable commitment to accept or reject the Offer.
- (g) During the Relevant Period and as at the Latest Practicable Date, save for the Facility Agreement and Share Charges, there was no agreement, arrangement or understanding that any securities of the Company acquired in pursuance of the Offer would be transferred, charged or pledged to any other persons.
- (h) During the Relevant Period and as at the Latest Practicable Date, there is no agreement or arrangement which constitutes a special deal under Rule 25 of the Takeovers Code between the Vendors and their ultimate beneficial owners on one hand and the Offeror, its ultimate beneficial owners and parties acting in concert with any of them (including the directors of the Offeror) on the other hand.
- (i) During the Relevant Period and as at the Latest Practicable Date, save for the total consideration for the Sale Shares of HK\$595,811,702.42, there is no other consideration or benefit in whatever form paid or payable by the Offeror, its ultimate beneficial owners and any party acting in concert with any of them (including the directors of the Offeror) to the Vendors and their ultimate beneficial owners.

GENERAL

As at the Latest Practicable Date:

- (a) there was no arrangement whereby benefit (other than statutory compensation) was or will be given to any Directors as compensation for loss of office or otherwise in connection with the Offer; and
- (b) there was no agreement, arrangement, or understanding (including any compensation arrangement) between the Offeror or any person acting in concert with it and any Directors, recent Directors, Shareholders or recent Shareholders having any connection with or was dependent upon the Offer.

MARKET PRICE

The table below shows the closing price of the Shares quoted on the Stock Exchange on (i) the last day on which trading took place in each of the calendar months during the Relevant Period; (ii) the Last Full Trading Day; (iii) the Last Trading Day; and (iv) the Latest Practicable Date:

Date	Closing price per Share (HK\$)
2017	
31 July	2.00
31 August	2.00
29 September	2.29
31 October	2.20
30 November	2.27
29 December	2.76
2018	
23 January (Last Full Trading Day)	3.75
24 January (Last Trading Day)	4.60
31 January	7.20
28 February	16.38
29 March	13.00
Latest Practicable Date	15.14

During the Relevant Period the highest closing price of the Shares quoted on the Stock Exchange was HK\$20.00 per Share on 7 February 2018 and the lowest closing price of the Shares quoted on the Stock Exchange of HK\$1.92 per Share on 14 August 2017.

EXPERTS AND CONSENTS

The followings are the qualification of the experts whose letter or opinion is contained in this Composite Document:

Name	Qualifications
Kingston Corporate Finance	a licensed corporation to carry on Type 6 (advising on corporate finance) regulated activity under the SFO
Kingston Securities	a licensed corporation to carry on Type 1 (dealing in securities) regulated activity under the SFO

Each of Kingston Securities and Kingston Corporate Finance has given and was not withdrawn their written consents to the issue of this Composite Document with the inclusion of the text of its letter or report and/or references to its name in the form and context in which they are respectively included.

MISCELLANEOUS

As at the Latest Practicable Date:

- (a) The principal members of the Offeror's concert group are the Offeror, Wise Aloe, Bell Haven, Colour Day, Mr. Ko Chun Shun Johnson and Mr. Lo Ken Bon;
- (b) The registered address of the office of each of the Offeror, Wise Aloe, Bell Haven and Colour Day is Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola VG1110, British Virgin Islands;
- (c) The correspondence address of each of the Offeror and Mr. Ko Chun Shun Johnson is c/o Suite 3901, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong;
- (d) The correspondence address of Mr. Lo Ken Bon is Flat B, 19th Floor, CNT Tower, 338 Hennessy Road, Wan Chai, Hong Kong;
- (e) The registered address of Kingston Corporate Finance is Suite 2801, 28/F., One International Finance Centre, 1 Harbour View Street, Central, Hong Kong; and
- (f) The registered address of Kingston Securities is Suite 2801, 28/F., One International Finance Centre, 1 Harbour View Street, Central, Hong Kong.

DOCUMENTS AVAILABLE FOR INSPECTION AND DOCUMENTS ON DISPLAY

Copies of the following documents are available for inspection (i) at the principal office of the Company at Room 1603, 16/F, China Building, 29 Queen's Road Central, Hong Kong during normal business hours from 9:30 a.m. to 5:30 p.m. (on any weekdays, except public holidays); (ii) on the website of the Company (www.brandingchinagroup.com); and (iii) on the website of the SFC (<http://www.sfc.hk>), from the date of this Composite Document up to and including the Closing Date:

- (a) the memorandum and articles of association of the Offeror;
- (b) the letter from Kingston Securities, the text of which is set out on pages 8 to 17 of this Composite Document; and
- (c) the written consents referred to under the paragraph headed "EXPERTS AND CONSENTS" in this appendix.

1. RESPONSIBILITY STATEMENT

This Composite Document includes particulars given in compliance with the Takeovers Code for the purpose of providing information to the Shareholders with regard to the Offeror, the Group and the Offer.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than that relating to the Offeror and parties acting in concert with it) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than those expressed by the Offeror and parties acting in concert with it) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statements in this Composite Document misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company since the end of 31 December 2016 and as at the Latest Practicable Date were as follows:

<i>Authorised</i>	<i>HK\$</i>
<u>2,000,000,000 shares</u>	<u>20,000,000.00</u>
<i>Issued</i>	
<u>251,771,079 shares</u>	<u>2,517,710.79</u>

As at the Latest Practicable Date, there were no outstanding options, warrants, derivatives or convertible securities which may confer any right on the holder thereof to subscribe for, convert or exchange into Shares or any agreement or arrangement to issue Shares.

All issued Shares rank *pari passu* in all respects with each other, including, in particular, as to dividends, voting rights and return of capital. The Company has not issued any Shares since 31 December 2016, the date to which the latest audited financial statements of the Group were made up.

The issued Shares are listed on the Stock Exchange. None of the securities of the Company is listed or dealt in, and no listing or permission to deal in the securities of the Company is being or is proposed to be sought on any other stock exchange.

3. MARKET PRICES

The table below shows the closing price of the Shares as quoted on the Stock Exchange on (i) the last day on which trading took place in each of the calendar months during the Relevant Period; and (ii) the Latest Practicable Date:

Date	Closing price HK\$
31 July 2017	2.00
31 August 2017	2.00
29 September 2017	2.29
31 October 2017	2.20
30 November 2017	2.27
29 December 2017	2.76
23 January 2018 (the Last Full Trading Day)	3.75
24 January 2018 (the Last Trading Day)	4.60
31 January 2018	7.20
28 February 2018	16.38
29 March 2018	13.00
10 April 2018 (the Latest Practicable Date)	15.14

During the Relevant Period, the highest closing price of the Shares quoted on the Stock Exchange was HK\$20 on 7 February 2018 and the lowest closing price of the Shares quoted on the Stock Exchange was HK\$1.92 on 14 August 2017, respectively.

4. DISCLOSURE OF INTERESTS OF DIRECTORS OF THE COMPANY

As at the Latest Practicable Date, none of the Directors and their respective associates had any interests in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were deemed or taken to have under the provisions of the SFO); (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; (c) pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers had been notified to the Company and the Stock Exchange; or (d) required to be disclosed under the Takeovers Code.

5. DISCLOSURE OF INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, according to the register kept by the Company pursuant to section 336 of the SFO and, so far as is known to the Directors, the persons or entities who had an interest or a short position in the Shares or the underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company, or of any other company which is a member of the Group, or in any options in respect of such share capital were as follows:

Long Positions in the Shares

Name of substantial Shareholder	Capacity	Number of Shares held/ interested	Approximate % of the total issued Shares
The Offeror	Beneficial owner	187,510,194	74.48%
Wise Aloe Limited (<i>Note 1</i>)	Interests of controlled corporation	187,510,194	74.48%
Colour Day Limited (<i>Note 1</i>)	Interests of controlled corporation	187,510,194	74.48%
Bell Haven Limited (<i>Note 2</i>)	Interests of controlled corporation	187,510,194	74.48%
Mr. Ko Chun Shun Johnson (<i>Note 3</i>)	Interests of controlled corporation	187,510,194	74.48%

Notes:

1. Wise Aloe Limited, Smart Mission Investments Limited and Colour Day Limited owns approximately 60.42%, 6.71% and 32.87% interest, respectively, in the Offeror
2. Bell Haven Limited owns approximately 89% interest in Wise Aloe Limited
3. Mr. Ko Chun Shun Johnson wholly-owns Colour Day Limited

Save as disclosed above, as at the Latest Practicable Date, the Company had not been notified by any persons (other than Directors or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares or debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required, pursuant to Section 336 of the SFO, to be recorded in the register referred to therein.

6. ADDITIONAL DISCLOSURE OF INTERESTS AND DEALINGS

- (a) During the period from the commencement of the Relevant Period up to immediately before the Remaining Consideration was paid on 23 March 2018, save and except for the Sale Shares and Lapta's Shareholding Interest, none of the Offeror or any party acting in concert with it or its directors had dealt for value in any Shares, convertible securities, warrants, options or derivatives of the Company. During the period from the Remaining Consideration having been paid on 23 March 2018 up to and including the Latest Practicable Date, none of the Offeror or any party acting in concert with it or its directors had dealt for value in any Shares, convertible securities, warrants, options or derivatives of the Company.
- (b) During the Relevant Period and as at the Latest Practicable Date, the Company and the Directors did not deal in any interest in the equity share capital or any convertible securities, warrants, options and derivatives of the Offeror.
- (c) During the Relevant Period and as at the Latest Practicable Date, save and except for the Sale Shares, none of the Directors had dealt in any Shares or other securities of the Company carrying voting rights or convertible securities, warrants, options or derivatives of the Company.
- (d) During the Relevant Period and as at the Latest Practicable Date, save and except for the Sale Shares, none of the Directors held any interest in the securities of the Company.
- (e) During the Relevant Period and as at the Latest Practicable Date, the Company and the Directors did not hold any interest in the securities of the Offeror.
- (f) During the period from the commencement of the Offer Period up to and including the Latest Practicable Date, save for the Sale and Purchase Agreement, there is no arrangement (whether by way of option, indemnity or otherwise) (as referred to in Note 8 to Rule 22 of the Takeovers Code) in relation to the shares of the Offeror or the Company.
- (g) During the period from the commencement of the Offer Period up to and including the Latest Practicable Date, none of the subsidiaries of the Company, pension fund of the Group or an adviser to the Company as specified in class (2) of the definition of "associate" under the Takeovers Code owned, controlled or dealt in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company during the Relevant Period.

- (h) During the period from the commencement of the Offer Period up to and including the Latest Practicable Date, save for the Sale and Purchase Agreement, no persons had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or any person who is an associate of the Company by virtue of classes (1), (2), (3) or (4) of the definition of “associate” under the Takeovers Code and no such person had dealt for value in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company during the Relevant Period.
- (i) During the period from the commencement of the Offer Period up to and including the Latest Practicable Date, no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company were managed on a discretionary basis by fund managers connected with the Company and none of them had dealt for value in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company during the Relevant Period.
- (j) As at the Latest Practicable Date, none of the Directors held any beneficial shareholdings in the Company which would otherwise entitle them to accept or reject the Offer.
- (k) As at the Latest Practicable Date, there were no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Company or the Directors had borrowed or lent.

7. ARRANGEMENTS IN CONNECTION WITH THE OFFER

As at the Latest Practicable Date,

- (a) no benefit (other than statutory compensation) had been given or would be given to any Director as compensation for the loss of office or otherwise in connection with the Offer;
- (b) save for the Sale and Purchase Agreement, there was no material contract entered into by the Offeror in which any Director had a material personal interest; and
- (c) there was no agreement or arrangement between any Director and any other person which was conditional on or dependent upon the outcome of the Offer or otherwise connected with the Offer.

8. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, the Company had entered into the following service contracts with the Directors:

- (a) the service agreement dated 27 April 2015 entered into between the Company and Mr. Fang (as amended and supplemented by a supplemental agreement dated 27 April 2015), pursuant to which Mr. Fang was appointed as an executive Director for

a period of three years commencing from 27 April 2015 unless terminated by either party by giving not less than 2 months' prior written notice, and entitled to receive a fixed salary of RMB720,000 per annum;

- (b) the service agreement dated 16 November 2015 entered into between the Company and Mr. Fan Youyuan, pursuant to which Mr. Fan was appointed as an executive Director and chief executive officer for a period of three years commencing from 16 November 2015 unless terminated by either party by giving not less than 2 months' prior written notice, and entitled to receive a fixed salary of RMB700,000 per annum;
- (c) the service agreement dated 27 April 2015 entered into between the Company and Mr. Song Yijun, pursuant to which Mr. Song was appointed as an executive Director for a period of three years commencing from 27 April 2015 unless terminated by either party by giving not less than 2 months' prior written notice, and entitled to receive a fixed salary of RMB420,000 per annum;
- (d) the service agreement dated 20 January 2015 (as amended and supplemented by a supplemental agreement dated 20 January 2015) entered into between the Company and Mr. Huang Wei, pursuant to which Mr. Huang was appointed as an executive Director for a period of three years commencing from 20 January 2015 unless terminated by either party by giving not less than 2 months' prior written notice, and entitled to receive a fixed salary of RMB420,000 per annum;
- (e) the service agreement dated 20 January 2015 entered into between the Company and Mr. Patrick Zheng, pursuant to which Mr. Zheng was appointed as an executive Director for a period of three years commencing from 20 January 2015 unless terminated by either party by giving not less than 2 months' prior written notice, and entitled to receive a fixed salary of RMB420,000 per annum;
- (f) the service agreement dated 27 April 2015 entered into between the Company and Mr. Zhou Ruijin, pursuant to which Mr. Zhou was appointed as an independent non-executive Director for a period of three years commencing from 27 April 2015 unless terminated by either party by giving not less than 2 months' prior written notice, and entitled to receive a fixed salary of HK\$180,000 per annum;
- (g) the service agreement dated 27 April 2015 entered into between the Company and Mr. Lin Zhiming, pursuant to which Mr. Lin was appointed as an independent non-executive Director for a period of three years commencing from 27 April 2015 unless terminated by either party by giving not less than 2 months' prior written notice, and entitled to receive a fixed salary of HK\$180,000 per annum; and
- (h) the service agreement dated 27 April 2015 entered into between the Company and Ms. Hsu Wai Man, Helen, pursuant to which Ms. Hsu was appointed as an independent non-executive Director for a period of three years commencing from 27 April 2015 unless terminated by either party by giving not less than 2 months' prior written notice, and entitled to receive a fixed salary of HK\$180,000 per annum.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had entered into any service contract with the Company or any of its subsidiaries or associated companies which (i) (including both continuous and fixed-term contracts) had been entered into or amended within six months before the date of commencement of the Offer Period; (ii) was a continuous contract with a notice period of 12 months or more; (iii) was a fixed term contract with more than 12 months to run irrespective of the notice period; or (iv) was not determinable by the employer within one year without payment of compensation (other than statutory compensation).

9. EXPERT AND CONSENT

In addition to the Offeror's experts listed in paragraph 6 of Appendix IV, the following are the qualifications of the expert who has given opinions or advice which is contained or referred to in this Composite Document:

Name	Qualification
Somerley	a corporation licensed to carry out Type 1 (dealings in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

Somerley has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion of the text of its letter, report, recommendation, opinion, and/or references to its name in the form and context in which it appears.

10. LITIGATION

As at the Latest Practicable Date, none of the Company and its subsidiaries was engaged in any litigation or arbitration or claim of material importance and no litigation or claim of material importance is pending or threatened by or against the Company or any member of the Group.

11. MATERIAL CONTRACTS

The following contracts, not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Company or any of its subsidiaries, were entered into by the Group after the date falling two years before the commencement of the Offer Period up to and including the Latest Practicable Date and are or may be material:

- (a) the loan agreement dated 20 May 2016 entered into between Bank of Hangzhou as lender and the Company as borrower, under which the Bank of Hangzhou provided a loan in the principal sum of RMB1,916,000 to the Company;
- (b) the loan agreement dated 22 August 2016 entered into between Bank of Hangzhou as lender and the Company as borrower, under which the Bank of Hangzhou provided a loan in the principal sum of RMB1,063,000 to the Company;

- (c) the equity transfer agreement (the “**Jingwei Equity Transfer Agreement**”) dated 13 September 2016 entered into between 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), 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 Jingtai Real Estate Development Co., Ltd. (上海憬泰置業發展有限公司) and Shanghai Yuxin Industrial Development Co., Ltd. (上海渝新實業發展有限公司) (collectively as the “**Jingwei Transferors**”) as transferors and Shanghai Ju Liu Software Co., Ltd. (上海巨流軟件有限公司) (a company established in the PRC and an indirect wholly-owned subsidiary of the Company) (“**Ju Liu Software**”) as transferee, under which the Jingwei Transferors agreed to transfer a total of 90% equity interest in Shanghai Jingwei Industry & Trade Development Co., Ltd. (上海憬威企業發展有限公司) to Ju Liu Software at a total consideration of RMB40.50 million. Please refer to the announcement published by the Company dated 13 September 2016 for further information in relation to the Jingwei Equity Transfer Agreement and the transactions thereunder;
- (d) the non-legally binding comprehensive strategic cooperation agreement (the “**Strategic Cooperation Agreement**”) on 7 November 2016 entered into between the Company and Wuxi Jinyuan Industry Investment Development Group Company Limited (無錫金源產業投資發展集團有限公司) (“**Wuxi Jinyuan**”) and Peace Fortune Holdings Company Limited (和平財富控股有限公司) (“**Peace Fortune**”), under which the Company, Wuxi Jinyuan and Peace Fortune agreed to: (i) set the goals for the cooperation, i.e. to enhance the integration of the parties in various aspects, such as industry development, asset management and financial services; (ii) jointly set up an industrial fund which would principally invest in healthcare, livelihood-related consumption, culture, travel, industry parks, etc; and (iii) jointly promote the securitisation of assets;
- (e) the loan agreement dated 22 March 2017 entered into between Bank of Hangzhou as lender and the Company as borrower, under which the Bank of Hangzhou provided a loan in the principal sum of RMB4,782,500 to the Company. The loan is secured by a pledge over a RMB5,000,000 deposit account maintained by the Group with Bank of Hangzhou;
- (f) the loan agreement dated 25 May 2017 entered into between Bank of Hangzhou as lender and the Company as borrower, under which the Bank of Hangzhou provided a loan in the principal sum of RMB4,782,500 to the Company. The loan is secured by a pledge over another RMB5,000,000 deposit account maintained by the Group with Bank of Hangzhou; and

(g) the following agreements, each dated 23 October 2017, entered into by and among the following parties in relation to the termination of contractual arrangement in relation to Shanghai SumZone Media Investment Management Company Limited (上海三眾華納傳媒投資管理有限公司) (“SMU”):

- (i) the termination agreement (the “**SMU Termination Agreement**”) entered into between Century Linker (Hong Kong) Limited (聯合(香港)有限公司) (a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company) (“**Century Linker**”), SMU, Mr. Fang, and Shanghai SumZone Enterprise Management Consultancy Company Limited (上海三眾企業管理諮詢有限公司) (a wholly foreign-owned enterprise established in the PRC and a direct wholly-owned subsidiary of Century Linker) (“**Shanghai SumZone Enterprise**”), under which Century Linker, SMU, Mr. Fang and Shanghai SumZone Enterprise agreed that the Structured Contracts (defined below) in relation to SMU would be terminated.

In this paragraph, “**Structured Contracts**” means the series of structured contract entered into on 1 June 2011 designed to provide Shanghai SumZone Enterprise with effective control over the financial and operational policies of SMU and (to the extent permitted by PRC laws and regulations), the right to acquire the equity interests in SMU by Century Linker (or a party designated by Century Linker), i.e. exclusive consulting and service agreement, share pledge agreement, exclusive business operating agreement, exclusive option agreement and irrevocable power of attorney, details of which are set out in the paragraph “Structured Contracts” in the section “History, Reorganisation and Corporate Structure” in the prospectus of the Company dated 17 April 2012;

- (ii) the equity designated transfer agreement (the “**Equity Designated Transfer Agreement**”) entered into between Century Linker, SMU, Mr. Fang and Shanghai SumZone Advertising Company Limited (上海三眾廣告有限公司) (a domestic enterprise established in the PRC and directly wholly-owned by Shanghai SumZone Enterprise) (“**SumZone Advertising**”), under which Century Linker, SMU, Mr. Fang and SumZone Advertising agreed that Mr. Fang would transfer his equity interest in SMU to SumZone Advertising, an indirect wholly-owned subsidiary of the Company as designated by Century Linker; and
- (iii) the equity transfer agreement (the “**Equity Transfer Agreement**”) entered into between Mr. Fang and SumZone Advertising, which effected the transfer of equity interest in SMU from Mr. Fang to SumZone Advertising in the manner as stipulated under the Equity Designated Transfer Agreement.

Please refer to the voluntary announcement published by the Company dated 23 October 2017 for further information in relation to the SMU Termination Agreement, the Equity Designated Transfer Agreement and the Equity Transfer Agreement.

12. GENERAL

- (a) The registered office of the Company is at Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman, KY1-1108, Cayman Islands and the principal place of business of the Company is at Room 1603 16th Floor, China Building 29 Queen's Road Central Central, Hong Kong.
- (b) The Hong Kong share registrar and transfer office of the Company is Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (c) The principal share registrar and transfer office of the Company is Eстера Trust (Cayman) Ltd. at Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman, KY1-1108, Cayman Islands.
- (d) The English texts of this Composite Document and the Forms of Acceptance shall prevail over the Chinese text, in case of any inconsistency.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection (i) on the website of the SFC at <http://www.sfc.hk>; (ii) on the website of the Company at www.brandingchinagroup.com from the date of this Composite Document up to the Closing Date; and (iii) at the principal place of business of the Company in Hong Kong at Room 1603, 16/F, China Building, 29 Queen's Road Central, Hong Kong:

- (a) the memorandum of association and the articles of association of the Company;
- (b) the annual report of the Company for the year ended 31 December 2015;
- (c) the annual report of the Company for the year ended 31 December 2016;
- (d) the annual results announcement of the Company for the year ended 31 December 2017;
- (e) the letter from the Board, the text of which is set out on pages 18 to 22 of this Composite Document;
- (f) the letter from the Independent Board Committee, the text of which is set out on pages 23 to 24 of this Composite Document;
- (g) the letter from the Independent Financial Adviser, the text of which is set out on pages 25 to 43 of this Composite Document;
- (h) the service contracts referred to in the paragraph headed "Directors' Service Contracts" in this appendix;
- (i) the written consents referred to in the paragraph headed "Expert and Consent" in this appendix; and
- (j) the material contracts referred to in the paragraph headed "Material Contracts" in this appendix.