ANNUAL REPORT
2017 年報

STOCK CODE 股份編號：00623

SinoMedia®

中視金橋國際傳媒控股有限公司
SinoMedia Holding Limited


1209 0567.18
130
PRODUCTIVITY / PROCESS / EVALUATE
120

About us

SinoMedia Holding Limited (the "Company" or "SinoMedia") and its subsidiaries (collectively the "Group") is a leading media operation group in China, it upheld firmly the strategy of inter-screen communication services with videos as the core, and has been continuously enhancing TV advertising field while investing in the development of content operations and rapidly improving the capability in digital precision marketing, so as to meet the demands of client market for the communications of "three screens" among TV, Computer and Mobile. The current business of the Group covers digital marketing, internet media, content production and operations, CCTV media resources management, and overseas media. SinoMedia enjoys marketing advantages in the vertical fields of travel destinations and agriculture. It adheres to the communication principles and operation systems of spanning the media value chain, and has provided comprehensive, professional and high-quality creative communication services to over 3,000 clients worldwide.

Contents

Financial Summary

RMB'000	For the year ended 31 December 2017	For the year ended 31 December 2016	Change (%)
Revenue	**1,472,698**	1,299,289	+13%
Profit/(Loss) from operations	**138,441**	(31,051)	>100%
Profit/(Loss) attributable to equity shareholders of the Company	**93,042**	(27,066)	>100%
Earnings/(Losses) per share (RMB)			
— Basic	**0.177**	(0.050)	>100%
— Diluted	**0.177**	(0.050)	>100%
Proposed dividends per share (HKD)	**8.86 cents**	—	N/A

REVENUE:

RMB'000	For the year ended 31 December 2017	For the year ended 31 December 2016	Change (%)
TV media resources management	**1,242,418**	1,119,537	+11%
Integrated communication services and Content operations	**122,781**	82,406	+49%
Digital marketing and Internet media	**79,893**	64,028	+25%
Rental income	**44,591**	46,565	-4%
Sales taxes and surcharges	**(16,985)**	(13,247)	+28%
Revenue	**1,472,698**	1,299,289	

TURNOVER:

RMB'000	For the year ended 31 December 2017	For the year ended 31 December 2016	Change (%)
TV media resources management	**1,242,418**	1,119,537	+11%
Integrated communication services and Content operations	**916,805**	1,127,646	-19%
Digital marketing and Internet media	**79,893**	64,028	+25%
Rental income	**44,591**	46,565	-4%
Sales taxes and surcharges	**(16,985)**	(13,247)	+28%
Turnover	**2,266,722**	2,344,529	

Corporate Information

EXECUTIVE DIRECTORS

Mr. Chen Xin *(Chairman)*

Ms. Liu Jinlan

Mr. Li Zongzhou

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Qi Daqing

Mr. Lian Yuming

Ms. Wang Xin

Mr. He Hui David

AUDIT COMMITTEE

Mr. Qi Daqing *(Chairman)*

Mr. Lian Yuming

Ms. Wang Xin

REMUNERATION COMMITTEE

Ms. Wang Xin *(Chairman)*

Mr. Chen Xin

Mr. Lian Yuming

NOMINATION COMMITTEE

Mr. Chen Xin *(Chairman)*

Mr. Lian Yuming

Ms. Wang Xin

COMPLIANCE COMMITTEE

Mr. Li Zongzhou *(Chairman)*

Mr. Wang Yingda

COMPANY SECRETARY

Mr. Wang Yingda

AUTHORISED REPRESENTATIVES

Mr. Chen Xin

Mr. Wang Yingda

PRINCIPLE PLACE OF BUSINESS

7/F, The Place — SinoMedia Tower,
No. 9 Guanghua Road, Chaoyang District,
Beijing, PRC

Unit 15D, Xintian International Plaza,
No. 450 Fushan Road, Pudong New District,
Shanghai, PRC

REGISTERED OFFICE

Unit 402, 4th Floor, Fairmont House,
No.8 Cotton Tree Drive, Admiralty,
Hong Kong

AUDITORS

KPMG

SHARE REGISTRAR

Boardroom Share Registrars (HK) Limited
2103B, 21/F, 148 Electric Road, North Point,
Hong Kong

WEBSITE

www.sinomedia.com.hk

2017 Year In Review

January

Golden Bridge Senmeng won the CCTV-7 annual awards again

Beijing Golden Bridge Senmeng Media Advertising Co., Ltd. ("Golden Bridge Senmeng") was granted the special prize of annual outstanding agency and channel innovation on the CCTV-7 Agriculture channel advertising operation celebration party, which held by China Agriculture Film and Television Center. As the long-term strategic cooperation partner of China Agriculture Film and Television Center, Golden Bridge Senmeng has successively obtained the top awards of agency for seven times. Persistently adhering to the development concept of "facing agriculture, basing on villages, serving farmers", starting from the demonstration form of "Internet + TV" media integration, Golden Bridge Senmeng established a professional information distribution and brand communication platform.

March

Digital marketing platform upgraded inter-screen precision communication

SinoMedia upgraded its self-developed digital marketing platform and named it as "Jin Zhi Tou", providing a 360-degree inter-screen precision communication services for advertising clients. "Jin Zhi Tou" was dedicated to provide inter-screen integration marketing services (based on data and technology) for clients while undertook SinoMedia's experience strength on traditional brand services, providing high-efficient accurate communication services for advertising clients by the integration of "advanced technology + big data + professional services".

May

SinoMedia took part in HOTDOCS Documentary Festival held in Northern America

SinoMedia made its debut in Canadian HOTDOCS Documentary Festival, one of the "three largest festivals" of international documentary. Mr. Chen Xin, the chairman of the Board of SinoMedia, was invited to make a speech on the jointly-held forum themed "cooperation with China". Canadian HOTDOCS Documentary Festival is the largest documentary festival in Northern America, which got together the most important documentary broadcasting organizations around the world, including US's PBS, UK's BBC, French's Arte, Australia's SBS and other more than 100 television stations as well as nearly 2000 documentary professionals from all corners of the world.

June

SinoMedia worked together with CCTV-6 exclusively cooperated on film festival

SinoMedia signed a strategic cooperation agreement with CCTV-6 Film channel, to carry out exclusive cooperation on resources of various film festivals and provide unique entertainment marketing solutions for advertising clients. On the College Student Film Festival, the first cooperation between both parties introduced sponsorship of famous brands. Moreover, SinoMedia provided creative and services for brands cooperation in important film festivals such as Golden Rooster and Hundred Flowers Film Festival and Silk Road International Film Festival.

August

Wugu.com.cn revised the "One Village, One Product (一村一品)" channel of Beijing built a modern urban agricultural brand

The "One Village, One Product (一村一品)" online platform of Beijing (http://ovop.wugu.com.cn/) jointly built by Beijing Municipal Commission of Rural Affairs and wugu.com.cn has been made a brand-new revision. Wugu.com.cn re-planned six programs for the new "One Village, One Product (一村一品)" channel, which stresses the authority, timeliness, interactivity of content distribution, aiming to build featured towns for Beijing modern urban agriculture.

September

Cross-boundary cooperation between lotour.com and China Agriculture Press

Lotour.com entered into a strategic cooperation agreement with China Agriculture Press in Beijing, whereby both party will jointly plan and publish internet boutique content and culture and tourism series of books by the cooperation mode of Internet + publication. Both China Agriculture Press and lotour.com expressed on the signing ceremony that the cross-boundary cooperation aimed to drive the tourism development in countryside, spread agricultural culture, while promoting a healthy and leisure lifestyle, and leading the modern life concept.

October

Boosj.com held the "Fearless Love" (敢愛) square dance with Country Garden Group

The national demonstration match "Fearless Love" (敢愛) square dance which lasted for three months and crossed 12 large and medium-sized cities was jointly held by Country Garden Group and boosj.com. The square dance match was guided by the "Fearless Love" cultural brand of Country Garden, carried with square dance fitness activities which are welcomed by the public, supported by Country Garden communities all around the country, with boosj.com where millions of users attached to as online platform, making it a brilliant event and transmitting a harmonious social positive energy.

November

SinoMedia helped many cooperative enterprises enter into the "National brand campaign" of 2018

CCTV's "National brand campaign" of 2018 held the signing ceremony in Media Center, Beijing. After stringent standard procedures, more than 40 renowned enterprises of China were selected, among which many renowned enterprises are cooperative partners whose strategic planning and media analysis services are provided by SinoMedia. Evergrande Group, Suning Group, Huiyuan Group are among the 13 enterprises listed in the 2018 "Top cooperative partner of national brand campaign", while JDB, Feihe Dairy (飛鶴乳業), Chang'an Automobile, BAIC Group are among the 21 enterprises listed in the "Industry leader of national brand campaign". "National brand campaign" demonstrated the credibility, transmissibility, influence and guidance of CCTV as the main stream media.

Awards and Recognition

Company Honours

Award:	Membership of Beijing Documentary Development Association
Time Period:	January 2017
Awarded by:	Beijing Documentary Development Association
Award Description:	Beijing Documentary Development Association is the first non-profit documentary industry association of China founded by private enterprises. It is aimed to form an authoritative think tank and facilitate the development and thriving of the documentary industry by consolidating resources across the industry.

Award:	2017 Best Advertising Agency
Time Period:	May 2017
Awarded by:	IAI International Advertising Awards Executive Committee
Award Description:	IAI International Advertising Awards is an event as part of the IAI Yearbook Award to select advertising and marketing agencies. It is jointly hosted by China Advertising Association of Commerce, National Advertising Institute, Advertising School of Communication University of China, jointly organised by MBA Institute of Communication University of China and IAI International Advertising Institute. IAI, with its remarkable influence, has become the barometer of advertising ideas and trends in China since 2000.

Award:	CCTV 2017 Advertising Agency with AAAA Credit Rating
Time Period:	May 2017
Awarded by:	CCTV Advertising Center
Award Description:	CCTV Advertising Center rates advertising agencies in an all-around and comprehensive manner according to the "Measures to Manage Advertising Agencies of CCTV Based on Credit Rating System (Trial)".For this purpose, agencies are granted ratings from AAAA (top) to AAA, AA and A (bottom). The criteria of rating covers proceeds from advertisements placed via an agency, seniority of agency business, integrity record of agency business, performance and compliance with contract and record of subprime conduct.

Professional Honours

Award-winning Work: Film — Live Without Regret: Distracted Driving
Award: Silver Prize for Global Road Safety Film
Time Period: May 2017
Awarded by: Organizing Committee of Global Road Safety Film Festival
Award Description: Global Road Safety Film Festival, known as the "Oscars of Road Safety", has already been held for ten consecutive years. The film festival is jointly hosted by the United Nations Economic Commission for Europe, the Office of UN Secretary General's Special Envoy for Road Safety and other institutions. Its selection committee comprises a number of UN officials such as UN Secretary General's Special Envoy for Road Safety and Executive Secretary of United Nations Economic Commission for Europe as well as many celebrities from the film industry including Luc Besson, a renowned French film director, screenwriter and filmmaker, and Michelle Yeoh and Jean Reno, both being word famous film stars.

Award-winning Work: Advertisement — Looking for Bygone Tastes of Spring Festival
Award: Excellent Prize of China Public Service Advertisement Grand Prix
Time Period: October 2017
Awarded by: China Advertising Association
Award Description: China Public Service Advertisement Grand Prix is hosted by China Advertising Association, aiming at building a harmonious society and fostering positive cultural values and social ethics. It focuses on current public concerns and provokes reflection and resonance among the public. The China Public Service Advertisement Grand Prix is to select public service advertisements that publicize civilized ethics and values of mankind, enhance civilized morality in the society and achieve excellent social impact during the year.

Awards and Recognition

Award-winning Work:	Child Safety Public Welfare Advertisement — Careful Protection
Award:	Bronze Prize of China Advertising Great-wall Awards
Time Period:	October 2017
Awarded by:	China Advertising Association
Award Description:	China Advertising Great-wall Awards is an advertising contest with large scale, broad influence and high professionalism in China and one of the core events of China International Advertising Festival. It selects and rewards those advertisements publicly released during the year based on the criteria of creativity and production. China Advertising Association, established in 1983, is an institution directly under the State Administration for Industry and Commerce, and an industry organisation of the advertising industry in China. The association is voluntarily formed by advertisers, advertisement operators, advertisement publishers, companies and organisations related to the advertising industry up to certain qualifications, across the country.

Award-winning Work:	SinoMedia 2016 Annual Report
Award:	Platinum Award for 2016 Annual Reports of LACP Media Companies, Award of Best Financial Report, Top 100 Annual Reports in the World, Top 80 Annual Reports in the Asia-Pacific and Top 40 Annual Reports in China
Time Period:	October 2017
Awarded by:	League of American Communications Professionals (LACP)
Award Description:	Initiated in 2002, LACP Vision Awards is one of the most prestigious international annual report competitions in the industry. As it selects the top 100 annual reports submitted by enterprises from all sectors and at all scales, the LACP Vision Awards has long been called the "Olympics of Corporate Annual Reports", and recognised as highly professional and authoritative in the industry.

Award-winning Work:	SinoMedia 2016 Annual Report
Award:	ARC Interior Design Silver Award/ARC Cover Design Silver Award
Time Period:	October 2017
Awarded by:	ARC International Panel of Judges
Award Description:	ARC International Competition is one of the largest and most authoritative international competitions for annual reports. It boasts high recognition and great influence in the world and is hailed as the "Oscars of Annual Reports" by financial media.

Personal Honours

Winner:	Liu Jinlan
Award:	Honour of Contemporary Prominent Admen of China — Media Manager • Outstanding Person
Time Period:	July 2017
Awarded by:	China Organizing Committee of ADMEN Awards
Awards Description:	ADMEN Awards selects prominent persons and classic advertising cases that represent the spirit of the time after comprehensively considering such criteria as industrial influence, industrial contribution, industrial representativeness and actual result, so as to identify best practices and role models in the industry and provide reference for the industrial development.

Winner:	Liu Baofu
Award:	Special Honour at the 30th Anniversary of Beijing Advertising Industry
Time Period:	July 2017
Awarded by:	Beijing Advertising Association
Award Description:	This honour is awarded by Beijing Advertising Association as recognition of and incentive to the entities and individuals who have made contributions to the Beijing advertising industry over the past 30 years.

Chairman's Statement

Chen Xin

In 2017, the six-year's continuous decline of China's economy ended and the macroeconomic situation became stable. The media advertising market also recovered after two consecutive years' fall, of which, the growth of digital media narrowed and traditional media stopped decline and showed a slight increase. The value of media came back to the value of communication, rather than limited to the new or old properties of media, and the popularity of mainstream high-quality media platform between users and brands recovered.

As the company who exclusively underwrites most resources of CCTV channels and programmes, the Group stresses that clients is the core, and serves clients with innovative market strategy and product portfolios, achieved an obvious increase in the number of new clients and maintained absolute advantage in the brand communication field of city travel. After one year's cultivation and exploration, both the advertising environment and clients' quality of CCTV-9 (documentary channel) have been enhanced, and brand clients are becoming new highlight of advertising operation in documentary channel.

To improve the capability of visual creativity and production and to develop content operation business is one of the planned strategies of the Group, and also an important part that is indispensable in the strategic layout. In 2017, the Group carried out a whole industry chain layout for the creative production and integration marketing to documentary films. Content marketing department, video program department, and content production department conducted business exploration in the direction of creating and producing documentary programs and documentary films, which formed the collaborative capacity of creation, production, operation and promotion, making a well beginning for the Group to be a leading documentary program and documentary film supplier and project operator in terms of investment scale and specialization.

Furthermore, the Group responded to the development trend of Internet media, continuously made adjustment to the digital marketing and internet media, and based on the improvement of visualization in intelligent programming advertising placement, strengthened the introduction of high quality traffic, and enriched the interaction function of content product and users, explored data of users' behavior, improved professional service of precision brand communication and enhanced internet media operating capabilities in the vertical fields of boosj.com, lotour.com and wugu.com.cn.

In 2017, the senior management of the Group took the lead in reducing their remuneration to assume the operating loss of last year, also optimized the organizational structure and the stimulation and restriction mechanism, motivated and rewarded staffs with outstanding contribution, and intensified the connection between working performance and personal interests.

Looking forward to 2018, we will face up to the favorable and unfavorable factors in the process of turning loss into gain in 2017 and continuously transfer pressure into motivation of hard-working and innovation. By firmly implementing planned strategy and ensuring that the overall operating scale continuously rises, the Group will inspire creation, improve efficiency, streamline process and capture opportunities in the era, so as to facilitate the independent or collaborative development of each business segment.

As the leading comprehensive media operation group in China, we will intensify the core competitiveness in creative communication, elevate the operating efficiency of cross-media communication platforms focusing on video content, also constantly optimize organizational structure and management training mechanism by concentrating on talents cultivation, and continue creating greater value for the society, staffs and shareholders by following the principles of pragmatic and steady growth.

Chen Xin
27 March 2018

"Moving forward
with innovation and practical efforts"

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Management Discussion and Analysis

ABOUT THE GROUP

China's economic growth and activeness maintain stable during 2017, with the GDP up 6.9% compared with the same period last year (source: National Bureau of Statistics, January 2018). Developed together by Caixin Media and Markit, Caixin China Manufacturing Purchasing Managers' Index (PMI) was 51.5 in January 2018, rising by 0.5 percentage point compared with January 2017, and Caixin China Service Purchasing Managers' Index (PMI) in January 2018 was 54.7, rising by 1.6 percentage points compared with January 2017. The information indicates that the operation of manufacturing industry improved, and the growth of the operating activities in the service area accelerated (source: Caixin Media, February 2018 and February 2017).

In terms of advertising industry, the advertising market of China in 2017 rose by 4.3% after a consecutive two years' fall, based on the market study released by CTR Media Intelligence. In accordance with the statistics, the advertising market as a whole has recovered and the decline in the traditional media has stopped and experienced a slight increase, of which, TV advertising shifted from a decrease of 3.7% in 2016 to an increase of 1.7% in 2017 (source: CTR Media Intelligence, January 2018).

During the year under review, the Group promoted firmly the strategy with providing inter-screen creative communication services as the core, explored deeply the area of TV advertisement that has an advantage in the market share, continued to cultivate the digital media business, and enhanced the capability in supporting the brand communication to corresponds to precision marketing, as well as developed proactively the content production and operation business with documentary films as the entry point. Meanwhile, it made timely adjustments to the less efficient business, optimized the product lines and business structure, and further improved the comprehensive strength and competitiveness of the Group as a leading media operation group in China.

BUSINESS REVIEW

TV ADVERTISING AND CONTENT OPERATIONS

I. TV Media Resources Management

During the year under review, the Group had approximately 10,360 minutes of advertising resources on a total of 10 programs on channels including CCTV-1 (General)/CCTV-News, CCTV-4 (Chinese International, including Europe and the US), CCTV-7 (Military and Agriculture), and the exclusive underwriting right for 59,340 minutes of all advertising resources of CCTV-9 (Documentary). It covered the markets of news, politics, agriculture, culture and lifestyle programs and also brought more diversified communication channels to clients. Its specific media resources include the "News 30" (新聞30分) jointly broadcasted on CCTV-1/CCTV-News (Chinese), programs and resource periods including "Across the Straits" (海峽兩岸), "Today's Focus" (今日關注), "Chinese World" (華人世界) and "Foreigners in China" (外國人在中國) on CCTV-4 (Chinese International, including Europe and the US), and programs including "Zhi Fu Jing" (致富經), "Focus on the Three Agricultural Issues" (聚焦三農), "Daily Agricultural News" (每日農經) on CCTV-7 (Military and Agriculture) as well as all advertising resources of CCTV-9 (Documentary). During the year, the Group strengthened the client development, broadened the dimensions of client industries, strengthened the capability of developing and serving clients in the area of TV advertising marketing; and improved the competitiveness through optimizing marketing strategies and media product combinations, to promote the sales of the Group's exclusive underwritten TV media resources.

II. Integrated Communication Services

The Group has gained the recognition by a large number of well-known clients for its professional and highly efficient communication services and caring client service philosophy. During the year under review, the Group provided brand information, advertising placement, promotion planning, public relation activities and other multi-dimension brand integrated communication services to clients including: Hebei Provincial Commission of Tourism Development, Inner Mongolia Autonomous Region Tourism Administration, Yunnan Provincial Commission of Tourism Development, Nanchang Tourism Development Committee, Publicity Department of Taizhou Municipal Party Committee, Publicity Department of Suzhou Municipal Party Committee, Great Wall Motor Company Limited, Country Garden Group, Changan PSA Automobiles Co., Ltd.

In respect of international business, the Group actively offered overseas clients with Chinese market promotion, media propaganda and creative planning and other services, and spread the tourist destination of China and the brand image of enterprises to every corner of the world by quality overseas media resources. The main clients during the year include: Toronto Tourism of Canada, Turkish Tourism, Washington Tourism Board, Swiss Open-Air Museum Ballenberg, YTL Hotels, China National Tourism Administration, Beijing Municipal Commission of Tourism Development, Shanghai Municipal Tourism Administration, etc.

III. Content Operations

The Group provided clients with comprehensive and professional commercial advertisement and creative content production services. During the year under review, the Group served Publicity Department of Zhengzhou Municipal Party Committee, Lishui Tourism Development Committee, Publicity Department of Yingkou Municipal Party Committee, Gongyi City Culture Relics and Tourism Bureau, PICC Property and Casualty Company Limited, China Everbright Group Co., Ltd. and other clients, with the services provided involving graphic design, and advertising video shooting, producing and editing.

The Group proactively promoted the content operation business by focusing on documentary films. It established a specific development fund, deepened the transnational and cross-cultural subject-matters from humane, economic, and scientific and technological aspect, and explored the global communication channels with creative film products to help the Chinese brands and culture to expand overseas. The planned, produced or authorized to produce documentary "The Story Behind the Dinning Table of China", "Cities' 24 hours — Chengdu" (城市24小時 — 成都), "World in the Bottle" (裝在瓶子裡的世界), "Wine in China" (酒香中國) have been completed in shooting and production. The documentary "The Car Wars" that is in shooting and producing concentrates on the impact of artificial intelligence and unmanned driving on the future's automobile industry and travelling way, and is jointly produced by the Group and French National Center for Cinema, French TV 5 Monde, and the French production company Taxi-Brousse.

In addition, focusing on the Chinese film industry's annual series of ceremony activities, the Group carried out the cooperation with CCTV-6 Film channel to exercise the communication feature of online-offline combination for film ceremony activities, integrated the inter-screen media resources and discovered the connected points among film culture, fashion trends and brand communication, delivering creative and distinctive entertainment marketing solutions to clients.

DIGITAL MARKETING AND INTERNET MEDIA

I. Digital Marketing

During the year under review, the Group upgraded its self-developed intelligent programming advertising placement platform,established the all-intelligent independent bidding placement system which realized bi-directional close-loop mode of precision placement and public opinion monitoring, and improved the professional capacity of digital marketing by fully integrating the Preferred Deal and Real-Time Bidding. The Group served successively the Heilongjiang Feihe Dairy Co., Ltd., China Life Property & Casualty Insurance Company Limited, Loctek Ergonomic Technology Corp., Suning Commerce Group Co, FAW Jiefang Automotive Company, Beijing Dazhong Home Appliances Retail Co. Ltd., GOME Appliance Company Limited, Sunshine Life Insurance Co., Ltd and other clients in 2017, and received a high degree of recognition and praise therefrom.

II. Internet Media

Surrounding the position of modern agricultural information service platform of China, www.wugu.com.cn (吾谷網) constantly enhanced platform value, and ranked China top three at the first time in the ranking of agricultural-related website Alexa. During the year under review, wugu.com.cn launched the channel of "Wealth Creation Experiences", and was designated as the exclusive strategic cooperation media in the activity of "National Rural Entrepreneurial and Innovative Project Creativity Competition" launched by the Ministry of Agriculture.

www.boosj.com (播視網) explored deeply core users, optimized users' experience, strengthened the video interaction platform led by healthy lifestyle as its position. During the year under review, boosj.com customized six live broadcastings for Guangdong Chimelong Group, demonstrating natural ecology and fashion theme of wild life park, ocean park and water world. The national performance game of square dance "Fearless Love" (敢愛) which was held jointly with Country Garden Group, crossed 12 large and medium-sized cities offline and influenced more than 10 million lovers of square dance through live broadcasting and interaction online.

www.lotour.com (樂途旅遊網), by constantly expanding the inspiration travelers' resources and high-quality tourism contents, consolidated the online platform placing and the offline activity services. During the year under review, lotour.com provided services to clients such as Liaoning Provincial Commission of Tourism Development, Gansu Provincial Commission of Tourism Development, Inner Mongolia Autonomous Region Tourism Development Committee, Yunnan Provincial Commission of Tourism Development, Fuzhou Municipal Tourism Bureau, Huizhou Municipal Tourism Bureau, respectively.

FINANCIAL REVIEW

REVENUE AND PROFIT ATTRIBUTABLE TO THE EQUITY SHAREHOLDERS OF THE COMPANY

For the year ended 31 December 2017, the Group recorded revenue of RMB1,472,698 thousand, representing an increase of 13% from RMB1,299,289 thousand last year.

Revenue details for the year under review are as follows:

(I) Revenue recorded from TV media resources management was RMB1,242,418 thousand, representing an increase of 11% from RMB1,119,537 thousand last year. The increase of revenue from this business was mainly attributable to the Group's series of marketing promotion activities, and serving its clients with innovative marketing strategies and plentiful media product combinations, and strengthening the result-oriented working mechanism at the same time so that both the number of new customers and annual contractual amounts increased. The advertising placements of clients from tourism and consumer goods performed impressively, the minutes sold and sales rate of the core columns were all higher than last year, among which, the CCTV-9 Documentary Channel achieved a significant improvement in the advertising environment and customer quality after one year's cultivation and development, and started to record an increase in contracted sales, thus becoming a new growth point for the revenue of this business.

(II) Revenue recorded from integrated communication services and content operations was RMB122,781 thousand in total, representing an increase of 49% from RMB82,406 thousand last year. Among which, (1) turnover recorded from integrated communication services was RMB870,504 thousand, a decrease of 20% from RMB1,090,037 thousand last year. During the year, the Group strictly selected and distinguished clients in terms of the credit record, operational scale, capital status and other aspects; meanwhile, strictly controlled the approval management of the prepayment for clients, which resulted in the number and the amount of contracted clients fell as compared with last year. Under the International Accounting Standards, the Group's revenue is credited as net commission with relevant procurement costs must be deducted from turnover if the Group procures media resources in the capacity of an agent for clients. On this basis, revenue from this business was RMB76,480 thousand, an increase of 71% from RMB44,797 thousand last year. The increase of the revenue was due to the impacts of the change in commission settlement cycle of media suppliers, making the partial commissions that should be obtained from media suppliers in the previous year recognized during the year; (2) the revenue of content operations was RMB46,301 thousand, increased 23% from RMB37,609 thousand last year. The Group carried out an exclusive strategic cooperation in respect of various film festival resources with CCTV-6 Film channel during the year to offer clients with creative production and entertainment marketing solutions, leading to a substantial year-on-year growth in the content operation business.

(III) Revenue recorded from digital marketing and internet media was RMB79,893 thousand in total, representing an increase of 25% from RMB64,028 thousand last year. Among which, (1) the Group continued to optimize and upgrade the self-developed intelligent programming advertising placement platform making its all-intelligent independent bidding placement system in good operating condition and the revenue continual growth compared with last year; (2) revenue from internet media was basically flat compared with last year.

(IV) Rental income was RMB44,591 thousand, representing a decrease of 4% as compared with RMB46,565 thousand last year, mainly because part of the office premises was temporarily idled in the second half of the year.

During the year, both the revenue and the gross profit margin of core businesses of the Group rose as compared with last year, with the costs and operating expenses controlled effectively. For the year ended 31 December 2017, the profit attributable to equity shareholders of the Company was RMB93,042 thousand, while the loss attributable to equity shareholders of the Company last year was RMB27,066 thousand.

OPERATING EXPENSES

For the year ended 31 December 2017, the Group's operating expenses were RMB167,278 thousand in aggregate, representing a year-on-year decrease of 9% from RMB183,975 thousand last year, and accounted for 11.4% of the Group's revenue (year ended 31 December 2016: 14.2%). Since the Group strictly controlled the budget on expenses, optimized the expense approval and management system and optimized and adjusted the less efficient operating segment, both the total operating expenses and the ratio of expenses to revenue decreased as compared with last year.

Operating expenses include the followings:

(I) Selling and marketing expenses amounted to RMB60,995 thousand, showing an increase of approximately RMB3,357 thousand from RMB57,638 thousand last year, and accounted for 4.2% of the Group's revenue (year ended 31 December 2016: 4.5%). The increase in selling and marketing expenses was mainly due to the increase of the performance-based emoluments of marketing personnel resulting from the increase of revenue.

(II) General and administrative expenses amounted to RMB106,283 thousand, representing a decrease of approximately RMB20,054 thousand from RMB126,337 thousand last year, and accounted for 7.2% of the Group's revenue (year ended 31 December 2016: 9.7%). The decrease in general and administrative expenses was mainly due to (1) to demonstrate the commitment to the responsibility for the last year's business decline, the Group appropriately adjusted downwards the remuneration of senior management, and optimized the personnel structure of the less efficient business, allowing for the manpower cost to fall by approximately RMB4,336 thousand compared with last year; (2) the Group made an appropriate assessment and judgment on the recoverability of receivables and commercial value of equity investment projects, and the impairment loss on assets recorded a decrease of approximately RMB15,800 thousand as compared with last year.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

The Group had no significant investments, acquisitions and disposals during the year.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's liquidity was adequate with a stable financial position as a whole. As at 31 December 2017, cash and bank balances amounted to RMB678,791 thousand (31 December 2016: RMB552,531 thousand), of which approximately 92% was denominated in RMB and the remaining 8% in HK dollars and other currencies. Bank time deposits with maturity over three months held by the Group in RMB amounted to RMB10,636 thousand (31 December 2016: RMB11,698 thousand). During the year, details of the cash flows status were as follows:

(I) Net cash inflow from operating activities was RMB270,683 thousand (year ended 31 December 2016: RMB75,839 thousand), which was mainly because of: (1) an increase of approximately RMB75,288 thousand in prepayment of media agency costs and deposits to media suppliers as compared to the end of last year; (2) an increase of advance from customers of approximately RMB181,302 thousand as compared to the end of last year.

(II) Net cash inflow from investing activities was RMB3,860 thousand (year ended 31 December 2016: RMB17,544 thousand), which was mainly attributable to: (1) the interest received on bank deposits at approximately RMB8,265 thousand; and (2) the spending of RMB4,872 thousand in total on purchase of fixed assets and research and development of intangible assets.

(III) Net cash outflow from financing activities was RMB144,313 thousand (year ended 31 December 2016: net cash inflow of RMB38,075 thousand), which was mainly attributable to: (1) the repayment for the short-term bank borrowings of RMB110,000 thousand; (2) approximately RMB31,987 thousand was used for share buyback of the Company.

As at 31 December 2017, the Group's total assets amounted to RMB2,183,465 thousand, which consisted of equity attributable to equity shareholders of the Company of RMB1,579,758 thousand, and non-controlling interests of RMB-4,320 thousand. As at 31 December 2017, the Group had no bank borrowings.

The majority of the Group's turnover, expenses, and capital investments were denominated in Renminbi.

HUMAN RESOURCES

As at 31 December 2017, the Group had 436 employees in total, less than that at the beginning of the year. During the year under review, the Group introduced plenty of professional talents in the fields covering content production and operation. This enabled the Group to have a solid team and talent pool of content marketing in addition to the steady development of TV advertising business and digital advertising business, which further improved the Group's capabilities of integrated media operation meanwhile properly controlled the number of execution-related positions with less professional. In the aspect of employee training, the Group undertook regular training relating to the products and cases of TV advertising, digital marketing and content marketing, and conducted external development activities from time to time in order to improve the employees' comprehensive knowledge and skills and product selling capabilities. In the aspect of talent incentives, during the year under review, the Group raised the basic remuneration and the level of performance-based bonus of marketing staff and provided incentives and rewards to employees with outstanding contribution through periodical and specific incentive policies so as to strengthen the connection between working performance and personal interests. In the aspect of culture construction and employees' benefits, the Group strictly guaranteed the statutory holidays and benefits of all the employees and offered them benefit plans including insurance, housing provident fund and opportunities of further study. In order to align the personal interests of employees with those of shareholders, the Company granted share options to employees under the share option schemes. Share options that were granted and remained unexercised as of the end of the year totaled 28,944,500 units.

INDUSTRY AND GROUP OUTLOOK

In 2017, China's economy began to stabilize in terms of the growth rate from the macro perspective after six consecutive years of decline. In 2018, the global economy will continue the trend of overall recovery, but uncertainty still exists. China's economy is expected to remain basically stable and move into a stage where new growth drivers will replace old ones in a faster manner, further adjustments will be made to the quality and structure of the development, and GDP growth may slow down steadily.

Closely keeping an eye on the macroeconomic trends and industry movements, the Group at the same time will insist on the established strategies, improve the industrial chain layout, and raise the capability in operating the cross-media communications, committed to delivering high-quality and innovative products and communication services to clients. Specifically, in terms of TV advertising and content operations, the Group will continue to optimize the media resources of TV advertising, adhere to the client-oriented marketing strategies and strengthen the research and development of the cross-business creative communication products. It aims to expand the investment, production and operation in the documentary film programs while promoting the deep combination of brand and high-quality content, committed to becoming a leading supplier of documentary films and programs and operator of projects in terms of the investment scale and professional level. In terms of the digital marketing and internet media, the Group will follow the development trend of internet media, enrich the content products and interactive functions, and explore the users' behaviour data in respect to the needs of core users in the vertical field so as to improve the professional service of precision brand communication and enhance the operating capabilities of internet media.

As a leading comprehensive media operation group in China, the Group will intensify the core competitiveness in creative communication, and uphold the spirit of innovation and progressiveness to elevate the operating efficiency of cross-media communication platforms focusing on video content. At the same time, in terms of talents growth, the Group will optimize the organization structure and the management and training mechanism constantly, and continue to create more value for the society, staff and its shareholders in accordance with the principles of pragmatic and steady growth.

Directors and Senior Management

MR. CHEN XIN (陳 新)

aged 51, has been our Executive Director since November 2006. He was appointed as our Chairman in December 2007. He is primarily responsible for the strategic development, financial planning and investment management of the Group. Mr. Chen has thirty years of experience in the media industry. He obtained the title of senior reporter in journalism in 1999. He was previously a reporter for the CCTV news compilation room of the overseas service department and the Australian branch of Xinhua News Agency. He was also a director of CCTV news compilation room and a director of news distribution office of the overseas service department of Xinhua News Agency respectively from 1988 to 2004. Mr. Chen received his bachelor of science degree in biology and genetics from Fudan University in 1986, completed a master's course in international news from Fudan University in 1988 and received an EMBA degree from the Cheung Kong Graduate School of Business in 2006. Mr. Chen is the husband of Ms. Liu Jinlan, our Chief Executive Officer and an Executive Director.

MS. LIU JINLAN (劉矜蘭)

aged 49, has been our Chief Executive Officer since she founded the Group in 1999. She has served as an Executive Director since 24 October 2001. She is primarily responsible for the overall management of business operation and client development. Ms. Liu previously worked at CCTV from 1995 to 1998.

Since she founded our Group, Ms. Liu was instrumental in designing and executing advertising campaigns which have influenced the TV media industry, for which she was jointly recognized as one of the "Top Ten Female Advertising Professionals of China" by CCTV, Advertising School of the Communication University of China, Advertising Guidance and "Business" magazine in 2006. She was elected chairman of The Association of Accredited Advertising Agencies of China in January 2008, and jointly recognised as one of the "2008 Top Ten People in Media Advertising of China" by School of Journalism and Communication of Renmin University of China, Journalism School of Fudan University and other institutions in December 2008. In 2009, in a celebration marking the 60th anniversary of founding of New China, she was jointly recognised as the "2009 Outstanding Woman of China's Advertising Industry" by China Advertising Association of Commerce, Beijing Advertising Association, "21st Century Advertising Magazine", and the organizing committee of the 21st AD International Summit. She was also elected a vice-chairman of the first Media Committee of China Association of National Advertisers in December 2009. She was jointly recognized for two successive years as one of the 2009/2010 and 2010/2011 "Top Ten influential Female Advertising Professionals of China" by "Advertising Guidance" magazine and MBA School of the Communication University of China in September 2010 and April 2011 respectively. She was elected as the deputy head of Advertising Artistic Committee of China Television Artists Association in March 2012. She was elected a vice president of Beijing Chaoyang District Association of Women Enterpreneurs in July 2012. She also served as a supervisor of MBA of Year 2012 of Cheung Kong Graduate School of Business in November 2012. She was recognized as "Person of the Year" by The Association of Accredited Advertising Agencies of China in October 2013. In March 2014, she was recognized as one of the 2013/2014 "Top Ten Female Advertising Managers of China" by "Advertising Guidance" magazine. As a renowned adperson with a 20-year successful advertising career in China, she has been working as the chairman of The Association of Accredited Advertising Agencies of China for four years, and has become one of the fifteen members of the selection committee of China Advertising Hall of Fame, which is jointly created by China Advertising Association of Commerce, the Advertising Museum of China and the National Advertising Research Institute. In January 2017, she was recognised as the "Expert of Think Tank of China Advertising Industry" by China Advertising Association of Commerce. In July 2017, she was recognized as the "Contemporary China Outstanding ADMAN" by Chinese Organizing Committee of ADMEN International Award.

Ms. Liu graduated from the Beijing Broadcast Institute with a certificate in linguistics, and received an EMBA degree from the Cheung Kong Graduate School of Business in 2006. Ms. Liu is the wife of Mr. Chen Xin, our Chairman and an Executive Director.

MR. LI ZONGZHOU (李宗洲)

aged 50, joined the Group in 2000 as a financial supervisor and had been our General Accountant from 2007 to 2008. He was then a Vice President and is currently the Chief Internal Control Officer. He was appointed as an Executive Director in November 2006. Mr. Li is responsible for financial accounting, risk control management, legal affairs and financial contract approval management of the Group. He was previously the chief accountant and head of the financial department of Dunhua Forest Bureau from 1987 to 2000. Mr. Li received his bachelor of arts degree in economics from Renmin University of China in 1990. Mr. Li is the husband of Ms. Liu Jinlan's niece.

MR. HE HUI DAVID (何暉)

Mr. He Hui, aged 57, was re-designated as an Independent Non-Executive Director of our Group on 20 November 2015. Mr. He worked as a Non-Executive Director of our Group from August 2011 to November 2015. He is currently a partner and managing director of PAG Asia Capital. Prior to joining PAG Asia Capital in 2015, he had been working at Bain Capital Asia as a managing partner. Mr. He previously worked at General Electric for more than ten years, and during which he accumulated extensive experience in the management of engineering, marketing and company operation-related affairs in the United States and the Asia market. Mr. He graduated from Peking University in China with a bachelor's degree, and obtained a doctor's degree in physics afterwards from the University of Michigan (Ann Arbor Campus, United States) and MBA from Kellogg School of Business of the Northwestern University in the United States.

MR. LIAN YUMING (連玉明)

aged 54, was appointed as our Independent Non-executive Director in May 2011. Mr. Lian graduated from Shanxi University in 1987 with a bachelor of laws degree and then a Ph.D. degree in engineering from China University of Geosciences in 2013. He currently serves as the director of the Key Laboratory of Big Data Strategy, the president of the International Institute for Urban Development of Beijing, the president of Capital Association for Scientific Decision-Making, the chairman of the Foundation of Beijing International Cities Forum, and serves concurrently as a committee member of the Expert Consultative Committee of the Beijing Municipal Government, a committee member of the Beijing Municipal Committee of the Chinese People's Political Consultative Conference, a vice president of the Beijing Chaoyang District People's Political Consultative Conference, a vice president of the Beijing Federation of Social Science Circles, the chief expert of the Research Base of Beijing-Tianjin-Hebei Co-Development. He has a number of publications including the Awakening of City, the Concept of Global City Revisited, the Capital City of Strategic Positioning, the Multi-Win Approach of Beijing-Tianjin-Hebei Co-Development, the Block Data, the Era of DT and the Drive of Innovation. Mr. Lian has received various awards from government bodies and communities in recognition of his achievement and contribution to society, including the Beijing Municipal Committee of the Chinese People's Political Consultative Conference.

MR. QI DAQING (齊大慶)

aged 53, has been our Independent Non-executive Director since May 2008. He taught as an assistant professor and then an associate professor in accounting at The Chinese University of Hong Kong between 1996 and 2002. Mr. Qi joined the Cheung Kong Graduate School of Business in July 2002 where he currently serves as a professor of Accounting. He serves as an independent director, the chairman of audit committee and a member of remuneration committee of Sohu.com Ltd., serves as an independent director and the chairman of audit committee of iKang Healthcare Group, Inc., serves as an independent director and a member of audit committee, and remuneration committee of MOMO Inc., serves as an independent director and a member of audit committee of Jutal Offshore Oil Services Limited, serves as an independent director and a member of audit committee, remuneration committee and nomination committee of Yunfeng Financial Group Limited, and serves as an independent director and the chairman of audit committee of RoadShow Holdings Limited. Mr. Qi obtained a bachelor of science degree in biological physics in 1985 and a bachelor of arts degree in international mass communication in 1987, both from Fudan University in Shanghai. He received an MBA degree from the University of Hawaii at Manoa in 1992 and then a Ph.D. degree in Accounting from the Michigan State University in 1996.

Mr. Qi currently holds directorships in the following publicly listed companies: Sohu.com Ltd. (NASDAQ), iKang Healthcare Group, Inc. (NASDAQ), MOMO Inc. (NASDAQ), Jutal Offshore Oil Services Limited (Hong Kong Stock Exchange), Yunfeng Financial Group Limited (Hong Kong Stock Exchange) and RoadShow Holdings Limited (Hong Kong Stock Exchange).

Through his roles as an independent director in various companies and as a result of his overall professional experience, Mr. Qi has obtained expertise in accounting and financial management. In addition to lectures and presentations in accounting issues at various professional settings, he has authored research papers on accounting, financial reporting, capital market and other related topics that are published in leading academic journals. Mr. Qi is experienced in reviewing and analysing financial statements of public companies.

MS. WANG XIN (王昕)

aged 46, has been appointed as our Independent Non-executive Director in May 2012. Ms. Wang joined Sohu.com Ltd. in 1999 and was the joint president and chief operation officer of Sohu.com Ltd. from 2009 to March 2014. Prior to joining Sohu.com Ltd., Ms. Wang accumulated extensive experience in the field of sales and marketing. She worked in various companies, including Motorola (China) Company Limited where she served as an officer of the marketing and government relations department from 1996 to 1997. Ms. Wang graduated from Beijing Technology and Business University in China in 1992 with a bachelor of arts degree. She obtained a diploma in applied linguistics at the Southeast Asian Ministers of Education Organization Regional Language Centre, Singapore in 1996 and completed the China CEO program jointly offered by Cheung Kong Graduate School of Business, Columbia Business School, International Institute for Management Development and London Business School in 2011.

MR. LIU XUMING (劉旭明)

aged 50, was our Vice President from 2005 to 2010, and was appointed as our Chief Operation Officer in 2011. Mr. Liu also has served as the Chairman of Beijing Lotour Huicheng Internet Technology Company Limited ("Lotour Huicheng") since August 2013. Mr. Liu is in charge of the management of the Group's operation planning and the overall operation management of Lotour Huicheng. He joined the Company in November 1999. Mr. Liu has over sixteen years of experience in city branding management, media operation and management, advertisement creative design and market development, and has a strong understanding of the media development and positioning, creative design and media operation. He was the president of Dunhua Cable TV Station in Jilin Province from 1997 to 1999. Mr. Liu has served as a council member of The Association of Accredited Advertising Agencies of China (中國4A協會) since 2006. He served as the chairman of Supervision and Examination for China Public Service Advertisement Grand Prix in 2010, chaired the judge for two successive years for China 4A Golden Seal Awards Media Category in 2012 and 2013, and served as a judge for CCTV National Competition on TV Public Service Advertising in 2013. He started to work, as a vice president of the Content Marketing Committee of China Advertising Association of Commerce since July 2016. Mr. Liu received an MBA degree from California University of Management and Sciences in 2003.

MR. WANG YINGDA (王英達)

aged 39, has been our Vice President since October 2014, and was appointed as the Company Secretary in December 2014, to assist the Chairman of the Board in carrying on affairs of the listed company and management of investor relations, and to assist the Chief Internal Control Officer in financial compliance management. Mr. Wang joined the Group in July 2012 as the deputy general manager of the Group's finance center. Mr. Wang has over fifteen years of experience in accounting and auditing, and was the audit manager of KPMG before joining the Group. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and an associate member of the Chinese Institute of Certified Public Accountants. Mr. Wang received a bachelor of business administration degree from The Chinese University of Hong Kong in 2002 and a master of arts degree from Newcastle University, the United Kingdom, in 2004.

MR. HUANG PING (黃平)

aged 53, has been our Vice President since December 2011, and is responsible for the strategic development of media contents and channel platforms. Mr. Huang has extensive media-related work experience. He worked for MTV Greater China as its senior vice president and general manager from 2009 to 2011. From 2006 to 2009, he was a vice president in STAR China Co., Ltd. Before that, Mr. Huang was an associate director for the Satellite Channel under Shanghai Media Group and has accumulated extensive experience in programme production and distribution. Mr. Huang obtained a bachelor degree from the Journalism Department of Fudan University in 1986 and finished his postgraduate study in International News in Fudan University in 1988.

MS. ZHENG CHUN (鄭春)

aged 46, has been our Vice President since September 2015, responsible for expansion of international business and development of overseas clients. Ms. Zheng served various overseas tourism bureaus and airlines, in charge of promotion strategy and media publicity for China region. Ms Zheng has over twenty years' experience in tourism. Before joining the Group, she worked for Destination Canada, KLM Royal Dutch Airlines and Northwest Airlines. Ms. Zheng received her bachelor of arts degree as a major in English from Beijing Language College in 1995.

MS. WANG HONG (王紅)

aged 48, has held positions in finance, media execution and administrative management since she joined the Group in March 1999. She was appointed as a Vice President of the Group in October 2015, responsible for the Group's media resource purchasing from China Central Television and execution management thereof, and also the administrative management of the Group. Ms. Wang has over sixteen years of experience in media industry. Ms. Wang graduated from Jilin University in 1996, majoring in business administration. Ms. Wang is the wife of Mr. Li Zongzhou, our Executive Director, and the niece of Ms. Liu Jinlan, our Executive Director and Chief Executive Officer.

MS. ZHOU JUNHUA (周俊華)

aged 40, has been our Vice President since October 2013, responsible for the overall development and operation of city tourism brand communication business of the Group. She joined the Group in August 2002, and has been the General Manager of City Brand Marketing Centre since 2011. Ms. Zhou has four years of frontline sales experience and eleven years of team management experience. With more than fifteen years of working experience in media industry, she has established her own style in the field of city tourism brand communication. She has successfully developed and provided services for more than 1,000 clients, which effectively ensured the Group's leading position in this field. Through eleven years' professional team management, Ms. Zhou has initiated unique and systematic media marketing management ideas and methods which have been applied and promoted successfully in market practices, and made important contribution to the sales performance of the Group. Ms. Zhou graduated from Shashi University in 1999, majoring in finance.

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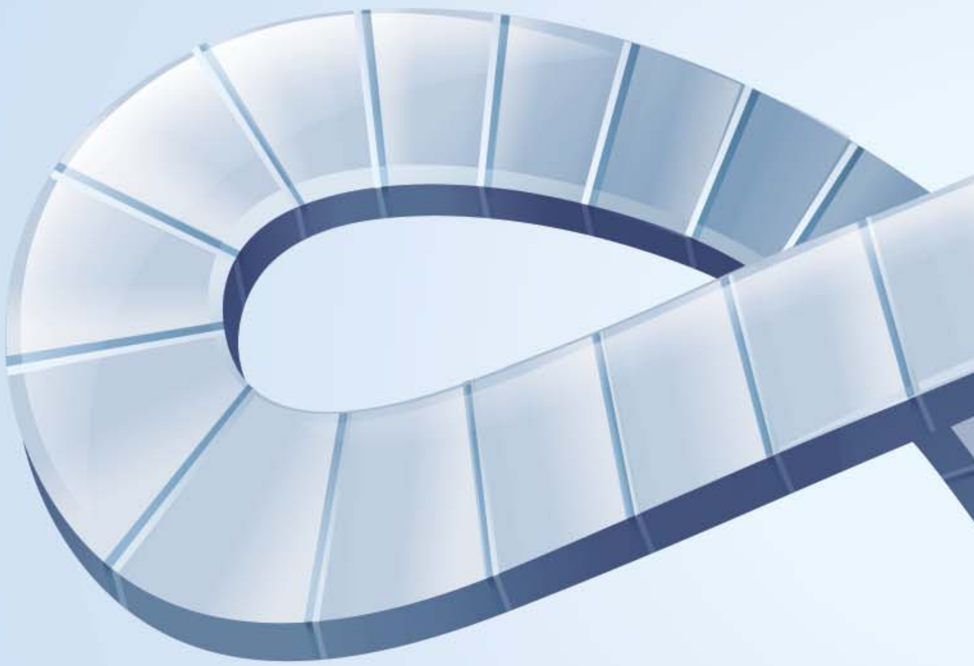

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Company is committed to attaining and upholding a high standard of corporate governance practices to protect the interests of shareholders and the Company as a whole. The Company has made continuous efforts to constantly review and improve its corporate governance system in light of changes in regulations and developments in best practices and to ensure that the Group is under the leadership of an effective board (the "Board") of directors of the Company to maximise return for shareholders.

The Company has adopted the code provisions ("Code Provisions") of the Corporate Governance Code and Corporate Governance Report (hereinafter referred to as the "Code") as set out in Appendix 14 to the Rules (the "Listing Rules") Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") as the guidelines for corporate governance of the Company. During the year ended 31 December 2017, the Company has fully complied with all Code Provisions and where applicable, the recommended best practices prescribed in the Code, except for the following deviations:

1. Code Provision A.6.7

Under Code Provision A.6.7, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of the shareholders.

Due to other pre-arranged business engagements which must be attended to by Mr. Qi Daqing and Mr. He Hui David, being Independent Non-executive Directors of the Company, were not able to attend the annual general meeting of the Company held on 9 June 2017.

2. Code Provision E.1.2

Under Code Provision E.1.2, the chairman of the Board should attend the annual general meeting. He should also invite the chairman of the audit, remuneration, nomination and any other committees (as appropriate) to attend.

Due to other pre-arranged business commitments which must be attended by him, Mr. Qi Daqing, the chairman of the Audit Committee and an Independent Non-executive Director of the Company, was not present at the annual general meeting held on 9 June 2017. However, the other two members of the Audit Committee, Mr. Lian Yuming and Ms. Wang Xin, Independent Non-executive Directors of the Company were present at the said annual general meeting to ensure an effective communication with the shareholders thereat.

COMPLIANCE WITH DEED OF NON-COMPETITION

The Company has received two confirmations (the "Confirmation") from Mr. Chen Xin and Ms. Liu Jinlan (the "Covenantors") signed by each of them in March 2018 respectively confirming that for the period from 1 January 2017 to 31 December 2017 and up to the date of signing the Confirmation by the relevant Covenantor, each of them has fully complied with the non-competition deed executed by the Covenantors in favour of the Group on 27 May 2008 (the "Non-Competition Deed") and, in particular, they and their respective close associates have not, directly or indirectly, carried on or be engaged or interested in any business which is or may be in competition with the core business of the Group, i.e. acting as a media advertising operator, including the purchasing of advertisement time, advertisement production, acting as an agent of advertisement time and other advertising related service, and any other new business which is from time to time carried on or engaged or interested in by the Group.

The Independent Non-executive Directors of the Company have reviewed the Confirmation and all of them are satisfied that the Non-Competition Deed has been complied with during the period under review.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions.

Having been made specific enquiry, the Directors confirmed that they have complied with the required standard set out in the Model Code during the year ended 31 December 2017.

BOARD OF DIRECTORS

1. Composition of the Board

During the year ended 31 December 2017, the Board comprised the following Directors:

EXECUTIVE DIRECTORS:	INDEPENDENT NON-EXECUTIVE DIRECTORS:
Mr. Chen Xin *(Chairman)*	Mr. Qi Daqing
Ms. Liu Jinlan *(Chief Executive Officer)*	Mr. Lian Yuming
Mr. Li Zongzhou	Ms. Wang Xin
	Mr. He Hui David

The Directors possess the skills, experience and expertise either in the same industry or relevant to the management of the business of the Group. The biographical details of the Directors and the relationship between members of the Board are set out in the "Directors and Senior Management" section on pages 23 to 33 of this annual report.

Save and except that Mr. Chen Xin is the spouse of Ms. Liu Jinlan and that Mr. Li Zongzhou is the husband of Ms. Liu Jinlan's niece, there are no relationships (including financial, business, family or other material or relevant relationships) among members of the Board.

2. Chairman and Chief Executive Officer

The positions of the Chairman of the Board and the Chief Executive Officer are held by separate individuals to ensure that a segregation of duties and a balance of power and authority are achieved. The Chairman is responsible for overseeing all Board functions in accordance with good corporate governance practice, developing strategies and instilling corporate culture. The Chief Executive Officer is responsible for formulating detailed plans for implementation of the objectives set by the Board and mainly focuses on the day-to-day management and operation of the Group's business. During the year ended 31 December 2017, the position of Chairman of the Board was held by Mr. Chen Xin and the position of Chief Executive Officer of the Company was held by Ms. Liu Jinlan.

3. Non-executive Directors

The Non-executive Directors, all of whom are independent, play an important role in the Board. They possess extensive academic, professional and industry expertise and management experience and have provided their professional advice to the Board. Accounting for a majority of Board members, they provide adequate checks and balances for safeguarding the interests of the shareholders and the Group as a whole.

The Non-executive Directors of the Company are appointed for a term of three years and are subject to retirement by rotation at the Company's annual general meetings at least once every three years in accordance with the Articles of Association of the Company.

The Company has received annual written confirmation from each Independent Non-executive Director in respect of his or her independence to the Company pursuant to the requirements of the Listing Rules. The Company has assessed the independence of all Independent Non-executive Directors, including Mr. Qi Daqing who has served the Company for more than 9 years since his first appointment as an Independent Non-executive Director in May 2008, and is satisfied that each of them continued to satisfy the independence criteria under Rule 3.13 of the Listing Rules and remained independent throughout the year ended 31 December 2017. The Company also has at all times complied with the requirements under Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules relating to the appointment of at least three Independent Non-executive Directors and the appointment of an Independent Non-executive Director with appropriate professional qualifications, on accounting or related financial management expertise. The Independent Non-executive Directors represented at least one-third of the Board.

4. Division of Responsibilities of the Board and the Management of the Company

The Board steers the Group's business direction. It is responsible for formulating the Group's long-term strategies, setting business objectives, monitoring the management's performance, and ensuring strict compliance with relevant statutory requirements and effective implementation of risk management measures on a regular basis.

The management under the leadership of the Chief Executive Officer is responsible for the day-to-day management of the Group's businesses and implementation of the strategy and direction set by the Board.

To ensure the operational efficiency and specific issues are being handled by relevant expertise, the Board delegates certain powers and authorities from time to time to the management.

The types of decisions which are reserved for the approval by the Board (or the Board committees) include those relating to:

- corporate and capital structure;
- corporate strategy;
- significant policies affecting the Company as a whole;
- business plan, budgets and public announcements;
- delegation to the Chairman, and delegation to and by Board committees;
- key financial matters;
- appointment, removal or reappointment of Board members, senior management and auditors;
- remuneration of Directors and senior management;
- communication with key stakeholders, including shareholders and regulatory bodies; and
- corporate governance duties.

The types of decisions that the Board has delegated to the management include:

- approving the extension of the Group's activities not in a material manner into a new geographic location or a new business;
- assessing and monitoring the performance of all business units and ensuring that all necessary corrective actions have been taken;
- approving expenses up to a certain limit;
- approving the entering into of any connected transactions not requiring disclosure under the Listing Rules;
- approving the nomination and appointment of personnels other than the member of the Board, senior management and auditors;
- approving press release concerning matters decided by the Board;
- approving any matters related to routine matters or day-to-day operation of the Group (including the entering into of any transaction not requiring disclosure under the Listing Rules and cessation of non-material part of the Group's business); and
- carrying out any other duties as the Board may delegate from time to time.

5. Board Meetings

The Board meets regularly to discuss the overall strategy as well as the operation and financial performance of the Group. Directors may participate in person or through electronic means of communication. During the year of 2017, the Board held four meetings. As regards general meetings, the Company held the annual general meeting on 9 June 2017 during the year of 2017. The said meetings were attended by a majority of the Directors in person or through other electronic means of communication. Attendances at the Board meetings and the annual general meeting of each Director are set out as follows:

	NUMBER OF MEETINGS ATTENDED/HELD	
DIRECTORS	**Board Meetings**	**Annual General Meeting**
Executive Directors:		
Chen Xin	4/4	1/1
Liu Jinlan	4/4	1/1
Li Zongzhou	4/4	1/1
Independent Non-executive Directors:		
Qi Daqing	4/4	0/1
Lian Yuming	4/4	1/1
Wang Xin	4/4	1/1
He Hui David	4/4	0/1

Notices of regular Board meetings are given to all Directors at least 14 days prior to the date of each regular Board meetings while reasonable notice is generally given for other Board meetings. Meeting agendas and any accompanying board papers are generally sent to all Directors at least 3 days before the intended date of each Board or committee meeting, except agreed otherwise among the members. All Directors are encouraged to propose new items as any other business for discussion at the meetings. The Board and each Director have separate access to the Company's senior management for information at all times and may seek independent professional advice at the Company's expenses in carrying out their duties, if necessary. Draft and final versions of the minutes of the meetings, drafted in sufficient details by the Company Secretary, were circulated within a reasonable time after each meeting to the Directors for their comment and record respectively. Originals of such minutes, kept by the Company Secretary, are open for inspection by all Directors at any reasonable time. Procedures for convening meetings of the Board and Board committees and for preparing minutes of the meetings have complied with the requirements of the Articles of Association of the Company and applicable laws, rules and regulations.

6. Appointment, Re-election and Removal of Directors

The Nomination Committee is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination or election or re-election of Directors, monitoring the appointment and succession planning of Directors and assessing the independence of Independent Non-executive Directors.

Each of the Directors has entered into a service contract with the Company for a specific term and is subject to retirement by rotation at annual general meetings at least once every three years. In accordance with the Articles of Association of the Company, three Directors shall retire at the next following annual general meeting of the Company and shall be eligible for re-election. The names and biographical details of the Directors who will offer themselves for re-election at the forthcoming annual general meeting are set out in the circular to shareholders dated 27 April 2018 to assist shareholders in making an informed decision on the re-elections.

Having been made specific enquiry, the Directors confirmed that the terms, in particular the non-competition obligations, of their respective service contracts had been complied with and they had no interest in any company or business which competed either directly or indirectly with the Group's business.

7. Remuneration of Directors

The Executive Directors did not receive any allowance for their service provided as Directors throughout the year ended 31 December 2017. Executive Directors who are also the Company's staff are entitled to receive salaries according to their respective positions taken on a full-time basis in the Company.

Save that Mr. He Hui David did not receive any remuneration for his directorship during the year ended 31 December 2017, two out of the four Independent Non-executive Directors, were respectively remunerated at RMB 168 thousand, and the remaining Independent Non-executive Director was remunerated at RMB 187 thousand for their services provided for the year under review.

Information relating to the remuneration of each Director for the year under review is set out in note 7 to the financial statements on page 115 of this annual report.

8. Training of Directors

Pursuant to Code Provision A.6.5, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. During the year under review, all Directors have participated in continuous professional development by reading and watching relevant materials on the topics related to the updates on ethics and code of conduct of Directors, corporate governance, rules and regulations and operation and management of listed companies.

9. Board Committees

The Board has established four Board committees with specific terms of reference, namely the Audit Committee, the Remuneration Committee, the Compliance Committee and the Nomination Committee. All terms of reference of the Board committees are on terms no less exacting than those set out in the Code, where applicable.

Audit Committee

The Audit Committee is responsible for the review and supervision of the Group's financial reporting process, risk management and internal control systems, and review of the Company's financial statements. The Audit Committee also reviews and monitors the scope and the effectiveness of the work of external auditors. The terms of reference of the Audit Committee are made available on the Company's website and the Stock Exchange's website.

The Audit Committee met three times during the year under review. Currently, the committee comprises three members, all of whom are Independent Non-executive Directors. The composition of the committee and the attendances at the meetings by each committee member are set out as follows:

COMMITTEE MEMBERS	NUMBER OF MEETINGS ATTENDED/HELD
Qi Daqing *(Chairman)*	3/3
Lian Yuming	3/3
Wang Xin	3/3

At the meetings, the committee:

- reviewed with the management and the external auditors the effectiveness of audit process and the accounting principles and practices adopted by the Group, and the accuracy and fairness of 2016 annual report and 2017 interim report;
- reviewed and discussed with the management the Listing Rules compliance, and the effectiveness of the risk management and internal control systems of the Group, including reviewing the internal control reports submitted by the internal audit department of the Group and reviewing the internal audit function of the Company;
- reviewed the terms of appointment of external auditors, and ensured the continuing independence of external auditors; and
- monitored the effectiveness of the audit process in accordance with applicable standards and discussed with the auditor the nature and scope of the audit and reporting obligations before the audit commenced.

Remuneration Committee

The Remuneration Committee was established to make recommendations to the Board on the Company's policy and structure for remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration and to determine, with delegated responsibility, the remuneration packages of individual Executive Directors and senior management, including benefits in kind, pension rights and compensation payments inclusive of any compensation payable for loss or termination of their office or appointment, and to make recommendations to the Board on the remuneration of Non-executive Directors. The terms of reference of the Remuneration Committee are made available on the Company's website and the Stock Exchange's website. The Remuneration Committee comprised of Ms. Wang Xin, Mr. Chen Xin and Mr. Lian Yuming, majority of whom are Independent Non-executive Directors. Ms. Wang Xin is the chairman of the Remuneration Committee.

During the year under review, the Remuneration Committee did not hold any meeting. However, the Board considered and reviewed the emolument policy and the levels of remuneration paid to the Directors and senior management as well as assessed the performance of Directors in the Board meeting held on 29 March 2017. Despite being present in the said Board meeting, the Directors had abstained from voting and did not participate in the discussion on his/her own remuneration.

Compliance Committee

The Compliance Committee was established to oversee the Group's compliance with regulatory requirements and make recommendations to the Board on improvement of corporate governance of the Group.

One meeting was held during the year under review. The composition of the committee and the attendances at the meeting by each committee member are set out as follows:

COMMITTEE MEMBERS	NUMBER OF MEETING ATTENDED/HELD
Li Zongzhou *(Chairman)*	1/1
Wang Yingda	1/1

At the meeting, the committee:

- reviewed the adequacy and effectiveness of the risk management and internal control systems and making recommendation to the Board for improvement of internal control and risk management;
- reviewed and monitored the training and the continuous professional developments of Directors and senior management, and the code of conduct applicable to Directors and employees; and
- reviewed corporate information issued by the Group to ensure compliance in every respect with the Listing Rules.

Nomination Committee

The Nomination Committee is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination or election or re-election of Directors, and monitoring the appointment and succession planning of Directors. The terms of reference of the Nomination Committee are made available on the Company's website and the Stock Exchange's website.

The Company has adopted a board diversity policy ("Board Diversity Policy") which sets out its approach to achieve and maintain diversity on the Board in order to enhance the effectiveness of the Board. The Board Diversity Policy sets out objective criteria such as academic strength, experience in the relevant industry against which candidates will be assessed. The Company considers that the current composition of the Board is characterized by diversity, whether considered in terms of professional background and skills.

During the year under review, one meeting of the Nomination Committee was held. The composition of the committee and the attendances at the meeting by each committee member are set out as follows:

COMMITTEE MEMBERS	NUMBER OF MEETING ATTENDED/HELD
Chen Xin *(Chairman)*	1/1
Lian Yuming	1/1
Wang Xin	1/1

At the meeting, the committee:

- reviewed the structure, size and diversity of the Board;
- assessed the independence of Independent Non-executive Directors; and
- reviewed the time and sufficient resources required from Directors to perform their responsibilities.

10. General

The Company has arranged for directors' and officers' liability insurance for all Directors and senior officers against legal liability arising from their performance of duties. The insurance coverage is reviewed on an annual basis. For the year ended 31 December 2017, no claim has been made against our Directors and senior officers.

FINANCIAL REPORTING

1. Financial Reporting

Management of the Company provides explanation and information to the Board to facilitate an informed assessment of financial statements and other information put before the Board for approval. The Board acknowledges its responsibility in the preparation of financial statements to give a true and fair view of the Company's state of affairs. In the preparation of financial statements, the International Financial Reporting Standards have been adopted and appropriate accounting policies have been consistently used and applied.

The Board is not aware of any material uncertainties relating to events or conditions which may cast significant doubt over the Group's ability to continue as a going concern. Accordingly, the Board continues to prepare the financial statements set out on pages 83 to 174 on a going concern basis.

The reporting responsibilities of the Group's external auditors, KPMG, are set out in the Independent Auditor's Report on pages 77 to 82 of this annual report.

2. External Auditors

Management performs a review of remuneration to external auditors on an annual basis. The fees for audit services have been reviewed by the Audit Committee, and the fees for non-audit services, if any, are approved by management.

3. Auditors' Remuneration

The total fee charged by the auditors generally depends on the scope and volume of the auditors' work. During the year under review, RMB2,950 thousand was charged by the Group's external auditors for annual audit services and the auditors did not provide any non-audit services for the Group.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, and ensuring that the Group had established and maintained appropriate and effective risk management and internal control systems. The Group has adopted comprehensive procedures with duly assigned levels of authority in areas of financial, compliance controls, and risk management to ensure that its assets remain secure at all times. The Group has in place an internal risk identification, assessment and management system. Regular surveys are conducted with the management to identify the key risks, key risks identified are assessed and ranked according to the likelihood of occurrence and extent of impact to the Group. Identified risks are then mapped to relevant control procedures and are allocated to the relevant departments according to their functions for risk management on an ongoing basis. Key internal control procedures have been designed for safeguarding assets against unauthorised use or disposition; for maintaining proper accounting records; and for ensuring the reliability of financial information used within the business or for publication.

The Board, through the Audit Committee and the Compliance Committee, had conducted an annual review of the effectiveness of the risk management and internal control systems of the Group, including financial, operational and compliance controls and risk management functions as well as the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting function. Proper controls are in place to ensure the accounting and management information is recorded in a complete, accurate and timely manner. Regular reviews and audits are carried out to ensure that the preparation of financial statements in accordance with the Group's accounting policies and applicable laws, rules and regulations, thereby providing reasonable assurance regarding effective operation of the Group's business.

While acknowledging the responsibility for the risk management and internal control systems and for reviewing their effectiveness, the Board recognises that they are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Group has in place procedures and internal controls for handling and dissemination of inside information whereby the Chairman of the Board and the Company Secretary work closely, seeking advice from legal advisors from time to time, if needed, with proper reporting to and approval from the Board, for proper handling and dissemination of inside information in accordance with relevant laws and regulations.

The Group has established a clear organisational structure, including the delegation of appropriate responsibilities from the Board to the Board committees, members of senior management and the heads of operating divisions.

An internal audit department was established to review the effectiveness of financial reporting system, risk management and internal control systems of the Group on a continuing basis and it aims to cover all significant functions within the Group on a rotational basis. The scope of the internal audit department's review and the audit programmes have been approved by the Audit Committee. The internal audit department reports directly to the Audit Committee and the Chairman of the Board, and submits regular reports for their review in accordance with the approved programmes. The internal audit department submits a detailed report at least once a year to the Board for their review and monitors the effectiveness of the systems of risk management and internal control of the Group.

External auditors will also report on the weaknesses in the Group's risk management and internal control, and accounting procedures which have come to their attention during the course of audit.

Any material internal control defects identified will be reported to the Audit Committee who shall supervise the management's design and implementation of rectification measures. The Audit Committee also keeps the Board informed of the rectification process. For the year ended 31 December 2017, no critical risk management and internal control weaknesses have been identified by the Board and the Board considered the risk management and internal control systems of the Company remained adequate and effective. The Audit Committee reviewed and was satisfied that the internal audit department remained adequately resourced, effective and had appropriate standing in the Company.

COMPANY SECRETARY

The Company Secretary, Mr. Wang Yingda, is responsible for facilitating the Board process, as well as communications among the Board members, the shareholders and the management. All Directors have access to the advice and services of the Company Secretary to ensure that Board procedures, and all applicable laws, rules and regulations are followed. Mr. Wang possesses the professional qualifications as required under Rule 3.28 of the Listing Rules. During the year under review, Mr. Wang has undertaken no less than 15 hours of relevant professional training by attending seminars to update his knowledge and skills in compliance with Rule 3.29 of the Listing Rules. The biography of Mr. Wang is set out in the section "Directors and Senior Management" on page 30 of this report.

COMMUNICATION WITH SHAREHOLDERS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company also recognizes the importance of transparency and timely disclosure of corporate information, which will enable shareholders and investors to make the best investment decisions.

The Company has set up and maintained various channels of communication with its shareholders and the public to ensure that they are kept abreast of the Company's latest news and development. Information about the Company's financial results, corporate details and major events are disseminated through publication of announcements, circulars, interim and annual reports and press release. All published information is promptly uploaded to the Company's website at www.sinomedia.com.hk, for public access.

The Company also holds investor meetings from time to time, including post results announcement non-deal roadshows, one on one meetings and conference calls. Shareholders can also submit enquiries to the management and the Board and send proposals to be put forward at shareholders' meeting to the Board or senior management by sending emails to ir@sinomedia.com.hk or making phone calls to our investor hotline at 86-10-65896899. In addition, the Company's dedicated investor relations team takes a proactive approach to communicate with existing and potential investors in a timely manner by making regular face-to-face meetings and conference calls with investors.

Under the Company's Articles of Association, the Board, on the requisition of shareholders of the Company holding not less than 5% of the total voting rights of all the members having a right to vote at general meetings of the Company, can convene an extraordinary general meeting pursuant to the provisions of the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong) to address specific issues of the Company. At the annual general meeting, shareholders can raise any questions relating to performance and future direction of the Group with the Directors. The Company maintains contact with its shareholders through annual general meeting or other general meetings, and encourages shareholders to attend those meetings. The external auditor of the Company, Messrs. KPMG also attended the annual general meeting held on 9 June 2017 to answer questions about the conduct of the audit, the preparation and content of the independent auditors' report, the accounting policies and auditor independence. The Company complied with the required notice periods for general meetings under the applicable laws, rules and regulations.

CONSTITUTIONAL DOCUMENTS

In 2017, no amendment had been made to the Articles of Association of the Company.

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Environmental, Social and Governance Report

This report is the second environmental, social and governance report of SinoMedia Holding Limited ("SinoMedia" or the "Group"). This report covers the work carried out during the financial year ended 31 December 2017, and discloses the data on the management approach, strategy, priorities and objectives of SinoMedia regarding environment, society and governance.

The Group has complied with the "comply or explain" provisions of the Environmental, Social and Governance Reporting Guide in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (HKEX ESG Reporting Guide) in the year ended 31 December 2017. This report has been verified by the management and reviewed and approved by the Board of Directors of SinoMedia.

STAKEHOLDER ENGAGEMENT AND MATERIALITY

In order to identify the most significant aspects of environment, society and governance for the Group to report on in this report, key stakeholders including investors, shareholders and employees have been involved in regular discussions to identify the economic, environmental and social impacts of the Group's business, and the issues that matter the most to the stakeholders.

STAKEHOLDER'S COMMENT

The Group welcomes comments from stakeholders on our environmental, social and governance policies and performance. Relevant comments may be sent by email to ir@sinomedia.com.hk.

REPORT SCOPE

This report covers the Group's overall performance in two main aspects, namely the environmental and social aspects, of its core businesses for the financial year ended 31 December 2017, with a focus on highlighting the efforts of the Group on the sustainable development in the following aspects:

— Environmental aspect (emissions, utilization of resources, environment and natural resources)

— Social aspect (employment, health and safety, development and training, labor standards, supply chain management, product responsibility, anti-corruption and community investment)

BALANCED AND SUSTAINABLE DEVELOPMENT

Over the years, SinoMedia has been dedicatedly facilitating the sustainable development of its business, advocating environmental protection and stressing the assumption of social responsibilities, in an endeavor to set a good example for the public. While operating its business, the Group emphasized the balance of interests among shareholders, clients and employees, and preserved an equal emphasis on business development and fulfillment of social responsibilities.

ENVIRONMENTAL ASPECT

The Group paid great attention to environmental protection. Apart from ensuring the compliance with laws and regulations on environmental protection, it also reduced environmental pollution by utilizing resources effectively and introducing energy-saving measures friendly to the environment, which led to improving energy efficiency. Most wastes emitted and produced by the Group are generated by its use of electricity, paper, gasoline and water. Given the Group's business nature, the Group is convinced that the impact directly exerted by its business operation on the environment and natural resources is insignificant. To the best knowledge of the Group, there has not been any material incompliance with relevant laws and regulations regarding the emission of waste gas and greenhouse gas, the discharge of pollutant into waters and soil and the generation of hazardous wastes.

1. Electricity and water

The Group has actively implemented an accountability system by emphasizing the practice of switching off lights and power sources after work to promote the appropriate use of electricity; opted to switch on corridor lamps at intervals by turns; used energy-saving power packs and inductive hand-washing facilities and set reasonable velocity of the water used in water closets, so as to avoid the waste of resources caused by negligence; hired special office support staff who regularly patrol and inspect water and electricity facilities to ensure water saving and energy saving; and configured computers, printers, fax machines and other office equipment to automatically turn off their screens and go to the "sleep" mode after being idle for a long time.

2. Paper

An office automation system has been implemented across the Group to encourage the staff doing office work in a paperless manner with less printing as much as possible, to promote the replacement of paper-based fax with email communication for the avoidance of waste of paper, and to encourage staff printing on both sides of a paper and re-use paper whenever practicable.

3. Gasoline

The Group has formulated a strict vehicle usage system which deployed vehicles in a reasonable manner according to the usage, number of passengers, destination and location of passengers to reduce the mileage of driving without passenger, enhance the efficiency of vehicle usage and cut down the carbon dioxide emission.

4. Training of employees

The Group believes that the higher awareness of environmental protection holds key to the better performance of environmental protection. Therefore, the Group trained its employees regularly by explaining to them relevant knowledge of energy saving and emission reduction, in order to foster the concept and habitat of environmental protection among the employees.

SOCIAL ASPECT

1. Employment and Labor Practices

Demographics of employees	As at 31 December 2017	As at 31 December 2016
Total number of employees	**436**	505
By region (%)		
Beijing	**78**	81
Hangzhou	**14**	11
Shanghai	**4**	3
Nanjing	**2**	2
Hong Kong	**1**	2
Singapore	**1**	1
By gender (%)		
Male	**39**	42
Female	**61**	58
By age group (%)		
30 or below	**54**	57
31–35	**24**	21
36–40	**13**	12
41 or above	**9**	10
By education level (%)		
Above degree	**9**	7
degree	**58**	62
diploma or below	**33**	31

Employee activities and benefits

The Group strictly guaranteed the statutory holidays of employees pursuant to relevant laws and regulations and offered them benefit plans including insurance, housing provident fund and opportunities of further study. SinoMedia upholds the corporate culture of "Care • Responsibility • Inclusiveness", and creates a harmonious and friendly working atmosphere in which the staff can feel at home. During the year, the Group organized a number of cultural and sports activities, including the 11th sports meeting, collective wedding ceremony, gathering of the second generation of SinoMedia, tours for employees and their families, etc.

The 11th Sports Meeting

Gathering Event of the Second Generation of SinoMedia

Tours in Taiwan for Outstanding Employees and Their Families

2. Health and Safety

The Group purchased employment injury insurance and medical insurance for its staff in accordance with the requirements of the Labor Law, practically gave full play to the function of the employment injury insurance for the prevention of occupational risks, and paid close attention to the health of staff. The Group continued to provide working lunch cards to its staff to provide a guarantee on the dining safety and convenience of staff. In addition, the Group was devoted to creating a safe working environment for its staff, and as far as it was aware, there was no potential occupational risk referred to in the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases.

3. Employee Development and Training

In terms of talent recruitment, in addition to the regular recruiting method, the Group adopted a new model of "mass recruit" which ensures the eligibility of hired talents and enhances the efficiency and quality of recruitment by observing the principle of "mass screening and pertinent hiring".

In terms of talent nurturing, the Group underlined the personalized management of the future development of its staff. In order to stimulate the potential of employees in doing their work, in 2017 the Group continued to uphold the human resource development strategy of "professionalism excellence, talent succession" according to"the Proposal on the Promotion Channels of Middle and Senior Management Members" and "the Administrative Measures on the Green Promotion Channels for Professional Technicians", and emphasized on the hiring and nurturing of talents. Through setting up a talent growth path integrating vertical professional and cross-disciplinary development, it helped professionals to achieve their long term development goals while meeting the demand for an integrated development of cross-disciplinary talents.

In terms of employee training, the Group regularly held basic training courses on industry knowledge, corporate culture and work procedures training, etc. to ensure that the employees could master the necessary skills and promptly enter the working mode. Besides, in order to upgrade and update information and knowledge, enhance the professional skills and combined service capabilities of its staff, the Group also conduct a range of regular and irregular professional trainings such as new product presentation and new policy interpretation.

4. Labor Standard

All employees are employed through the human resources department of the Group, so as to ensure each of them meets the job requirements of corresponding positions. The Group firmly resists the use of child labor and forced labor, and accepts public supervision consciously.

5. Supply Chain Management

The major suppliers of the Group are CCTV and various other mainstream and diversified media organizations, which are all legal entities operating in compliance with national policies and regulations and with relevant qualifications. During the cooperation with such suppliers, the Group attached importance to the dynamic review on their licenses and qualifications, in order to ensure their compliance with the relevant requirements of and amendments to national policies and regulations. The Group also motivated the suppliers to give assistance in raising the awareness of environmental protection and the sense of social responsibility.

6. Product Responsibility — Intellectual Property Protection

The Group continued to step up intellectual property protection by adopting comprehensive intellectual property protection measures. In terms of trademark protection, the Group renewed the registration of the existing trademarks, and applied for and registered nine new trademarks in line of its business scope and development. The trademarks involved were under Category 9 (Computer Software and Electronic Publication), Category 12 (Automobile, Motorbike, Camper Van and Vehicle Anti-theft Device), Category 16 (Printed Publication, Book, Poster and Magazine), Category 28 (Gaming Apparatus and game machine), Category 35 (Advertising, Advertising Agency and Commercial Survey), Category 39 (Tour Arrangement, Travel Booking and Car Rental), Category 40 (Film Development, Pattern Printing, and Photo Development, Printing and Offset Printing), Category 41 (Production of Broadcasting and TV Programs, TV Cultural and Entertainment Program; Entertainment Service, Show, Radio Cultural and Entertainment Program) and Category 42 (Graphic Design, Artwork Authentication, Artifact Design, and Package Design). In terms of copyright protection, in 2017 the Group acquired seven new software copyrights, and entered into annual purchase agreements on images, fonts, software, etc. with the suppliers of authentic licensed materials, with a view to providing a disciplined environment for the use of materials.

7. Anti-corruption

It is expressly provided in the staff manual and rules and regulations of the Group that, all the staff shall be prohibited from conducting or participating in any illegal acts such as bribery, blackmail, fraud and money laundering of any form. The Group has included anti-corruption provisions in all the contracts drafted or entered into by the Group, and provides regular explanations on anti-corruption during employee trainings. Any employee who identifies any irregularity can report to the internal audit department of the Group, and the internal audit department also carries out regular audit on the compliance of every department with the anti-corruption requirements.

In 2017, the Group received no corruption-related reports and was involved in no corruption-related legal cases.

8. Participation in Community Events

Caring for the elderly community

In 2017, for the fifth consecutive year the Group offered year-end pension sums for greeting purposes to a total of approximately 130 parents of the employees who reached the age of 65, this let the employees and the parents feel the care and warmth, and motivated the initiative, active attitude and creativity of the employees at work, at the same time, the Group assumed within its means the responsibilities regarding the retirement needs of the society and the concern for those elderly who lived alone.

Publicity for charity events

In 2017, the Group produced jointly with its clients several public welfare advertisements, such as those urging people to go home for reunion during the spring festival, care for the parents, raising the awareness of fire safety in theatres, and they attracted a lot of attention and were well recognized by the general public. By virtue of its years of extensive experience and industry advantages, SinoMedia focused on publicity for charity events, demonstrating its assumption of social responsibilities.

Home • Reunion • Dream Coming True — Reunion

Changing Time, Unchanged Mother's Love

Public Welfare Advertisement on Fire Safety in Theatres

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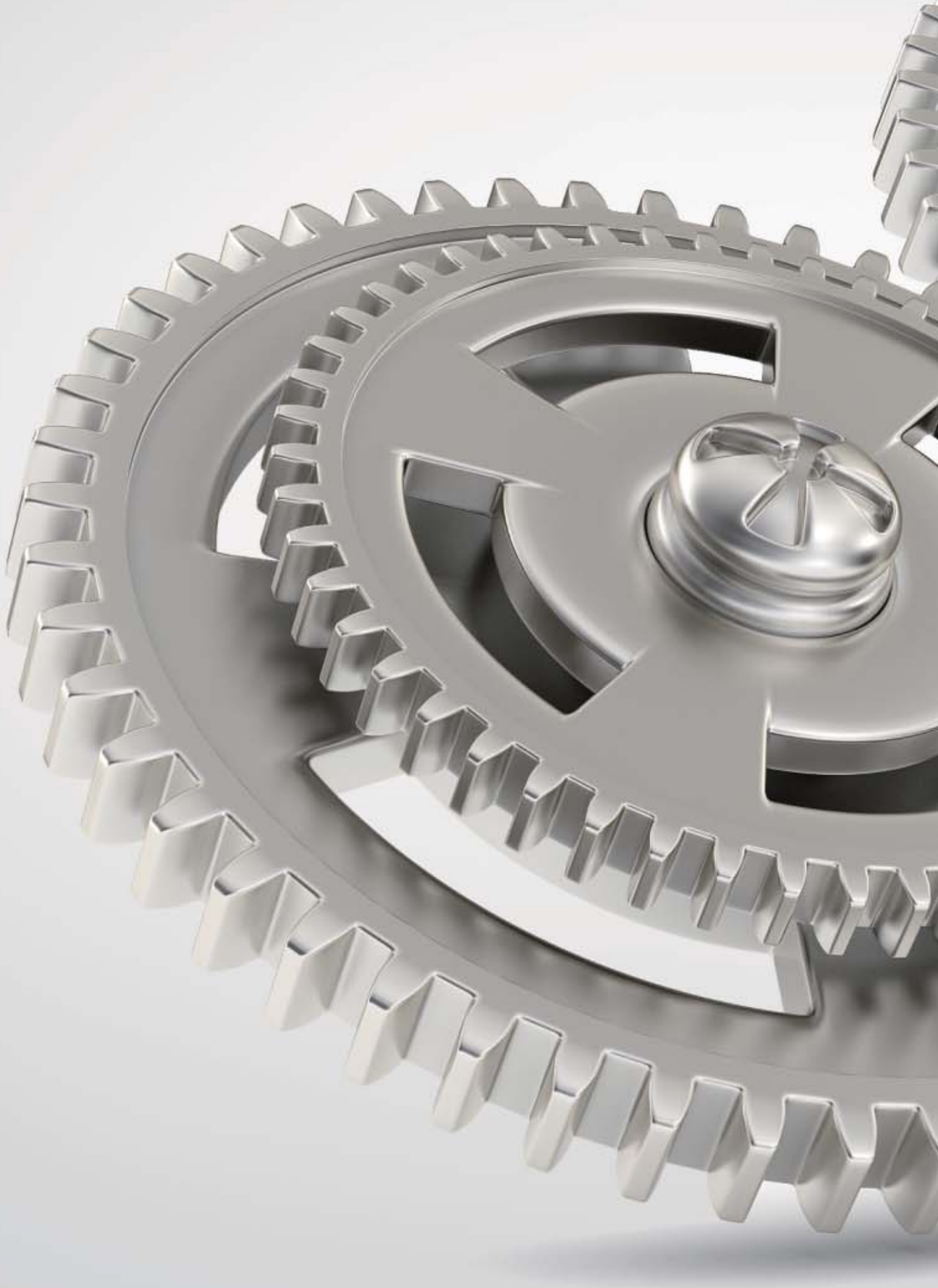

Directors' Report

The Directors of the SinoMedia Holding Limited (the "Company") are pleased to present their annual report together with the audited financial statements of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2017.

PRINCIPAL PLACE OF BUSINESS

The Company is a company incorporated and domiciled in Hong Kong and has its registered office at Unit 402, 4th Floor, Fairmont House, No. 8 Cotton Tree Drive, Admiralty, Hong Kong, and principal places of business at Unit 15D, Xintian International Plaza, No. 450 Fushan Road, Pudong New District, Shanghai, PRC and 7/F, The Place — SinoMedia Tower, No. 9 Guanghua Road, Chaoyang District, Beijing, PRC.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are providing TV advertisement, creative content production, and digital marketing services for advertisers and advertising agents.

The analysis of the principal activities and geographical locations of the operations of the Company and its subsidiaries during the year ended 31 December 2017 are set out in note 14 to the financial statements.

BUSINESS REVIEW

Details of the business review and performance of the Group for the year ended 31 December 2017 are set out in the section headed "Management Discussion and Analysis". Those discussions form part of this Directors' Report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

Throughout 2017, there was no incidence of non-compliance with the relevant environmental laws and regulations that have a significant impact on the Group. The Group continues to do more than it is required by adopting measures to reduce energy and other resource use, minimise waste and increase recycling, encourage its employees to adopt environmentally responsible behaviour and promote environmental protection in its supply chain and marketplace.

Discussion on other performance including human resources management initiatives and efforts on environmental protection are set out respectively in the section headed "Environmental, Social and Governance Report" of this annual report. Those discussions form part of this Directors' report.

COMPLIANCE WITH LAWS AND REGULATIONS

As at 31 December 2017 and up to the date of this annual report, the Board was unaware of any non-compliance with the applicable laws and regulations that have a significant impact on the Company.

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively during the year ended 31 December 2017 is as follows:

	Percentage of the Group's total purchases
The largest supplier	89%
Five largest suppliers in aggregate	95%

The Group's five largest customers accounted for about 16% of the Group's revenue.

At no time during the year under review had the Directors, their associates and any shareholder of the Company (who or which to the knowledge of the Directors owned more than 5% of the number of issued shares of the Company) had any interest in these major suppliers and customers.

FINANCIAL STATEMENTS

The profit of the Group for the year ended 31 December 2017 and the state of the Company's and the Group's affairs as at that date are set out in the financial statements on pages 83 to 86.

TRANSFER TO RESERVES

Profits attributable to equity shareholders of the Company, before dividends, of approximately RMB93.04 million (2016: Losses attributable to equity shareholders of the Company, before dividends, of approximately RMB27.07 million) have been transferred to reserves. Other movements in reserves are set out in the Consolidated Statement of Changes in Equity on page 87.

DIVIDENDS

No dividends (2016: approximately RMB49.43 million) was paid to equity shareholders of the Company in 2017. The Directors propose the payment of a final dividend of HKD8.86 cents per share (2016: nil) for the year ended 31 December 2017.

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment of the Group are set out in note 11 to the financial statements.

SHARE ISSUED IN THE YEAR

Details of the shares issued during the year under review are set out in note 22 to the financial statements.

DONATIONS

During the year under review, the Group did not make any charitable contributions (2016: Nil).

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year under review, the Company purchased 20,746,000 ordinary shares of the Company on The Stock Exchange of Hong Kong Limited ("Stock Exchange") at an aggregate price of HKD37,055,500. The bought-back shares had been cancelled subsequently in 2017 and in early 2018. The details of the bought-back shares are as follows:

Date	Number of Shares bought-back	Highest Price HKD	Lowest Price HKD	Total paid HKD
2016.12.29	150,000	1.79	1.78	268,100
2016.12.30	140,000	1.80	1.78	250,800
2017.1.3	23,000	1.80	1.80	41,400
2017.1.4	50,000	1.81	1.81	90,500
2017.1.5	220,000	1.83	1.81	400,200
2017.1.6	113,000	1.82	1.80	205,000
2017.1.9	190,000	1.82	1.80	343,600
2017.1.10	190,000	1.81	1.79	343,000
2017.1.11	114,000	1.81	1.77	206,210
2017.1.12	119,000	1.82	1.80	215,800
2017.1.13	110,000	1.82	1.80	199,400
2017.1.16	60,000	1.85	1.82	110,800
2017.1.17	150,000	1.85	1.85	277,500
2017.1.18	91,000	1.87	1.85	169,710
2017.1.20	88,000	1.88	1.87	164,640
2017.1.23	130,000	1.88	1.86	243,100
2017.1.24	60,000	1.88	1.88	112,800
2017.3.30	654,000	1.80	1.74	1,153,980
2017.3.31	486,000	1.80	1.76	869,840
2017.4.5	650,000	1.76	1.74	1,141,420
2017.4.7	320,000	1.76	1.74	559,700
2017.4.10	101,000	1.76	1.75	177,290
2017.4.12	367,000	1.76	1.74	641,580
2017.4.18	61,000	1.74	1.74	106,140
2017.4.19	162,000	1.73	1.71	279,220
2017.4.21	72,000	1.71	1.71	123,120
2017.5.2	120,000	1.71	1.71	205,200
2017.5.5	82,000	1.69	1.68	138,520
2017.5.9	250,000	1.70	1.68	422,800
2017.5.11	100,000	1.69	1.69	169,000
2017.5.16	137,000	1.68	1.67	229,990
2017.5.17	1,000	1.69	1.69	1,690
2017.5.18	350,000	1.68	1.67	586,500
2017.5.23	393,000	1.70	1.67	660,020
2017.6.15	370,000	1.63	1.59	598,760
2017.6.23	470,000	1.60	1.58	747,800
2017.6.26	270,000	1.60	1.59	431,500

Date	Number of Shares bought-back	Highest Price HKD	Lowest Price HKD	Total paid HKD
2017.6.27	330,000	1.60	1.59	525,200
2017.7.4	370,000	1.64	1.62	601,680
2017.7.6	243,000	1.67	1.65	404,150
2017.7.11	324,000	1.69	1.66	543,590
2017.7.17	380,000	1.75	1.72	660,740
2017.7.18	310,000	1.75	1.73	539,690
2017.7.19	282,000	1.78	1.74	496,830
2017.7.20	257,000	1.85	1.84	475,080
2017.7.24	300,000	1.86	1.83	555,340
2017.8.31	120,000	1.73	1.72	206,800
2017.9.19	443,000	1.80	1.77	792,790
2017.9.20	349,000	1.80	1.78	626,020
2017.9.26	204,000	1.82	1.81	370,740
2017.9.29	176,000	1.87	1.86	328,860
2017.10.9	223,000	1.97	1.95	437,580
2017.10.19	478,000	1.89	1.86	898,100
2017.10.23	250,000	1.88	1.86	467,400
2017.10.31	371,000	1.94	1.87	713,110
2017.11.2	102,000	1.84	1.83	187,070
2017.11.3	205,000	1.83	1.80	372,340
2017.11.7	270,000	1.83	1.82	493,020
2017.11.8	370,000	1.82	1.81	671,900
2017.11.10	170,000	1.81	1.80	307,200
2017.11.14	270,000	1.80	1.79	483,890
2017.11.15	305,000	1.80	1.79	548,750
2017.11.16	427,000	1.83	1.79	777,210
2017.11.17	575,000	1.84	1.82	1,053,480
2017.11.20	443,000	1.81	1.79	799,000
2017.11.21	616,000	1.83	1.80	1,120,590
2017.11.22	201,000	1.86	1.83	371,870
2017.11.27	290,000	1.82	1.80	525,930
2017.11.28	322,000	1.84	1.81	590,220
2017.11.29	158,000	1.86	1.84	292,940
2017.11.30	300,000	1.86	1.85	557,000
2017.12.1	308,000	1.86	1.85	570,680
2017.12.4	380,000	1.88	1.85	710,390
2017.12.6	900,000	1.86	1.83	1,661,590
2017.12.7	601,000	1.86	1.85	1,114,850
2017.12.8	252,000	1.87	1.86	470,720
2017.12.19	183,000	1.85	1.81	336,220
2017.12.20	120,000	1.86	1.84	222,500
2017.12.27	154,000	1.86	1.85	285,810
	20,746,000			37,055,500

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

DIRECTORS

The Directors during the financial year under review were:

Executive Directors

Chen Xin
Liu Jinlan
Li Zongzhou

Independent Non-executive Directors

Qi Daqing
Lian Yuming
Wang Xin
He Hui David

In accordance with Article 105 of the Company's Articles of Association, Li Zongzhou, Qi Daqing, and Wang Xin shall retire by rotation at the forthcoming annual general meeting ("AGM") of the shareholders of the Company. All of them, being eligible, will offer themselves for re-election at the AGM.

No Director proposed for re-election at the forthcoming AGM has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory compensatory obligations.

The list of directors who have served on the boards of the subsidiaries of the Company during the year and up to the date of this report is set out in note 14 to the financial statements.

EMOLUMENT POLICY AND LONG-TERM INCENTIVE SCHEMES

To attract and retain talent and caliber, the Group provides competitive remuneration packages to its Executive Directors and senior management. These comprise basic monthly salary, variable pay and long-term incentive plan which includes share option scheme. The amount of variable pay is set at a percentage of the fixed pay, and is paid yearly relative to performance delivered through plans and objectives with pre-determined criteria and standards.

The remunerations payable to the Directors are determined with reference to their duties and responsibilities with the Company and the market rate for the positions.

The remuneration package of executives is designed so that a proportion is structured to link rewards to corporate and individual performance, and to give incentives to executives to perform at the highest levels. Through job evaluation and job matching, the Group ensures external competitiveness of the pay through reference to market survey and data.

The Non-executive Directors' remuneration relates to the time commitment and responsibilities. They receive fees which comprise the following components:

- Directors' fees, which are usually paid annually; and

- Share options which are rewarded subject to the discretion of the Board.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Particulars of the remuneration of the Directors and senior management during the year under review are set out in note 7 to the financial statements.

FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of Directors and the five highest paid individuals of the Group during the year under review are set out in note 8 to the financial statements.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2017, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares and debenture of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which were required to be (a) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have taken under such provisions of the SFO); or (b) recorded in the register required to be kept by the Company under Section 352 of the SFO; or (c) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

(i) Interests in the Company — Long Positions

Name of Director	Nature of interest	Number of ordinary shares held	Number of underlying shares held under equity derivatives *(Note 1)*	Total	Approximate percentage of issued share capital of the Company
Liu Jinlan	Founder of discretionary trust, beneficiary of trust and beneficial interest	261,081,169 *(Note 2)*	4,000,000	265,081,169	51.33%
Chen Xin	Founder of discretionary trust and beneficiary of trust	257,428,165 *(Note 3)*	—	257,428,165	49.85%
Li Zongzhou	Beneficial interest	—	2,900,000	2,900,000	0.56%
Qi Daqing	Beneficial interest	—	300,000	300,000	0.06%
Lian Yuming	Beneficial interest	—	200,000	200,000	0.04%
Wang Xin	Beneficial interest	—	200,000	200,000	0.04%

Notes:

1. The equity derivatives were the outstanding share options granted to the Directors under the Share Option Schemes, details of which are set out in the section headed "Share Option Schemes" in this report.

2. Liu Jinlan is deemed to be interested in 261,081,169 shares of the Company. These shares are held by three discretionary trusts, namely UME Trust, DFS (No. 2) Trust and CLH Trust, all founded by Liu Jinlan. In respect of 209,941,513 shares therein held by CLH Trust, Liu Jinlan is also a beneficiary of the trust.

3. Chen Xin is deemed to be interested in 257,428,165 shares of the Company. These shares are held by three discretionary trusts, namely MHS Trust, DFS (No. 1) Trust and CLH Trust, all founded by Chen Xin. In respect of 209,941,513 shares therein held by CLH Trust, Chen Xin is also a beneficiary of the trust.

(ii) Interests in associated corporations of the Company — Long Positions

Name of Director	Name of associated corporation	Nature of interest	Approximate percentage of issued share capital of the associated corporation
Liu Jinlan	CLH Holding Limited	Founder of discretionary trust	100%
	Golden Bridge International Culture Limited	Corporate interest	100%
	Golden Bridge Int'l Advertising Holdings Limited	Corporate interest	100%
	CTV Golden Bridge International Media Group Co., Ltd.	Corporate interest	0.3%
Chen Xin	CLH Holding Limited	Founder of discretionary trust	100%
	Golden Bridge International Culture Limited	Corporate interest	100%
	Golden Bridge Int'l Advertising Holdings Limited	Corporate interest	100%

Apart from the foregoing, as at 31 December 2017, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares and debenture of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were required to be (a) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) recorded in the register required to be kept by the Company under Section 352 of the SFO; or (c) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEMES

The Company has adopted share option schemes on 29 June 2007 (the "Pre-IPO Scheme") and 27 May 2008 (the "Post-IPO Scheme", collectively the "Schemes") respectively, whereby the Directors have been authorised, at their discretion, to invite any full time employee, Director or any person approved by the Board or shareholders of the Company (collectively the "Eligible Persons") to take up options (the "Pre-IPO Options" and the "Post-IPO Options", respectively) to subscribe for shares of the Company. The Pre-IPO Scheme and the Post-IPO Scheme are designed to encourage Eligible Persons to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole, and to motivate them to achieve higher levels of good corporate governance.

The Pre-IPO Scheme has expired in 2017 and the Post-IPO Scheme will be valid and effective for a period of ten years ending on 7 July 2018.

The principal terms of the Schemes are as follows:

— The total number of shares of the Company issued and to be issued upon exercise of Pre-IPO Options or Post-IPO Options (whether exercised or outstanding) granted under the Schemes in any 12-month period to each grantee must not exceed 1% of the total number of issued shares of the Company.

— The exercise period of any share option granted under the Schemes shall be determined by the Board but such period must not exceed ten years from the date of grant of the relevant share option.

— The Schemes do not specify any minimum holding period but the Board has the authority to determine the minimum period for which a share option in respect of some or all of the shares forming the subject of the share options must be held before it can be exercised.

— The exercise price of a share option to subscribe for shares of the Company shall not be less than the following prices, whichever is higher:

  o the closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; and

  o the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of grant, or where the Company has been listed for less than five trading days, the new issue price shall be used as the closing price.

— The acceptance of an offer of the grant of the respective share options must be made within 28 days from the date of offer with a non-refundable payment of HK$1.00 from each grantee.

The total number of securities available for issue under the Schemes as at 31 December 2017 was 28,944,500 shares which represented approximately 6% of the total number of issued shares of the Company as at 31 December 2017.

Movements of the share options under the Schemes for the year ended 31 December 2017 are as follows:

Directors	No. of options outstanding at the beginning of the year	No. of options granted during the year	No. of options exercised during the year	No. of options forfeited during the year	No. of options outstanding at the end of the year	Date of grant	Exercise price	Exercise period
Liu Jinlan	3,200,000	—	—	(3,200,000)	—	10 July 2007	RMB1.56	
	1,200,000	—	—	—	1,200,000	2 July 2010	HKD1.84	Note 1
	—	2,800,000	—	—	2,800,000	30 August 2017	HKD1.77	Note 2
Li Zongzhou	1,600,000	—	—	(1,600,000)	—	10 July 2007	RMB1.56	
	900,000	—	—	—	900,000	2 July 2010	HKD1.84	Note 1
	—	2,000,000	—	—	2,000,000	30 August 2017	HKD1.77	Note 2
Qi Daqing	260,000	—	—	(260,000)	—	17 September 2009	HKD1.49	
	—	300,000	—	—	300,000	30 August 2017	HKD1.77	Note 2
Lian Yuming	200,000	—	—	—	200,000	29 August 2011	HKD2.62	Note 1
Wang Xin	200,000	—	—	—	200,000	11 September 2012	HKD3.22	Note 1

Employees	No. of options outstanding at the beginning of the year	No. of options granted during the year	No. of options exercised during the year	No. of options forfeited during the year	No. of options outstanding at the end of the year	Date of grant	Exercise price	Exercise period
in aggregate	5,520,000	—	—	(5,520,000)	—	4 July 2007 to 7 March 2008	RMB1.56	
	400,000	—	—	(400,000)	—	17 September 2009	HKD1.49	
	4,023,000	—	—	(500)	4,022,500	02 July 2010	HKD1.84	Note 1
	650,000	—	—	—	650,000	06 December 2010	HKD2.88	Note 1
	120,000	—	—	—	120,000	29 August 2011	HKD2.62	Note 1
	800,000	—	—	—	800,000	09 January 2012	HKD2.36	Note 1
	360,000	—	—	(50,000)	310,000	11 September 2012	HKD3.22	Note 1
	300,000	—	—	(40,000)	260,000	12 April 2013	HKD4.31	Note 1
	1,020,000	—	—	(330,000)	690,000	19 July 2013	HKD6.86	Note 1
	920,000	—	—	(120,000)	800,000	10 September 2014	HKD5.50	Note 1
	2,400,000	—	—	(1,760,000)	640,000	19 September 2015	HKD2.59	Note 1
	—	13,652,000		(600,000)	13,052,000	30 August 2017	HKD1.77	Note 2

Notes:

1. A Post-IPO Options holder may exercise a maximum of 25% of the total number of the Post-IPO Options granted after the lapse of one full year from the date of grant of the Post-IPO Options. Subsequently, for every full year of continuous service with the Company, the holder may exercise a maximum of another 25% of the total number of the Post-IPO Options granted, up to eight years from the date of grant.

2. A Post-IPO Options holder may exercise a maximum of 25% of the total number of the Post-IPO Options granted after the lapse of one full year from the date of grant of the Post-IPO Options. Subsequently, for every full year of continuous service with the Company, the holder may exercise a maximum of another 25% of the total number of the Post-IPO Options granted, up to eight years from the date of grant. The exercise of Post-IPO Options by the holder also subject to certain conditions, including the individual performance assessment conducted by the Board and the financial performance of the Group. The closing price of the shares of the Company immediately before the date on which the options were granted was HK$1.75.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES — LONG POSITIONS

As at 31 December 2017, so far as known to the Directors and chief executive of the Company, the following corporations (other than a Director or chief executive of the Company) had, or were deemed or taken to have interests or short position in the shares or underlying shares of the Company, which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Substantial shareholder	Nature of interest	Total number of ordinary shares held	% of total issued shares
Equity Trustee Limited	Trustee *(Note 1)*	308,567,821	59.75%
CLH Holding Limited	Corporate interest *(Note 2)*	209,941,513	40.65%

Notes:

1. Equity Trustee Limited is deemed to be interested in 308,567,821 shares of the Company as it is the trustee of CLH Trust (which assets comprised 209,941,513 shares held by Golden Bridge International Culture Limited), MHS Trust (which assets comprised 25,921,344 shares held by Merger Holding Service Company Limited), UME Trust (which assets comprised 27,101,344 shares held by United Marine Enterprise Company Limited), DFS (No. 1) Trust (which assets comprised 21,565,308 shares held by Digital Finance Service Company Limited) and DFS (No. 2) Trust (which assets comprised 24,038,312 shares held by SinoMedia Investment Ltd.).

2. These shares are directly held by Golden Bridge International Culture Limited which is a wholly owned subsidiary of Golden Bridge Int'l Advertising Holdings Limited which in turn is a wholly owned subsidiary of CLH Holding Limited. CLH Holding Limited is deemed to be interested in 209,941,513 shares of the Company held by Golden Bridge International Culture Limited.

Save as disclosed above, so far as known to the Directors and chief executive of the Company, as at 31 December 2017, there was no other person or corporation (other than a Director or chief executive of the Company) who had any interests or short position in the shares or underlying shares of the Company, which would fall to be disclosed to the Company and the Stock Exchange under the provisions of the Divisions 2 and 3 of Part XV of the SFO.

SUFFICIENCY OF PUBLIC FLOAT

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

INFORMATION ON VARIABLE INTEREST ENTITY (“VIE”) STRUCTURE

Background

As disclosed in the announcement of the Company dated 27 October 2011, CTV Golden Bridge International Media Group Co., Ltd. (“CTV Media (Shanghai)”) has on 27 October 2011 entered into the Structure Contracts with the Mr. Chen Xin and Ms. Liu Jinlan (“Legal Owners”) thereby adopting the VIE Structure. Under the VIE Structure, the Group is able to exercise 100% control over CTV Golden Bridge Culture Development (Beijing) Company Limited (“Culture Development”) in substance notwithstanding the absence of legal ownership. Culture Development was established on 24 November 2011 and has since been accounted as a subsidiary of the Group by virtue of the VIE Structure.

Summary of major terms of the Structure Contracts

1. The Loan Agreement

Date: 27 October 2011

Parties:
(i) CTV Media (Shanghai)
(ii) Mr. Chen Xin (“Mr. Chen”)
(iii) Ms. Liu Jinlan (“Ms. Liu”)

Major Terms: CTV Media (Shanghai) as the lender shall lend to each of Mr. Chen and Ms. Liu, as the borrowers, RMB15,000,000 (i.e. RMB30,000,000 in total) for their onward investment in Culture Development such that they will together have 100% equity interest in Culture Development.

The Loan Agreement stipulates that:

(i) the loan must only be repaid by way of the Legal Owners transferring their respective equity interests in Culture Development to CTV Media (Shanghai) or CTV Media (Shanghai)’s nominee;

(ii) the loan is interest-free and may only be used by the Legal Owners for the purpose of investing in Culture Development; and

(iii) none of the Legal Owners can transfer their respective interests in Culture Development to any third party.

2. **The Voting Trust and Share Purchase Option Agreement**

Date:	27 October 2011	
Parties:	(i)	CTV Media (Shanghai)
	(ii)	Mr. Chen
	(iii)	Ms. Liu
Period:	10 years with effect from 27 October 2011, which shall be renewed for another 10 years if CTV Media (Shanghai) elected to do so.	
Major Terms:	The Legal Owners, being the shareholders of Culture Development, have granted the full power and authority to CTV Media (Shanghai) and its nominee to:	
	(i)	exercise the shareholder's voting rights in Culture Development in accordance with applicable laws and the articles of Culture Development;
	(ii)	appoint and remove the legal representative, company secretary and director of Culture Development; and
	(iii)	change the bank signatories of Culture Development.

CTV Media (Shanghai) or its nominee shall be entitled to exercise an option to purchase the Legal Owners' equity interests in Culture Development at the consideration being either the net assets value of Culture Development or the minimum price allowed by applicable laws if such transfer of equity interests is allowed by the applicable PRC laws.

3. **The Equity Pledge Agreement**

Date:	27 October 2011	
Parties:	(i)	CTV Media (Shanghai)
	(ii)	Mr. Chen
	(iii)	Ms. Liu
Major Terms:	The Legal Owners pledge their respective interests in Culture Development as well as any dividend generated from such interests to CTV Media (Shanghai) to secure Culture Development's due performance of its obligations under the Exclusive Consulting Service Agreement and the Non-exclusive Trademark Licence Agreement.	

4. **The Exclusive Consulting Service Agreement**

Date:	27 October 2011
Parties:	(i) CTV Media (Shanghai)
	(ii) Culture Development
Period:	10 years with effect from 27 October 2011, which shall be automatically renewed for another 10 years unless CTV Media (Shanghai) serves notice in writing to Culture Development prior to expiry of the initial term.
Major Terms:	CTV Media (Shanghai) shall provide to Culture Development certain consulting services, including but not limited to problem-based solution design, business and strategic planning, clientele management and development etc. at the agreed service fees. The service fee will be payable to CTV Media (Shanghai) by Culture Development each year, being 10% of the revenue of Culture Development, and such service fee is determined with reference to (i) the complexity of the services provided; (ii) the time spent on such services; (iii) the value of such services; and (iv) the prevailing market price for such services.

5. **The Non-exclusive Trademark Licence Agreement**

Date:	27 October 2011
Parties:	(i) CTV Media (Shanghai)
	(ii) Culture Development
Period:	10 years with effect from 27 October 2011, which shall be automatically renewed for another 10 years unless either party objects in writing prior to expiry of the initial term.
Major Terms:	CTV Media (Shanghai) shall grant to Culture Development a non-exclusive right to use certain trademarks of CTV Media (Shanghai) in the PRC, at a consideration of 10% of the revenue of Culture Development per annum.

Information on Culture Development

Culture Development is a company established under the laws of the PRC and is owned (i) as to 50% by Mr. Chen, an executive Director and the chairman of the Company, and (ii) as to 50% by Ms. Liu, an executive Director and the chief executive officer of the Company. Culture Development is engaging in the Restricted Business in the PRC.

During the year ended 31 December 2017, Culture Development recorded a revenue of approximately RMB25.40 million and a consolidated revenue of approximately RMB105.73 million; a profit of approximately RMB5.41 million and a consolidated loss of approximately RMB10.33 million. As at 31 December 2017, the consolidated total assets and consolidated net liabilities of Culture Development were approximately RMB394.37 million and RMB26.56 million respectively.

During the year ended 31 December 2016, Culture Development recorded a revenue of approximately RMB25.77 million and a consolidated revenue of approximately RMB85.61 million; a loss of approximately RMB7.07 million and a consolidated loss of approximately RMB41.41 million. As at 31 December 2016, the consolidated total assets and consolidated net liabilities of Culture Development were approximately RMB382.46 million and RMB16.46 million respectively.

Reasons for adopting the VIE Structure

As advised by the Company's PRC legal adviser, under the regulations of the Catalogue of Industries for Guiding Foreign Investment (2017 Revision) (《外商投資產業指導目錄 (2017年修訂)》) promulgated by of the National Development and Reform Commission and the Ministry of Commerce of the PRC, (i) the business of production of broadcasting and television programs in the PRC falls under the "prohibited" category which prohibits foreign investment; (ii) the business of value-added telecommunication in the PRC falls under the "restricted"category which restricts foreign investors to own more than 50% of the entity operating such business; and (iii) the business of network audio-visual programme in the PRC falls under the"prohibited"category which prohibits foreign investment (collectively the "Restricted Business"). As such, CTV Media (Shanghai) being a 99.7% owned subsidiary of the Company and a sino-foreign joint venture as well as any subsidiary of the Company are prohibited from or restricted in engaging in the Restricted Business owing to the aforesaid restriction. On the other hand, as Culture Development is not a foreign-invested enterprise, Culture Development and its subsidiaries can obtain and have obtained the relevant licenses required for conducting the Restricted Business in accordance with applicable PRC laws, namely, Radio and TV Program Production and Business Operation License (廣播電視節目製作經營許可證), Internet Content Provider License (電信與信息服務業務經營許可證) and Publication of Audio-Visual Programs through Information Network License (信息網絡傳播視聽節目許可證). Accordingly, the Company has been conducting the Restricted Business in the PRC through Culture Development under the VIE Structure.

Accordingly, CTV Media (Shanghai) entered into the Structure Contracts with Culture Development and the Legal Owners whereby CTV Media (Shanghai) can exercise full control over Culture Development and consolidate the financial results of Culture Development into the accounts of the Company as if it was a subsidiary of the Company, and at the same time addressing the aforementioned foreign ownership restriction. The adoption of the VIE Structure is essential for the Company to engage in the Restricted Business in the PRC.

Risks related to the VIE Structure

1. Potential changes in the PRC foreign investment legal regime

Notwithstanding the PRC legal adviser is of the view that the Structure Contracts do not contravene with any applicable laws and regulations, there is uncertainty regarding the interpretation and applicable of the PRC laws and regulations such that the PRC government may determine that the Structure Contracts do not comply with the applicable laws and regulations of the PRC.

Moreover, on 19 January 2015, the Ministry of Commerce of the PRC circulated Foreign Investment Law of the People's Republic of China (Draft for Comment) (中華人民共和國外國投資法(草案徵求意見稿), "Draft Law"), which contains proposed changes to the PRC foreign investment legal regime and the treatment of the variable interest entity ("VIE") structure. The Draft Law (i) expressly specifies that foreign investments include situations where foreign investors obtain direct or indirect control or interests in the PRC enterprises through structured contracts, trust or other ways and (ii) implement a standardized foreign investment system and management system on restrictions on foreign investments under the prohibited and restricted lists. The Draft Law, if adopted, may have material impact on the PRC foreign investment legal regime.

As advised by the PRC legal adviser, since the Draft Law is not a bill or draft law under the relevant legislative law in the PRC, it does not have the effect of law and therefore poses no material impact on the Structure Contracts.

2. There may be limitations in exercising the purchase rights to acquire equity interests in Culture Development

The Company adopted the VIE Structure in order to indirectly participate in the Restricted Business in the PRC and will unwind the VIE Structure as soon as the law allows such business to be operated by foreign investors in the PRC without the VIE Structure. However, CTV Media (Shanghai)'s acquisition of the shares and equity interests in Culture Development may only be conducted to the extent as permitted by applicable PRC laws and may also be subject to substantial costs. Under the Voting Trust and Share Purchase Option Agreement, CTV Media (Shanghai) or its nominee shall be entitled to exercise an option to purchase the Legal Owners' equity interests in Culture Development at the consideration either the net assets value of Culture Development or the minimum price allowed by applicable laws if such transfer of equity interests is allowed by the applicable PRC laws.

3. **The Group depends upon the VIE Structure to control and obtain economic benefits from Culture Development, which may not be as effective as direct ownership**

The Group conducts the Restricted Business in the PRC indirectly through Culture Development by the VIE Structure, pursuant to which the Group has control over the operations and assets of Culture Development and is entitled to the economic benefits with respect to Culture Development's business. However, the VIE Structure may not be as effective in providing the Group with control over Culture Development as direct ownership.

If the Group had direct ownership of Culture Development, the Group would be able to exercise its rights directly as a registered shareholder to effect changes in the board of directors of Culture Development, which in turn could effect changes at the management level, subject to any applicable fiduciary obligations. However, under the VIE Structure, the Group will rely on Culture Development and its shareholders' (i.e. the Legal Owners) performance of their contractual obligations to exercise effective control.

However, as described in the paragraph headed "The Voting Trust and Share Purchase Option Agreement", CTV Media (Shanghai) is granted with various shareholder's rights which enable CTV Media (Shanghai) to fully control the performance on the part of Culture Development and the Legal Owners of the Structure Contracts without their cooperation. Further, The Company has also put in place the following internal controls to safeguard its assets held through the Structure Contracts:

— the seals, chops, incorporation documents of Culture Development are kept at the office of CTV Media (Shanghai) to the extent permitted by PRC laws;

— CTV Media (Shanghai) is involved in making corporate strategy, business plan and budgets of Culture Development;

— terms of appointment of senior management of Culture Development are subject to review by CTV Media (Shanghai); and

— CTV Media (Shanghai) is involved in assessing material financial matters of Culture Development.

4. **There may be potential conflicts of interests between the Legal Owners and the Company or CTV Media (Shanghai)**

Culture Development and its registered shareholders, the Legal Owners, may fail to take certain actions required for the Group's running of the Restricted Business in the PRC or to follow the Group's instructions despite their contractual obligations to do so. If they fail to perform their obligations under the relevant Structure Contract, the Group may have to rely on legal remedies under PRC laws which may not be effective.

However, given the Legal Owners are executive Directors as well as controlling shareholders of the Company, the Company is of the view that the Legal Owners' interests align with that of the Company and that the risk of the Legal Owners failing to perform their obligations under the Structure Contracts is remote.

5. **The Structure Contracts may be subject to scrutiny of the PRC tax authorities and transfer pricing adjustments and additional tax may be imposed**

Under PRC laws and regulations, arrangements and transactions among related parties may be subject to audit or scrutiny by the tax authorities within ten years after the taxable year when the transactions are conducted. The Group could face material adverse tax consequences if the PRC tax authorities determine that the Structure Contracts do not represent arm's length negotiations and therefore constitute unfavourable transfer pricing arrangements. Unfavourable transfer pricing arrangements could, among other things, result in an upward adjustment of the amount of tax that CTV Media (Shanghai) or Culture Development is required to pay. In addition, the PRC tax authorities may impose interest on late payments on CTV Media (Shanghai) or Culture Development for the adjusted but unpaid taxes. However, the Structure Contracts have been negotiated and executed based on an equal standing and reflect the true commercial intention of CTV Media (Shanghai) or Culture Development.

Material changes in relation to the Structure Contracts

During the year ended 31 December 2017, there has been no material change in the Structure Contracts and/or the circumstances under which they were adopted.

Unwinding the VIE Structure

The Directors confirm that the Company will unwind the VIE Structure as soon as PRC laws and regulations allow the business of Culture Development to be operated without the VIE Structure.

However, for the year ended 31 December 2017, none of the Structure Contracts have been unwound as none of laws regulating the business of Culture Development that led to the adoption of the Structure Contracts has been removed.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

No transaction, arrangement nor contract of significance to which the Company, or any of its holding company, subsidiaries or fellow subsidiaries was a party, and in which a Director of the Company or his/her associate had a material interest, whether directly or indirectly, subsisted at 31 December 2017 or at any time during the year under review.

DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES

Other than the Post-IPO Scheme as disclosed above, at no time during the year ended 31 December 2017 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or his/her spouse or children under 18 years of age, or were any such rights exercised by them; nor was the Company, or any of its subsidiaries, holding companies or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

MANAGEMENT CONTRACTS

Save for employment contracts, no contracts concerning the management and administration of the whole or any principal business of the Company were entered into or subsisted during the year.

PERMITTED INDEMNITY PROVISION

The Articles of Association of the Company provides that each Director or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he or she may sustain or incur in or about the execution of the duties of his or her office or otherwise in relation thereto. In addition, the Company has maintained appropriate directors and officers liability insurance in respect of relevant legal actions against the Directors.

Such permitted indemnity provisions have been in force throughout the year under review and is currently in force at the time of approval of this report.

EQUITY-LINKED AGREEMENTS

Other than the Post-IPO Scheme as disclosed above, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the year or subsisted at the end of the year.

FIVE YEAR FINANCIAL SUMMARY

A summary of the published results and of the assets and liabilities of the Group for the last five financial years is set out on page 175 to 176 of the annual report. The summary does not form part of the financial statements.

PROVIDENT AND RETIREMENT FUND SCHEMES

The Group's employees participate in various defined contribution schemes stipulated by the governments, under which the Group is required to make monthly contributions to these schemes. The Group's subsidiaries contribute funds to the retirement benefit schemes, which are calculated based on a stipulated percentage of the employee salary. The Group has no further obligations for the actual payment of post-retirement benefits beyond the said contributions.

Details of the Group's contributions to the retirement benefit schemes are shown in note 5(b) to the financial statements.

AUDITORS

The consolidated financial statements for the year ended 31 December 2017 have been audited by the Company's auditors, KPMG, who shall retire and, being eligible, will offer themselves for re-appointment. A resolution for the re-appointment of KPMG as the Company's auditors will be proposed at the forthcoming AGM.

AUDIT COMMITTEE

The annual results for the year have been reviewed by the Audit Committee of the Company, which is of the opinion that the preparation of such financial information complies with the applicable accounting standards, the requirements under the Listing Rules and any other applicable legal requirements, and that adequate disclosures have been made.

By order of the Board
Chen Xin
Chairman

Independent Auditor's Report

KPMG

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF SINOMEDIA HOLDING LIMITED

(Incorporated in Hong Kong with limited liability)

OPINION

We have audited the consolidated financial statements of SinoMedia Holding Limited ("the Company") and its subsidiaries ("the Group") set out on pages 83 to 174, which comprise the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB"), Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS (continued)

Recognition of revenue from TV media resources management

Refer to note 3 to the consolidated financial statements and the accounting policies on page 106.

The Key Audit Matter	How the matter was addressed in our audit
The Group's revenue is generated principally from TV media resources management operations and primarily comprises income generated from the placement of television advertisements. Revenue from the placement of television advertisements is generally recognised when the related advertisements are broadcast using the percentage of completion method with reference to monitoring reports prepared by third parties which record details of the broadcast television advertisements. We identified the recognition of revenue from TV media resources management as a key audit matter because revenue is one of the key performance indicators of the Group which gives rise to an inherent risk that revenue could be recorded in the incorrect period or could be subject to manipulation to meet targets or expectations.	Our audit procedures to assess the recognition of revenue from TV media resources management included the following: • assessing the design, implementation and operating effectiveness of key internal controls over revenue recognition; • comparing a sample of revenue transactions recorded during the year with the underlying advertising contracts and monitoring reports provided by the management and recalculating the percentage of advertisements placed to assess if revenue was properly recognised in the appropriate accounting period; • comparing, on a sample basis, specific revenue transactions recorded before and after the financial year end date with the underlying advertising contracts and monitoring reports and recalculating the percentage of advertisements placed at the year end date to assess if revenue had been recognised in the appropriate financial period; • assessing the reliability of the monitoring reports provided by management by comparison with third party monitoring reports obtained by the audit team and/or video records of advertisements recorded by the audit team, on a sample basis; • performing surprise visits to customers' premises, on a sample basis, to assess if the customers existed and whether their operations appeared to be commensurate with the level of services provided by the Group; • selecting a sample of advertising contracts entered into during the year and inspecting payments from the contracting parties and underlying payment details to determine if the payer and the contracting party were the same entity; • inspecting significant manual adjustments to revenue raised during the reporting period, enquiring of management about the reasons for such adjustments and comparing the details of the adjustments with relevant underlying documentation.

KEY AUDIT MATTERS (continued)

Provision for impairment of trade debtors and bills receivable

Refer to note 16 to the consolidated financial statements and the accounting policies on page 98.

The Key Audit Matter	How the matter was addressed in our audit
The total provision for impairment of trade debtors and bills receivable balances as at 31 December 2017 was RMB80,105 thousand and the related impairment charge for the year then ended was RMB7,483 thousand, which represented 5.16% of the Group's profit before taxation for the year ended 31 December 2017. Impairment losses for trade debtors and bills receivable are calculated by management through a regular review of ageing analyses and evaluation of collectability. The evaluation of the collectability is based on the industry in which the debtors are operating, the ageing of overdue balances, historical and post year-end payment records and/or repayment arrangements agreed with specific debtors. We have identified assessing the provision for impairment of trade debtors and bills receivable as a key audit matter because it involves significant management judgement which gives rise to an inherent risk that impairment losses for trade debtors and bills receivable could be misstated.	Our audit procedures to assess the provision for impairment of trade debtors and bills receivable included the following: • assessing the design, implementation and operating effectiveness of the key internal controls over credit limit approval and the monitoring and collection of trade debtors and bills receivable; • assessing trade debtors and bills receivable had been included in the appropriate ageing category in the ageing report by comparing individual items, on a sample basis, with advertising contracts and monitoring reports; • evaluating the provision for impairment made by management for individual balances with reference to the debtors' financial condition, the industry in which the debtors are operating, the ageing of overdue balances, historical and post year-end payment records and through inspection of correspondence with debtors to identify any disputes and repayment arrangements agreed with debtors; • comparing the provision for impairment of trade debtors and bills receivable as at 31 December 2016 with the actual losses incurred during the current year and new provisions made during the current year in respect of balances as at 31 December 2016 to assess the reliability of management's impairment assessment process; and • comparing the subsequent settlement of trade debtors and bills receivable balances as at 31 December 2017 with bank statements and relevant underlying documentation.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

— Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

— Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

— Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

— Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

— Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Yeung Ka Chun.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

27 March 2018

Consolidated Statement of Profit or Loss

for the year ended 31 December 2017
(Expressed in Renminbi)

	Note	**2017** ***RMB'000***	2016 *RMB'000*
Revenue	3	**1,472,698**	1,299,289
Cost of services		**(1,173,591)**	(1,179,053)
Gross profit		**299,107**	120,236
Other revenue	4	**6,612**	29,213
Other net income	4	**—**	3,475
Selling and marketing expenses		**(60,995)**	(57,638)
General and administrative expenses		**(106,283)**	(126,337)
Profit/(Loss) from operations		**138,441**	(31,051)
Finance income	5(a)	**8,605**	6,034
Finance costs	5(a)	**(2,098)**	(866)
Net finance income		**6,507**	5,168
Profit/(Loss) before taxation		**144,948**	(25,883)
Income tax	6(a)	**(54,662)**	(12,020)
Profit/(Loss) for the year		**90,286**	(37,903)
Attributable to:			
Equity shareholders of the Company		**93,042**	(27,066)
Non-controlling interests		**(2,756)**	(10,837)
Profit/(Loss) for the year		**90,286**	(37,903)
Earnings/(Losses) per share	10		
Basic earnings/(losses) per share (RMB)		**0.177**	(0.050)
Diluted earnings/(losses) per share (RMB)		**0.177**	(0.050)

The notes on pages 89 to 174 form part of these financial statements. Details of dividends payable to equity shareholders of the Company for the year are set out in note 22(b).

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2017
(Expressed in Renminbi)

	2017 RMB'000	2016 RMB'000
Profit/(Loss) for the year	**90,286**	(37,903)
Other comprehensive (loss)/income for the year (after tax and reclassification adjustments)	**(3,970)**	2,975
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of the Company and overseas subsidiaries	**(3,970)**	2,975
Total comprehensive income/(loss) for the year	**86,316**	(34,928)
Attributable to:		
Equity shareholders of the Company	**89,072**	(24,091)
Non-controlling interests	**(2,756)**	(10,837)
Total comprehensive income/(loss) for the year	**86,316**	(34,928)

The notes on pages 89 to 174 form part of these financial statements.

Consolidated Statement of Financial Position

at 31 December 2017
(Expressed in Renminbi)

	Note	2017 RMB'000	2016 RMB'000
Non-current assets			
Property, plant and equipment	11	**239,256**	246,797
Investment property	11	**589,110**	603,906
Intangible assets	12	**24,902**	27,885
Goodwill	13	**6,002**	6,002
Trade and other receivables	16	**865**	2,085
		860,135	886,675
Current assets			
Other current financial asset	15(a)	**1,537**	1,537
Trade and other receivables	16	**631,771**	521,496
Pledged bank deposits	17	**595**	—
Time deposits with original maturity over three months	17	**10,636**	11,698
Cash and cash equivalents	17	**678,791**	552,531
		1,323,330	1,087,262
Current liabilities			
Trade and other payables	18	**533,990**	316,074
Bank loans	19	**—**	110,000
Current taxation	21(a)	**74,037**	28,131
Deferred tax liabilities	21(b)	**—**	26
		608,027	454,231
Net current assets		**715,303**	633,031
Total assets less current liabilities		**1,575,438**	1,519,706
NET ASSETS		**1,575,438**	1,519,706

The notes on pages 89 to 174 form part of these financial statements.

Consolidated Statement of Financial Position

at 31 December 2017
(Expressed in Renminbi)

	Note	**2017** **RMB'000**	2016 RMB'000
CAPITAL AND RESERVES			
Share capital	22(c)	**510,981**	510,981
Reserves		**1,068,777**	1,009,974
Total equity attributable to equity shareholders of the Company		**1,579,758**	1,520,955
Non-controlling interests		**(4,320)**	(1,249)
TOTAL EQUITY		**1,575,438**	1,519,706

Approved and authorised for issue by the board of directors on 27 March 2018.

Chen Xin
Chairman

Li Zongzhou
Director

The notes on pages 89 to 174 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2017
(Expressed in Renminbi)

	Attributable to equity shareholders of the Company								
	Share capital *RMB'000* *(note 22(c))*	Capital reserve *RMB'000* *(note 22(d))*	Statutory reserve *RMB'000* *(note 22(d))*	Translation reserve *RMB'000* *(note 22(d))*	Other reserves *RMB'000* *(note 22(d))*	Retained profits *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
Balance at 1 January 2016	510,981	22,532	126,886	(4,229)	2,308	956,076	1,614,554	9,588	1,624,142
Changes in equity for 2016:									
Loss for the year	–	–	–	–	–	(27,066)	(27,066)	(10,837)	(37,903)
Other comprehensive income	–	–	–	2,975	–	–	2,975	–	2,975
Total comprehensive loss	–	–	–	2,975	–	(27,066)	(24,091)	(10,837)	(34,928)
Equity-settled share-based transactions (note 20)	–	1,590	–	–	–	–	1,590	–	1,590
Purchase of own shares	–	–	–	–	–	(21,665)	(21,665)	–	(21,665)
Dividends approved in respect of the previous year (note 22(b))	–	–	–	–	–	(49,433)	(49,433)	–	(49,433)
Balance at 31 December 2016 and 1 January 2017	510,981	24,122	126,886	(1,254)	2,308	857,912	1,520,955	(1,249)	1,519,706
Changes in equity for 2017:									
Profit for the year	**–**	**–**	**–**	**–**	**–**	**93,042**	**93,042**	**(2,756)**	**90,286**
Other comprehensive loss	**–**	**–**	**–**	**(3,970)**	**–**	**–**	**(3,970)**	**–**	**(3,970)**
Total comprehensive income	**–**	**–**	**–**	**(3,970)**	**–**	**93,042**	**89,072**	**(2,756)**	**86,316**
Equity-settled share-based transactions (note 20)	**–**	**1,718**	**–**	**–**	**–**	**–**	**1,718**	**–**	**1,718**
Purchase of own shares	**–**	**–**	**–**	**–**	**–**	**(31,987)**	**(31,987)**	**–**	**(31,987)**
Dividends to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(315)**	**(315)**
Balance at 31 December 2017	**510,981**	**25,840**	**126,886**	**(5,224)**	**2,308**	**918,967**	**1,579,758**	**(4,320)**	**1,575,438**

The notes on pages 89 to 174 form part of these financial statements.

Consolidated Cash Flow Statement

for the year ended 31 December 2017
(Expressed in Renminbi)

	Note	2017 RMB'000	2016 RMB'000
Operating activities			
Cash generated from operations	17(b)	**279,465**	97,215
PRC income tax paid	21(a)	**(8,782)**	(21,376)
Net cash generated from operating activities		**270,683**	75,839
Investing activities			
Payment for purchase of property, plant and equipment	11	**(1,194)**	(620)
Payment for purchase of intangible assets		**(3,678)**	(10,438)
Payment for purchase of financial asset		**—**	(1,537)
Proceeds from disposal of an associate		**—**	10,000
(Payment)/refund of restricted cash	17	**(595)**	565
Received of time deposits with initial term over three months		**1,062**	14,804
Interest received	17(b)	**8,265**	4,770
Net cash generated from investing activities		**3,860**	17,544
Financing activities			
Proceeds from bank loans	17(c)	**—**	170,000
Repayment of bank loans	17(c)	**(110,000)**	(60,000)
Payment for purchase of own shares		**(31,987)**	(21,665)
Borrowing costs paid	17(c)	**(2,040)**	(827)
Dividends paid to non-controlling interests		**(286)**	—
Dividends paid to equity shareholders of the Company		**—**	(49,433)
Net cash (used in) / generated from financing activities		**(144,313)**	38,075
Net increase in cash and cash equivalents		**130,230**	131,458
Cash and cash equivalents at 1 January		**552,531**	418,098
Effect of foreign exchange rate changes		**(3,970)**	2,975
Cash and cash equivalents at 31 December	17	**678,791**	552,531

The notes on pages 89 to 174 form part of these financial statements.

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards (IFRSs), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards (IASs) and Interpretations issued by the International Accounting Standards Board (IASB). As Hong Kong Financial Reporting Standards (HKFRSs), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKASs) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA) and accounting principles generally accepted in Hong Kong, are derived from and consistent with IFRSs, these financial statements also comply with HKFRSs. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the requirements of the Hong Kong Companies Ordinance. Significant accounting policies adopted by the Group are disclosed below.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group. The equivalent new and revised HKFRSs consequently issued by the HKICPA as a result of these developments have the same effective date as those issued by the IASB and are in all material aspects identical to the pronouncements issued by the IASB. Note 1(c) provides information on any changes in accounting policies resulting from initial application of those developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2017 comprise the Company and its subsidiaries (together referred to as the "Group").

The financial statements are presented in Renminbi ("RMB") (the "presentation currency"), rounded to the nearest thousand.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of preparation of the financial statements (continued)

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

- derivative financial instruments (see note 1(h)).

The preparation of financial statements in conformity with IFRSs and HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Judgements made by management in the application of IFRSs and HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 2.

(c) Changes in accounting policies

The IASB and HKICPA has issued several amendments to IFRSs and HKFRSs that are first effective for the current accounting period of the Group. None of these impact on the accounting policies of the Group. However, additional disclosure has been included in note 17(c) to satisfy the new disclosure requirements introduced by the amendments to IAS/HKAS 7, *Statement of cash flows: Disclosure initiative*, which require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(g)) or, when appropriate, the cost on initial recognition of an investment in an associate (see note 1(e)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 1(m)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Associates

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see notes 1(f) and (m)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(g)).

In the Group's consolidated statement of financial position, investments in associates are stated at cost less impairment losses (see note 1(m)), unless classified as held for sale (or included in a disposal group that is classified as held for sale).

(f) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 1(m)).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(g) Other investments in equity securities

The Group's and the Company's policies for investments in equity securities, other than investments in subsidiaries and associates, are as follows:

Investments in equity securities are initially stated at fair value, which is their transaction price unless it is determined that the fair value at initial recognition differs from the transaction price and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below.

Investments in securities which do not fall into the investments in securities held for trading or held-to-maturity securities are classified as available-for-sale securities. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve. As an exception to this, investments in equity securities that do not have a quoted price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured are recognised in the statement of financial position at cost less impairment losses (see note 1(m)).

When the investments are derecognised or impaired (see note 1(m)), the cumulative gain or loss recognised in equity is reclassified to profit or loss. Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedge the net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

(i) Investment property

Investment properties are land and/or buildings which are owned or held under a leasehold interest to earn rental income and/or for capital appreciation.

(i) Recognition and measurement

Investment properties are measured at cost less accumulated depreciation and any accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the properties.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

(ii) Depreciation

Depreciation is based on the cost of an investment property less its residual value.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of investment property.

The estimated useful life for the current year is as follows:

— Buildings	30–45 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Other property, plant and equipment

The following items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 1(m)):

— buildings held for own use; and

— other items of plant and equipment.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

— Buildings	30–45 years
— Fixtures, fittings and computer equipment	3–5 years
— Motor vehicles	5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Intangible assets (other than goodwill)

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labour, and an appropriate proportion of overheads. Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see note 1(m)). Other development expenditure is recognised as an expense in the period in which it is incurred.

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 1(m)). Expenditure on internally generated brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

— Capitalised development costs	10 years
— Patents, trademarks, domain names and others	10 years
— Softwares	3 years

Both the period and method of amortisation are reviewed annually.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) *Classification of assets leased to the Group*

Assets that are held by Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exceptions:

— property held under operating leases that would otherwise meet the definition of an investment property is classified as investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (see note 1(i)); and

— land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

(ii) *Assets acquired under finance leases*

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are recognised as property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note 1(j). Impairment losses are accounted for in accordance with the accounting policy as set out in note 1(m). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Leased assets (continued)

(iii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property (see note 1(i)) or is held for development for sale.

(m) Impairment of assets

(i) Impairment of investments in equity securities and other receivables

Investments in equity securities and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

— a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

(m) Impairment of assets (continued)

(i) Impairment of investments in equity securities and other receivables (continued)

If any such evidence exists, any impairment loss is determined and recognised as follows:

— For investments in associate accounted for under the equity method in the consolidated financial statements (see note 1(e)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 1(m)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 1(m)(ii).

— For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.

— For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

— For available-for-sale securities, the cumulative loss that has been recognised in the fair value reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised in other comprehensive income.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Impairment of assets (continued)

(i) Impairment of investments in equity securities and other receivables (continued)

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors and bills receivable included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment;

— investment property;

— intangible assets;

— goodwill; and

— investments in subsidiaries and associates in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

— Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Impairment of assets (continued)

(ii) Impairment of other assets (continued)

— Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable), or value in use (if determinable).

— Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with IAS/HKAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 1(m)(i) and (ii)).

Impairment losses recognised in an interim period in respect of goodwill, available-for-sale equity securities and unquoted equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates. Consequently, if the fair value of an available-for-sale equity security increases in the remainder of the annual period, or in any other period subsequently, the increase is recognised in other comprehensive income and not profit or loss.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 1(m)(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(o) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(p) Trade and other payables

Trade and other payables are initially recognised at fair value. Trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(q) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(r) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Employee benefits (continued)

(ii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the binomial lattice model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is included in the amount recognised in share capital for the shares issued) or the option expires (when it is released directly to retained profits).

(iii) Termination benefits

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

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Income tax (continued)

Where investment properties are carried at their fair value, the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

    — the same taxable entity; or

    — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

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, whose existence 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.

(u) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) TV media resources management

Revenue from TV media resources management is primarily derived from the placement of advertisements. Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to reports issued by an independent third party with relevant qualification and experience on a monthly basis, which evidence the advertisement actually broadcast.

(ii) Integrated communication services and content operations

Revenue from integrated communication services is primarily derived from commissions received for assisting advertising clients in obtaining advertising time on media platforms, primarily television stations. When the Group acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognised is the net amount of commission made by the Group in proportion to the stage of completion of the transaction on a monthly basis. The stage of completion is assessed by reference to service performed to date as a percentage of total services to be performed. Revenue from content operations is primarily derived from advertisement production and other content production. The revenue from content operations is recognised when advertisement production is delivered to the customer in time while the customer has accepted the advertisement production and the related risks and rewards of ownership.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Revenue recognition (continued)

(iii) Digital marketing and internet media

Revenue from digital marketing and internet media are primarily derived from digital precision marketing and internet websites operations. The revenue from digital marketing is recognised by reference to the stage of completion of the transaction at the end of the reporting period. The revenue from internet media operations is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date.

(iv) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(v) Dividends

— Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

— Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(vi) Interest income

Interest income is recognised as it accrues using the effective interest method.

(vii) Government grants

Government grants are recognised in the statement of financial position initially 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 income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Government grants that become receivable as compensation for expenses already incurred are recognised in profit or loss as other income of the period in which they become receivable.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss, except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are recognised in other comprehensive income.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into Renminbi at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into Renminbi at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(w) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

(x) 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 the key management personnel of the Group or the Group's parent.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Related parties (continued)

(b) An entity is related to the Group if any of the following conditions applies:

(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 benefit of employees of either 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 the 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.

(y) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(y) Segment reporting (continued)

In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resources allocation and performance assessment, the Group has determined and presented a single reportable segment to disclose information as a whole about its services, geographical areas, and major customers.

For the year ended 31 December 2017, there are RMB6,361 thousand of revenue generated from outside Mainland China (2016: RMB5,179 thousand). As at 31 December 2017 and 2016, the balances of non-current assets, which are based on the physical location of the assets located outside Mainland China, are amounting to RMB149 thousand and RMB206 thousand respectively.

2. ACCOUNTING JUDGEMENT AND ESTIMATES

Key sources of estimation uncertainty are as follows:

The Group's financial condition and results of operations are sensitive to accounting methods, assumptions and estimates that underlie the preparation of the financial statements. The Group bases the assumptions and estimates on historical experience and on various other assumptions that the Group believes to be reasonable and which form the basis for making judgments about matters that are not readily apparent from other sources. On an ongoing basis, the Group evaluates its estimates. Actual results may differ from those estimates as facts, circumstances and conditions change.

The selection of critical accounting policies, the judgments and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing the financial statements. The Group believes the following critical accounting policies involve the most significant judgements and estimates used in the preparation of the financial statements.

— Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 1(m). The recoverable amounts of cash-generating units have been determined based on the higher of the cash-generating units' fair value less costs to sell and its value in use. These calculations require the use of estimates which are disclosed in note 13.

— Depreciation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives, after taking into account the estimated residual value. The Group reviews annually the useful life of an asset and its residual value, if any. Both the period and method of depreciation are reviewed annually. The depreciation expense for future periods are adjusted if there are significant changes from previous estimates.

3. REVENUE

	2017 *RMB'000*	2016 *RMB'000*
TV media resources management	**1,242,418**	1,119,537
Integrated communication services and content operations	**122,781**	82,406
Digital marketing and internet media	**79,893**	64,028
Rental income	**44,591**	46,565
Less: Sales taxes and surcharges	**(16,985)**	(13,247)
	1,472,698	1,299,289

4. OTHER REVENUE AND OTHER NET INCOME

Other revenue	*Note*	2017 *RMB'000*	2016 *RMB'000*
Government grant	*(i)*	**2,528**	11,947
Tax refund		**–**	8,973
Others		**4,084**	8,293
		6,612	29,213

(i) It is the unconditional discretionary grants received from the local government authorities in recognition of the Group's contribution to the development of the local economy.

Other net income	2017 *RMB'000*	2016 *RMB'000*
Disposal of an associate	**–**	3,475

5. PROFIT/(LOSS) BEFORE TAXATION

(a) Finance income and costs

	2017 RMB'000	2016 RMB'000
Interest income on bank deposits	**8,265**	4,770
Net foreign exchange gain	**340**	1,264
Finance income	**8,605**	6,034
Interest on bank borrowings wholly repayable within five years	**(2,040)**	(827)
Others	**(58)**	(39)
Finance costs	**(2,098)**	(866)
Net finance income	**6,507**	5,168

(b) Staff cost

	Note	2017 RMB'000	2016 RMB'000
Salaries, wages and other benefits		**93,957**	94,946
Contributions to defined contribution retirement plan	*(i)*	**8,155**	7,497
Equity-settled share-based payment expenses	*20*	**1,718**	1,590
		103,830	104,033

(i) Defined contribution retirement plan

As stipulated by the regulations of the PRC, the Group participates in a defined contribution retirement plan organised by municipal and provincial governments for its employees. The Group is required to make contributions to the retirement plans at rates ranging from 14% to 19% (2016: 14% to 19%) of the salaries, bonuses and certain allowances of the employees. A member of the plan is entitled to a pension equal to a fixed proportion of the salary prevailing at the member's retirement date. The Group has no other material obligation for the payment of pension benefits associated with these plans beyond the annual contributions described above.

5. PROFIT/(LOSS) BEFORE TAXATION (CONTINUED)

(c) Other items

The following expenses are included in cost of services, selling and marketing expenses and general and administrative expenses.

	Note	2017 RMB'000	2016 RMB'000
Amortisation			
— intangible assets	12	**3,432**	5,055
Depreciation	11	**23,370**	26,211
Impairment losses			
— trade debtors and bills receivable	16(b)	**7,483**	(777)
— intangible assets	12	**—**	16,607
— goodwill	13	**—**	7,453
		7,483	23,283
Operating lease charges: minimum lease payments			
— hire of machinery		**210**	173
— hire of properties		**5,046**	5,344
		5,256	5,517
Auditors' remuneration			
— audit services		**2,950**	2,980
Professional fee		**3,279**	3,199
Research and development costs (other than amortisation costs)		**5,496**	5,276

6. INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(a) Taxation in the consolidated statement of profit or loss represents:

	2017 RMB'000	2016 RMB'000
Current tax		
Provision for PRC income tax	**54,688**	9,797
Deferred tax		
Origination and reversal of temporary differences	**(26)**	2,223
Total income tax expense	**54,662**	12,020

(i) No provision has been made for Hong Kong profits tax as the Company and its subsidiary in Hong Kong did not earn any income subject to Hong Kong profits tax during the year.

(ii) No provision has been made for Singapore income tax as the Company's subsidiary in Singapore had unutilised tax losses brought forward from prior years which was sufficient to set-off against taxable income of 2017.

(iii) The provision for PRC income tax is based on the respective applicable rates on the estimated assessable income of the Group entities in the PRC as determined in accordance with the relevant income tax rules and regulations of the PRC.

Beijing Lotour Huicheng Internet Technology Company Limited ("Lotour Huicheng") is at a preferential rate of 15% as an advanced technology-based service enterprise. Beijing Laite Laide Management Consultancy Company Limited ("Laite Laide") is at a preferential rate of 20% as a small meagre-profit enterprise. Except for the Company and its subsidiaries in Hong Kong and Singapore, Lotour Huicheng and Laite Laide, applicable income tax rate of other Group entities in the PRC is the statutory tax rate of 25%.

(b) Reconciliation between tax expense and accounting profit/(loss) at applicable tax rates:

	2017 RMB'000	2016 RMB'000
Profit/(Loss) before taxation	**144,948**	(25,883)
Notional tax on profit/(loss) before taxation, calculated at the statutory tax rates applicable to the respective tax jurisdictions	**37,201**	(3,131)
Tax effect of non-deductible expenses	**263**	6,858
Dividends withholding tax	**10,469**	—
Tax losses not recognised as deferred tax assets	**7,882**	12,136
Tax effect of non-taxable income	**(1,153)**	(3,843)
Actual tax expense	**54,662**	12,020

7. DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

For the year ended 31 December 2017

	Directors' fees *RMB'000*	Salaries, allowances and other benefits in kind *RMB'000*	Discretionary bonuses *RMB'000*	Contribution to defined contribution plan *RMB'000*	Equity settled share-based payment *RMB'000*	Total *RMB'000*
Executive directors						
Chen Xin	–	1,236	581	51	–	1,868
Liu Jinlan	–	1,765	790	51	166	2,772
Li Zongzhou	–	1,340	720	–	119	2,179
Independent non-executive directors						
Qi Daqing	187	–	–	–	18	205
Lian Yuming	168	–	–	–	–	168
Wang Xin	168	–	–	–	–	168
He Hui David	–	–	–	–	–	–
	523	4,341	2,091	102	303	7,360

7. DIRECTORS' EMOLUMENTS (CONTINUED)

For the year ended 31 December 2016

	Directors' fees *RMB'000*	Salaries, allowances and other benefits in kind *RMB'000*	Discretionary bonuses *RMB'000*	Contribution to defined contribution plan *RMB'000*	Equity settled share-based payment *RMB'000*	Total *RMB'000*
Executive directors						
Chen Xin	–	1,262	–	48	–	1,310
Liu Jinlan	–	1,982	–	48	–	2,030
Li Zongzhou	–	1,443	–	–	–	1,443
Independent non-executive directors						
Qi Daqing	187	–	–	–	–	187
Lian Yuming	168	–	–	–	–	168
Wang Xin	168	–	–	–	7	175
He Hui David	–	–	–	–	–	–
	523	4,687	–	96	7	5,313

8. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments during the year ended 31 December 2017, three (2016: three) are Directors whose emoluments are disclosed in note 7. The aggregate of the emoluments in respect of the other two (2016: two) individuals are as follows:

	2017 ***RMB'000***	2016 *RMB'000*
Salaries, allowances and other benefits in kind	**2,410**	3,282
Discretionary bonuses	**1,761**	—
Contribution to defined contribution plan	**101**	95
Equity-settled share-based transactions	**59**	458
	4,331	3,835

The emoluments of the two (2016: two) individuals with the highest emoluments are within the following bands:

	2017	2016
Nil to RMB1,000,000	**—**	—
RMB1,000,001 to RMB1,500,000	**—**	—
RMB1,500,001 to RMB2,000,000	**1**	1
RMB2,000,001 to RMB2,500,000	**1**	1

9. OTHER COMPREHENSIVE INCOME

There are no tax effects relating to the exchange differences on translation of financial statements of the Company and its subsidiaries in Hong Kong and Singapore during the year (2016: nil).

10. EARNINGS/(LOSSES) PER SHARE

(a) Basic earnings/(losses) per share

The calculation of basic earnings/(losses) per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB93,042 thousand (2016: loss of RMB27,066 thousand) and the weighted average of 526,648 thousand ordinary shares (2016: 543,216 thousand shares) in issue during the year, calculated as follows:

	2017 *RMB'000*	2016 *RMB'000*
Profit/(Loss) attributable to ordinary equity shareholders	**93,042**	(27,066)

Weighted average number of ordinary shares	2017 *'000*	2016 *'000*
Issued ordinary shares at 1 January	**535,332**	547,915
Effect of shares repurchased	**(8,684)**	(4,699)
Weighted average number of ordinary shares at 31 December	**526,648**	543,216

10. EARNINGS/(LOSSES) PER SHARE (CONTINUED)

(b) Diluted earnings/(losses) per share

The calculation of diluted earnings/(losses) per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB93,042 thousand (2016: loss of RMB27,066 thousand) and the weighted average number of ordinary shares of 526,648 thousand shares (2016: 543,646 thousand shares after adjusting for the effect of share options in issue), calculated as follows:

	2017 *RMB'000*	2016 *RMB'000*
Profit/(loss)attributable to ordinary equity shareholders (basic and diluted)	**93,042**	(27,066)

Weighted average number of ordinary shares (diluted)	2017 *'000*	2016 *'000*
Weighted average number of ordinary shares (basic)	**526,648**	543,216
Effect of share options in issue	**–**	430
Weighted average number of ordinary shares (diluted) at 31 December	**526,648**	543,646

11. PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY

(a) Reconciliation of carrying amount

	Buildings RMB'000	Fixtures, fittings and computer equipment RMB'000	Motor vehicles RMB'000	Sub-total RMB'000	Investment property RMB'000	Total RMB'000
Original cost						
Balance at 1 January 2016	277,505	16,015	15,098	308,618	669,258	977,876
Additions	16	604	–	620	–	620
Disposals	–	(2,743)	–	(2,743)	(3,324)	(6,067)
Reclassification	(3,586)	–	–	(3,586)	3,586	–
Balance at 31 December 2016	273,935	13,876	15,098	302,909	669,520	972,429
Balance at 1 January 2017	**273,935**	**13,876**	**15,098**	**302,909**	**669,520**	**972,429**
Additions	**–**	**884**	**310**	**1,194**	**–**	**1,194**
Disposals	**–**	**(1,337)**	**(133)**	**(1,470)**	**–**	**(1,470)**
Balance at 31 December 2017	**273,935**	**13,423**	**15,275**	**302,633**	**669,520**	**972,153**
Depreciation						
Balance at 1 January 2016	23,698	11,330	12,312	47,340	54,107	101,447
Charge for the year	7,275	3,006	1,322	11,603	14,608	26,211
Disposals	–	(2,608)	–	(2,608)	(3,324)	(5,932)
Reclassification	(223)	–	–	(223)	223	–
Balance at 31 December 2016	30,750	11,728	13,634	56,112	65,614	121,726
Balance at 1 January 2017	**30,750**	**11,728**	**13,634**	**56,112**	**65,614**	**121,726**
Charge for the year	**7,209**	**1,025**	**365**	**8,599**	**14,796**	**23,395**
Disposals	**–**	**(1,207)**	**(127)**	**(1,334)**	**–**	**(1,334)**
Balance at 31 December 2017	**37,959**	**11,546**	**13,872**	**63,377**	**80,410**	**143,787**
Net book value						
At 31 December 2017	**235,976**	**1,877**	**1,403**	**239,256**	**589,110**	**828,366**
At 31 December 2016	243,185	2,148	1,464	246,797	603,906	850,703

11. PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY (CONTINUED)

(b) Fair value measurement of investment properties

According to the Property Valuation Report issued by Beijing Guorongxinghua Real Estate Appraisal Co., Ltd., an independent qualified valuer in Beijing, the fair value as at 31 December 2017 of the Group's investment properties are RMB1,124,647 thousand (2016: RMB1,118,877 thousand).

(c) Fixed assets held under finance leases

According to the purchase contract of The Place — SinoMedia Tower, the Group could use the fifth floor and basement three for free from 31 January 2013 to 30 August 2047 and 30 August 2057 respectively. As the two floors transferred to the Group substantially all the risks and rewards of ownership, they are classified as being held under finance leases.

At the end of the reporting period, the net book value of buildings held under finance leases of the Group was RMB15,424 thousand (2016: RMB15,931 thousand).

(d) Investment properties leased out under operating leases

The Group leases out investment properties under operating leases. The leases typically run for an initial period of 1 to 5 years, with an option to renew the lease after that date at which time all terms are renegotiated. None of the leases includes contingent rentals.

The Group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	2017	2016
	RMB'000	*RMB'000*
Within 1 year	**47,279**	52,355
After 1 year but within 5 years	**168,509**	91,363
	215,788	143,718

12. INTANGIBLE ASSETS

	Development costs *RMB'000*	Patents and trademarks *RMB'000*	Softwares *RMB'000*	Total *RMB'000*
Cost				
At 1 January 2016	14,273	36,258	460	50,991
Additions through internal development	3,283	6,999	156	10,438
Reduction through disposal	—	(704)	—	(704)
At 31 December 2016	17,556	42,553	616	60,725
At 1 January 2017	**17,556**	**42,553**	**616**	**60,725**
Additions through internal development	**3,991**	**—**	**—**	**3,991**
Reduction through disposal	**—**	**(3,696)**	**—**	**(3,696)**
At 31 December 2017	**21,547**	**38,857**	**616**	**61,020**
Accumulated amortisation				
At 1 January 2016	2,536	8,713	40	11,289
Charge for the year	843	4,160	52	5,055
Impairment loss	8,663	7,835	109	16,607
Written back on disposals	—	(111)	—	(111)
At 31 December 2016	12,042	20,597	201	32,840
At 1 January 2017	**12,042**	**20,597**	**201**	**32,840**
Charge for the year	**—**	**3,383**	**49**	**3,432**
Written back on disposals	**—**	**(154)**	**—**	**(154)**
At 31 December 2017	**12,042**	**23,826**	**250**	**36,118**
Net book value				
At 31 December 2017	**9,505**	**15,031**	**366**	**24,902**
At 31 December 2016	5,514	21,956	415	27,885

12. INTANGIBLE ASSETS (CONTINUED)

The amortisation charge for the year is included in "Cost of services" and "General and administrative expenses" in the consolidated statement of profit or loss.

13. GOODWILL

	RMB'000
Cost	
At 1 January 2016, 31 December 2016 and 31 December 2017	23,644
Accumulated impairment losses	
At 1 January 2016	10,189
Impairment loss	7,453
At 31 December 2016	17,642
At 1 January 2017	**17,642**
Impairment loss	**–**
At 31 December 2017	**17,642**
Carrying amount	
At 31 December 2017	**6,002**
At 31 December 2016	6,002

13. GOODWILL (CONTINUED)

Impairment tests for cash-generating units containing goodwill

Goodwill arises on the acquisition of Hangzhou Sanji Media Company Limited ("Hangzhou Sanji") is as follows:

	2017 RMB'000	2016 RMB'000
Hangzhou Sanji	**6,002**	6,002

The recoverable amount of Hangzhou Sanji is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period, and with a discount rate of 21.87% (2016: 20.44%). The major assumption is the growth rate in revenue. The growth rates are based on the past performance of Hangzhou Sanji, its expectation for market development and its development target. The discount rates used are pre-tax and reflect specific risks relating to Hangzhou Sanji.

The recoverable amounts of Hangzhou Sanji is higher than its carrying amounts based on value-in-use calculations. Accordingly, no impairment of goodwill was recognised in profit or loss for the year ended at 31 December 2017.

14. INVESTMENTS IN SUBSIDIARIES

As at 31 December 2017, the Company had direct and indirect interests in the following subsidiaries:

			Proportion of ownership interest				
Name of companies	Place and date of incorporation/ establishment	Particulars of issued and paid up capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities	Director(s)
Sino-foreign invested enterprise established in the PRC							
CTV Golden Bridge International Media Group Company Limited 中視金橋國際傳媒集團有限公司	Shanghai, the PRC 23-Jun-2005	USD30,000,000	99.70%	99.70%	–	TV advertising agency, branding and content production services	Mr. Chen Xin Ms. Liu Jinlan Mr. Li Zongzhou Mr. Liu Xuming
Foreign venture enterprise established in Hong Kong							
CTV Golden Bridge International Media (Hong Kong) Company Limited 中視金橋國際傳媒 (香港) 有限公司	Hong Kong 31-May-2011	HKD10,000,000	100%	100%	–	TV advertising agency, branding and content production services	Mr. Chen Xin Ms. Liu Jinlan
Foreign venture enterprise established in Singapore							
SinoMedia Global Pte. Ltd.	Singapore 07-Aug-2013	SGD2,000,000	100%	100%	–	Production and distribution of advertisement	Ms. Liu Jinlan Mr. Li Zongzhou

(Expressed in Renminbi unless otherwise indicated)

14. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of companies	Place and date of incorporation/ establishment	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities	Director(s)
Domestic companies established in the PRC							
CTV Golden Bridge International Media Jiangsu Company Limited 中視金橋國際傳媒江蘇有限公司	Nanjing, the PRC 30-Jan-2007	RMB2,000,000	99.70%	–	100%	TV advertising agency, branding and content production services	Ms. Li Mingzhu
CTV Golden Bridge International Media Lianshui Company Limited 中視金橋國際傳媒漣水有限公司	Huaian, the PRC 25-Jun-2014	RMB1,000,000	99.70%	–	100%	TV advertising agency, branding and content production services	Ms. Li Mingzhu
Beijing Taihe Ruishi Culture and Media Company Limited 北京太合瑞視文化傳媒有限公司	Beijing, the PRC 04-Nov-2008	RMB3,000,000	99.70%	–	100%	Investment holding	Mr. Li Zongzhou
Beijing Golden Bridge Senmeng Media Advertising Company Limited 北京金橋森盟傳媒廣告有限公司	Beijing, the PRC 06-Nov-2008	RMB28,000,000	99.70%	–	100%	TV advertising agency, branding and content production services	Mr. Li Zongzhou
Beijing Golden Bridge Yunhan Advertising Company Limited 北京金橋雲漢廣告有限公司	Beijing, the PRC 19-Oct-2009	RMB10,000,000	99.70%	–	100%	TV advertising agency, branding and content production services	Mr. Li Zongzhou

14. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of companies	Place and date of incorporation/ establishment	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities	Director(s)
Beijing Laite Laide Management Consultancy Company Limited 北京萊特萊德管理諮詢有限公司	Beijing, the PRC 19-Oct-2009	RMB5,000,000	99.70%	–	100%	TV advertising agency, branding and content production services	Mr. Li Zongzhou
CTV Golden Bridge Advertising Company Limited 中視金橋廣告有限公司	Shanghai, the PRC 19-Jan-2010	RMB50,000,000	99.70%	–	100%	TV advertising agency, branding and content production services	Mr. Li Zongzhou
Beijing Bozhiruicheng Information Consultancy Company Limited 北京博智瑞誠信息諮詢有限公司	Beijing, the PRC 23-Nov-2010	RMB25,000,000	99.70%	–	100%	Investment holding	Mr. Li Zongzhou
Beijing Taihe Ruishi Advertising Company Limited 北京太合瑞視廣告有限公司	Beijing, the PRC 08-Jul-2011	RMB1,000,000	99.70%	–	100%	TV advertising agency, branding and content production services	Mr. Li Zongzhou
CTV Golden Bridge Culture Development (Beijing) Company Limited 中視金橋文化發展（北京）有限公司	Beijing, the PRC 24-Nov-2011	RMB30,000,000	99.70%	–	100%	Production and operation of broadcasting and television programs	Mr. Li Zongzhou
Beijing Lotour Huicheng Internet Technology Company Limited 北京樂途匯誠網絡技術有限責任公司	Beijing, the PRC 21-Dec-2010	RMB30,841,400	70.80%	–	71%	Information services, media production and advertisement services	Mr. Liu Xuming Mr. Chen Xin Mr. Peng Bin
Hangzhou Sanji Media Company Limited 杭州三基傳媒有限公司	Hangzhou, the PRC 22-Jun-2006	RMB50,930,000	86.88%	–	87.14%	Information services, media production and advertisement services	Mr. Chen Xin Ms. Liu Jinlan Mr. Lei Wenjun

(Expressed in Renminbi unless otherwise indicated)

14. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

			Proportion of ownership interest				
Name of companies	Place and date of incorporation/ establishment	Particulars of issued and paid up capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities	Director(s)
Hangzhou Dalei Internet Technology Company Limited 杭州大雷網絡科技有限公司	Hangzhou, the PRC 09-May-2012	RMB10,000,000	86.88%	–	87.14%	Information services, media production and advertisement services	Ms. Li Mingzhu
Golden Bridge Wisdom Technology (Beijing) Company Limited 金橋智慧科技（北京）有限公司	Beijing, the PRC 05-Feb-2016	RMB10,000,000	99.70%	–	100 %	Advertisement design and production, agency and publishing services	Mr. Li Zongzhou
Pinmu Ronghe Business Management (Shanghai) Company Limited 品木融和企業管理（上海）有限公司	Shanghai, the PRC 02-Nov-2016	RMB1,000,000	99.70%	–	100 %	Corporate management, consulting and property management	Mr. Yan Tiehua
Pinmu Ronghe Property Management (Beijing) Company Limited 品木融和物業管理（北京）有限公司	Beijing, the PRC 16-Dec-2016	RMB200,000	99.70%	–	100 %	Corporate management, consulting and property management	Mr. Yan Tiehua
Beijing Document Time International Culture Company Limited 北京紀錄時代國際文化有限公司	Beijing, the PRC 22-Feb-2017	RMB1,000,000	99.70%	–	100 %	Advertisement design and production, agency and publishing services	Mr. Li Zongzhou
CTV Golden Bridge International Film (Beijing) Company Limited 中視金橋國際影業（北京）有限公司	Beijing, the PRC 7-Feb-2017	RMB1,000,000	99.70%	–	100%	Advertisement design and production, agency and publishing services	Mr. Li Zongzhou

15. OTHER FINANCIAL ASSETS

(a) Other current financial asset

	2017	2016
	RMB'000	*RMB'000*
Other financial asset	**1,537**	1,537

It represents the fair value of a convertible note which is upon initial recognition designated by the entity as financial asset at fair value through profit or loss as at 31 December 2017, the fair value of the convertible note is based on the total principle of the contract.

(b) Other non-current financial asset

		2017	2016
	Note	***RMB'000***	*RMB'000*
Available-for-sale equity securities			
Ftuan.com	*(i)*	**–**	–

(i) The Company invested USD3 million on Ftuan.com, a group purchase website, and obtained 2.71% of its equity interests. The Company provided 100% impairment to the investment on Ftuan.com in the year of 2011 due to the losses on Ftuan.com's financial performance. Since Ftuan.com is not expected to make a profit in the next few years, hence no impairment was reversed in 2017.

	2017	2016
	RMB'000	*RMB'000*
Original cost	**18,952**	18,952
Impairment to the investment on Ftuan.com	**(18,952)**	(18,952)
Carrying value at 31 December	**–**	–

16. TRADE AND OTHER RECEIVABLES

	Note	2017 RMB'000	2016 RMB'000
Non-current assets			
Other receivables		**865**	2,085
Current assets			
Trade debtors and bills receivable		**227,397**	190,045
Less: allowance for doubtful debts	*16(b)*	**(80,105)**	(72,622)
		147,292	117,423
Prepayments and deposits to media suppliers		**458,275**	382,987
Advances to employees		**4,035**	1,741
Other debtors and prepayments	*(i)*	**32,415**	29,591
Less: allowance for doubtful debts		**(10,246)**	(10,246)
		631,771	521,496
		632,636	523,581

(i) The balance is mainly consist of input value-added tax to be deducted, prepaid production cost and various deposits.

16. TRADE AND OTHER RECEIVABLES (CONTINUED)

(a) Ageing analysis

As of the end of the reporting period, the ageing analysis of trade debtors and bills receivable (which are included in trade and other receivables), is as follows:

	2017		2016	
	Gross	Impairment	Gross	Impairment
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 3 months	**99,794**	**—**	70,790	—
3 to 6 months	**17,716**	**—**	27,574	—
6 to 12 months	**9,835**	**—**	5,158	—
Over 12 months	**100,052**	**80,105**	86,523	72,622
	227,397	**80,105**	190,045	72,622

Credit terms are granted to the customers, depending on credit assessment carried out by management on an individual basis. The credit terms for trade receivables are generally from nil to 90 days.

The Group's exposure to credit risks related to trade and other receivables are disclosed in note 23(a).

(b) Impairment of trade debtors and bills receivable

Impairment losses in respect of trade debtors and bills receivable are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors and bills receivable directly.

The movement in the allowance for doubtful debts impairment in respect of trade and bills receivable during the year is as follows:

	2017	2016
	RMB'000	*RMB'000*
Balance at 1 January	**72,622**	73,529
Impairment loss recognised for the year	**7,483**	194
Reversal of impairment loss	**—**	(971)
Uncollectible amounts written off	**—**	(130)
Balance at 31 December	**80,105**	72,622

16. TRADE AND OTHER RECEIVABLES (CONTINUED)

(b) Impairment of trade debtors and bills receivable (continued)

At 31 December 2017, the Group's trade debtors and bills receivable of RMB80,105 thousand (2016: RMB72,622 thousand) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered. The Group does not hold any collateral over these balances.

(c) Trade debtors and bills receivable that are not impaired

The ageing analysis of trade debtors and bills receivable that are neither individually nor collectively considered to be impaired are as follows:

	2017 ***RMB'000***	2016 *RMB'000*
Neither past due nor impaired	**99,794**	70,790
Less than 6 months past due	**19,517**	27,597
More than 6 months but less than 12 months past due	**18,142**	10,986
More than 12 months past due	**9,839**	8,050
Total amount past due	**47,498**	46,633
	147,292	117,423

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance 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.

17. CASH AND CASH EQUIVALENTS

	2017 *RMB'000*	2016 *RMB'000*
Cash at bank and on hand	**678,791**	552,531
Time deposit with original maturity over three months	**10,636**	11,698
Pledged bank deposits	**595**	—
Less:	**690,022**	564,229
Time deposit with original maturity over three months	**(10,636)**	(11,698)
Pledged bank deposits	**(595)**	—
Cash and cash equivalents	**678,791**	552,531

(a) Cash and cash equivalents are denominated in:

	2017 *RMB'000*	2016 *RMB'000*
RMB	**623,845**	511,116
USD	**9,537**	14,414
EUR	**1**	1
AUD	**7**	6
SGD	**4,248**	1,433
HKD	**41,153**	25,561
	678,791	552,531

17. CASH AND CASH EQUIVALENTS (CONTINUED)

(b) Reconciliation of profit/(loss) before taxation to cash generated from operations:

	Note	2017 RMB'000	2016 RMB'000
Profit/(loss) before taxation		**144,948**	(25,883)
Adjustments for:			
Depreciation		**23,370**	26,211
Amortisation of intangible assets	5(c)	**3,432**	5,055
Impairment of intangible assets	12	**–**	16,607
Impairment of goodwill	13	**–**	7,453
Finance costs	5(a)	**2,040**	827
Finance income	5(a)	**(8,265)**	(4,770)
Net gain on disposal of an associate	4	**–**	(3,475)
Net loss on sale of property, plant and equipment and intangible assets		**3,679**	728
Equity-settled share-based payment expenses	20	**1,718**	1,590
		170,922	24,343
Changes in working capital:			
(Increase)/decrease in trade and other receivables		**(109,055)**	22,767
Increase in trade and other payables		**217,598**	50,105
Cash generated from operations		**279,465**	97,215

17. CASH AND CASH EQUIVALENTS (CONTINUED)

(c) Reconciliation of liabilities arising from financing activities:

The table below details changes in the Company's liabilities from financing activities. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the cash flow statement as cash flows from financing activities.

	Bank loans *RMB'000* *(note 19)*	Interest payable *RMB'000* *(note 5)*	Total *RMB'000*
At 1 January 2017	110,000	–	110,000
Changes from financing cash flows:			
Repayment of bank loans	(110,000)	–	(110,000)
Interest paid	–	(2,040)	(2,040)
Total changes from financing cash flows	(110,000)	(2,040)	(112,040)
Other changes:			
Interest and changes on borrowings	–	2,040	2,040
Total other changes	–	2,040	2,040
At 31 December 2017	–	–	–

18. TRADE AND OTHER PAYABLES

	Note	2017 RMB'000	2016 RMB'000
Trade payables	*(i)*	**33,214**	15,824
Payroll and welfare expenses payables		**21,423**	16,879
Other tax payables	*(ii)*	**28,438**	20,532
Other payables and accrued charges		**44,566**	37,821
Dividends payable due to non-controlling interests		**885**	856
Financial liabilities measured at amortised cost		**128,526**	91,912
Advances from customers	*(iii)*	**405,464**	224,162
		533,990	316,074

(i) The ageing analysis of trade payables is as follows:

	2017 RMB'000	2016 RMB'000
Within 3 months	**20,296**	14,657
3 months to 6 months	**2,397**	776
6 months to 12 months	**10,508**	385
Over 12 months	**13**	6
	33,214	15,824

(ii) Other tax payables mainly comprised value-added tax payable and the construction fee for cultural undertaking payable.

(iii) Advances from customers represented the down-payments received from customers, which are expected to be recognised as revenue within one year.

The Group's exposure to liquidity risk related to trade and other payables is disclosed in note 23.

19. BANK LOANS

As at 31 December 2017, the bank loans were repayable as follows:

	2017	2016
	RMB'000	*RMB'000*
Within one year or on demand	–	110,000

As at 31 December 2017, the bank loans were secured as follows:

	2017	2016
	RMB'000	*RMB'000*
Secured bank loans	–	110,000

The banking facilities obtained by the Group amounted to RMB240,000 thousand for the period from 11 January 2016 to 10 January 2017 were secured by its own property of Floor 6, 7, 12 and 13 of The Place-SinoMedia Tower on Block D, 9 Guanghua Road, Chaoyang District, Beijing, the PRC, with an aggregate carrying value of RMB276,146 thousand (2016: RMB282,719 thousand).

By 31 December 2017, all bank loans have been repaid.

20. EQUITY-SETTLED SHARE-BASED TRANSACTIONS

(a) Pre-IPO Share Option Scheme

On 1 July 2007, the Group granted share options to employees of the Group, including directors of any companies in the Group, to subscribe for shares of the Company. Each option entitles the holder to purchase one ordinary share of the Company. The consideration for the acceptance of the option is RMB0.1 per option.

Pursuant to the written resolutions of the directors of the Company passed on 24 April 2008, each of the share option granted was sub-divided into 3.2 share options and the exercise price of share option was divided by 3.2 accordingly. The number and exercise price of share option granted have been retrospectively adjusted for the effects of the share subdivision as if the share option subdivision had taken place as at the grant date.

The share options granted vest in instalments over 4 years. Each instalment is accounted for as a separate share-based payment arrangement.

(Expressed in Renminbi unless otherwise indicated)

20. EQUITY-SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

(a) Pre-IPO Share Option Scheme (continued)

(i) The terms and conditions of the grants that exist during the years are as follows:

Grant date	Number of options	Vesting conditions	Contractual life of options
1 July 2007	—	One year's service	10 years
1 July 2007	—	Two years' service	10 years
1 July 2007	—	Three years' service	10 years
1 July 2007	—	Four years' service	10 years

(ii) The number and weighted average exercise prices of share options are as follows:

	2017		2016	
	Weighted average exercise price	**Number of options**	Weighted average exercise price	Number of options
Outstanding at the beginning of the year	**RMB1.56**	**10,320,000**	RMB1.56	10,320,000
Exercised during the year	**RMB1.56**	**—**	RMB1.56	—
Forfeited during the year	**RMB1.56**	**10,320,000**	RMB1.56	—
Outstanding at the end of the year		**—**		10,320,000
Exercisable at the end of the year		**—**		10,320,000

By 29 June 2017, the Pre-IPO Share Option Scheme had lapsed.

(a) Pre-IPO Share Option Scheme (continued)

(iii) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted was measured based on a binominal lattice model, with following input:

	1 July 2007
Share price	RMB2.31
Exercise price	RMB1.56
Expected volatility	34.39%
Option life	10 years
Expected dividends	0.00%
Risk-free interest rate	4.17%

The expected volatility is based on average implied volatility of comparable companies in the media industry as at 1 July 2007 used in modelling under binomial option pricing model. Expected dividends are based on management estimate. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options are granted under a service condition. The condition has not been taken into account in the grant date fair value measurement of the services received. There was no market condition associated with the share option grants.

During the year ended 31 December 2017, no equity-settled share-based payment expenses (2016: nil) in respect of the Pre-IPO Share Option Scheme were recognised in the consolidated statements of profit or loss.

(b) Post-IPO Share Option Scheme

Pursuant to the ordinary resolutions of the shareholders of the Company passed on 27 May 2008, the Company has adopted a share option scheme (the "Post-IPO Scheme") whereby directors of the Company may, at their discretion, invite any full time employee, director or any person approved by the Board or shareholders of the Company to take up options which entitle them to subscribe for shares of the Company.

Up to 31 December 2017, the Company granted 12 tranches of share option under Post-IPO Scheme.

(Expressed in Renminbi unless otherwise indicated)

20. EQUITY-SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

(b) Post-IPO Share Option Scheme (continued)

(i) *The terms and conditions of the grants that exist during the years are as follows:*

(1) Post-IPO 1st tranche

On 17 September 2009, the Group granted share options to three independent non-executive directors of the Group, to subscribe for shares of the Company. Each option entitles the holder to purchase one ordinary share of the Company.

The share options granted vest in instalments over 3 years. Each instalment is accounted for as a separate share-based payment arrangement.

The terms and conditions of the grants that exist during the years are as follows:

Grant date	Number of options	Vesting conditions	Contractual life of options
17 September 2009	—	On the date of grant	8 years
17 September 2009	—	One year's service	8 years
17 September 2009	—	Two years' service	8 years
17 September 2009	—	Three years' service	8 years

(2) Post-IPO 2nd tranche

On 2 July 2010, the Group granted share options to full time employee and two directors of the Group, to subscribe for shares of the Company. Each option entitles the holder to purchase one ordinary share of the Company.

The share options granted vest in instalments over 4 years. Each instalment is accounted for as a separate share-based payment arrangement.

The terms and conditions of the grants that exist during the years are as follows:

Grant date	Number of options	Vesting conditions	Contractual life of options
2 July 2010	1,490,000	One year's service	8 years
2 July 2010	1,490,000	Two years' service	8 years
2 July 2010	1,520,000	Three years' service	8 years
2 July 2010	1,622,500	Four years' service	8 years

20. EQUITY-SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

(b) Post-IPO Share Option Scheme (continued)

(i) The terms and conditions of the grants that exist during the years are as follows: (continued)

(3) Post-IPO 3rd tranche

On 22 November 2010, the Group granted share options to full time employee of the Group, to subscribe for shares of the Company. Each option entitles the holder to purchase one ordinary share of the Company.

The share options granted vest in instalments over 4 years. Each instalment is accounted for as a separate share-based payment arrangement.

The terms and conditions of the grants that exist during the years are as follows:

Grant date	Number of options	Vesting conditions	Contractual life of options
22 November 2010	—	One year's service	8 years
22 November 2010	—	Two years' service	8 years
22 November 2010	—	Three years' service	8 years
22 November 2010	—	Four years' service	8 years

(4) Post-IPO 4th tranche

On 6 December 2010, the Group granted share options to full time employee of the Group, to subscribe for shares of the Company. Each option entitles the holder to purchase one ordinary share of the Company.

The share options granted vest in instalments over 4 years. Each instalment is accounted for as a separate share-based payment arrangement.

(Expressed in Renminbi unless otherwise indicated)

20. EQUITY-SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

(b) Post-IPO Share Option Scheme (continued)

(i) The terms and conditions of the grants that exist during the years are as follows: (continued)

(4) Post-IPO 4th tranche (continued)

The terms and conditions of the grants that exist during the years are as follows:

Grant date	Number of options	Vesting conditions	Contractual life of options
6 December 2010	162,500	One year's service	8 years
6 December 2010	162,500	Two years' service	8 years
6 December 2010	162,500	Three years' service	8 years
6 December 2010	162,500	Four years' service	8 years

(5) Post-IPO 5th tranche

On 29 August 2011, the Group granted share options to full time employee and a director of the Group, to subscribe for shares of the Company. Each option entitles the holder to purchase one ordinary share of the Company.

The share options granted vest in instalments over 4 years. Each instalment is accounted for as a separate share-based payment arrangement.

The terms and conditions of the grants that exist during the years are as follows:

Grant date	Number of options	Vesting conditions	Contractual life of options
29 August 2011	80,000	One year's service	8 years
29 August 2011	80,000	Two years' service	8 years
29 August 2011	80,000	Three years' service	8 years
29 August 2011	80,000	Four years' service	8 years

20. EQUITY-SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

(b) Post-IPO Share Option Scheme (continued)

(i) The terms and conditions of the grants that exist during the years are as follows: (continued)

(6) Post-IPO 6th tranche

On 9 January 2012, the Group granted share options to full time employee of the Group, to subscribe for shares of the Company. Each option entitles the holder to purchase one ordinary share of the Company.

The share options granted vest in instalments over 4 years. Each instalment is accounted for as a separate share-based payment arrangement.

The terms and conditions of the grants that exist during the years are as follows:

Grant date	Number of options	Vesting conditions	Contractual life of options
9 January 2012	200,000	One year's service	8 years
9 January 2012	200,000	Two years' service	8 years
9 January 2012	200,000	Three years' service	8 years
9 January 2012	200,000	Four years' service	8 years

(7) Post-IPO 7th tranche

On 11 September 2012, the Group granted share options to full time employee and a director of the Group, to subscribe for shares of the Company. Each option entitles the holder to purchase one ordinary share of the Company.

The share options granted vest in instalments over 4 years. Each instalment is accounted for as a separate share-based payment arrangement.

(Expressed in Renminbi unless otherwise indicated)

20. EQUITY-SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

(b) Post-IPO Share Option Scheme (continued)

(i) The terms and conditions of the grants that exist during the years are as follows: (continued)

(7) Post-IPO 7th tranche (continued)

The terms and conditions of the grants that exist during the years are as follows:

Grant date	Number of options	Vesting conditions	Contractual life of options
11 September 2012	80,000	One year's service	8 years
11 September 2012	110,000	Two years' service	8 years
11 September 2012	160,000	Three years' service	8 years
11 September 2012	160,000	Four years' service	8 years

(8) Post-IPO 8th tranche

On 12 April 2013, the Group granted share options to full time employee of the Group, to subscribe for shares of the Company. Each option entitles the holder to purchase one ordinary share of the Company.

The share options granted vest in instalments over 4 years. Each instalment is accounted for as a separate share-based payment arrangement.

The terms and conditions of the grants that exist during the years are as follows:

Grant date	Number of options	Vesting conditions	Contractual life of options
12 April 2013	65,000	One year's service	8 years
12 April 2013	65,000	Two years' service	8 years
12 April 2013	65,000	Three years' service	8 years
12 April 2013	65,000	Four years' service	8 years

20. EQUITY-SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

(b) Post-IPO Share Option Scheme (continued)

(i) The terms and conditions of the grants that exist during the years are as follows: (continued)

(9) Post-IPO 9th tranche

On 19 July 2013, the Group granted share options to full time employee of the Group, to subscribe for shares of the Company. Each option entitles the holder to purchase one ordinary share of the Company.

The share options granted vest in instalments over 4 years. Each instalment is accounted for as a separate share-based payment arrangement.

The terms and conditions of the grants that exist during the years are as follows:

Grant date	Number of options	Vesting conditions	Contractual life of options
19 July 2013	172,500	One year's service	8 years
19 July 2013	172,500	Two years' service	8 years
19 July 2013	172,500	Three years' service	8 years
19 July 2013	172,500	Four years' service	8 years

(10) Post-IPO 10th tranche

On 10 September 2014, the Group granted share options to full time employee of the Group, to subscribe for shares of the Company. Each option entitles the holder to purchase one ordinary share of the Company.

The share options granted vest in instalments over 4 years. Each instalment is accounted for as a separate share-based payment arrangement.

(Expressed in Renminbi unless otherwise indicated)

20. EQUITY-SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

(b) Post-IPO Share Option Scheme (continued)

(i) The terms and conditions of the grants that exist during the years are as follows: (continued)

(10) Post-IPO 10th tranche (continued)

The terms and conditions of the grants that exist during the years are as follows:

Grant date	Number of options	Vesting conditions	Contractual life of options
10 September 2014	200,000	One year's service	8 years
10 September 2014	200,000	Two years' service	8 years
10 September 2014	200,000	Three years' service	8 years
10 September 2014	200,000	Four years' service	8 years

(11) Post-IPO 11th tranche

On 15 September 2015, the Group granted share options to full time employee of the Group, to subscribe for shares of the Company. Each option entitles the holder to purchase one ordinary share of the Company.

The share options granted vest in instalments over 4 years. Each instalment is accounted for as a separate share-based payment arrangement.

The terms and conditions of the grants that exist during the years are as follows:

Grant date	Number of options	Vesting conditions	Contractual life of options
15 September 2015	160,000	One year's service	8 years
15 September 2015	160,000	Two years' service	8 years
15 September 2015	160,000	Three years' service	8 years
15 September 2015	160,000	Four years' service	8 years

20. EQUITY-SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

(b) Post-IPO Share Option Scheme (continued)

(i) The terms and conditions of the grants that exist during the years are as follows: (continued)

(12) Post-IPO 12th tranche

On 30 August 2017, the Group granted share options to full time employee and three directors of the Group, to subscribe for shares of the Company. Each option entitles the holder to purchase one ordinary share of the Company.

The share options granted vest in instalments over 4 years. The exercise of Post-IPO Options by the holder is subject to certain conditions, including the individual performance assessment conducted by the Board and the financial performance of the Group. Each instalment is accounted for as a separate share-based payment arrangement.

Besides the conditions of grants above, terms and other conditions that exist during the years are as follows:

Grant date	Number of options	Vesting conditions	Contractual life of options
30 August 2017	4,538,000	One year's service	8 years
30 August 2017	4,538,000	Two years' service	8 years
30 August 2017	4,538,000	Three years' service	8 years
30 August 2017	4,538,000	Four years' service	8 years

(Expressed in Renminbi unless otherwise indicated)

20. EQUITY-SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

(b) Post-IPO Share Option Scheme (continued)

(ii) The number and weighted average exercise prices of share options are as follows:

	Post-IPO Option 1st tranche		Post-IPO Option 2nd tranche		Post-IPO Option 3rd tranche		Post-IPO Option 4th tranche		Post-IPO Option 5th tranche		Post-IPO Option 6th tranche	
At 1 January 2016	HKD1.49	660,000	HKD1.84	6,123,000	HKD2.82	–	HKD2.88	650,000	HKD2.62	320,000	HKD2.36	800,000
Granted		–		–		–		–		–		–
Exercised		–		–		–		–		–		–
Lapsed		–		–		–		–		–		–
At 31 December 2016	HKD1.49	660,000	HKD1.84	6,123,000	HKD2.82	–	HKD2.88	650,000	HKD2.62	320,000	HKD2.36	800,000
At 1 January 2017	**HKD1.49**	**660,000**	**HKD1.84**	**6,123,000**	**HKD2.82**	**–**	**HKD2.88**	**650,000**	**HKD2.62**	**320,000**	**HKD2.36**	**800,000**
Granted		**–**		**–**		**–**		**–**		**–**		**–**
Exercised		**–**		**–**		**–**		**–**		**–**		**–**
Lapsed	**HKD1.49**	**660,000**	**HKD1.84**	**500**		**–**		**–**		**–**		**–**
At 31 December 2017	**–**	**–**	**HKD1.84**	**6,122,500**	**HKD2.82**	**–**	**HKD2.88**	**650,000**	**HKD2.62**	**320,000**	**HKD2.36**	**800,000**
Currently exercisable As at 31 December 2017	**–**	**–**	**HKD1.84**	**6,122,500**	**HKD2.82**	**–**	**HKD2.88**	**650,000**	**HKD2.62**	**320,000**	**HKD2.36**	**800,000**

	Post-IPO Option 7th tranche		Post-IPO Option 8th tranche		Post-IPO Option 9th tranche		Post-IPO Option 10th tranche		Post-IPO Option 11th tranche		Post-IPO Option 12th tranche		Total
At 1 January 2016	HKD3.22	560,000	HKD4.31	300,000	HKD6.86	1,280,000	HKD5.50	920,000	HKD2.59	2,400,000			14,013,000
Granted		–		–		–		–		–			–
Exercised		–		–		–		–		–			–
Lapsed		–		–	HKD6.86	260,000		–		–			260,000
At 31 December 2016	HKD3.22	560,000	HKD4.31	300,000	HKD6.86	1,020,000	HKD5.50	920,000	HKD2.59	2,400,000			13,753,000
At 1 January 2017	**HKD3.22**	**560,000**	**HKD4.31**	**300,000**	**HKD6.86**	**1,020,000**	**HKD5.50**	**920,000**	**HKD2.59**	**2,400,000**			**13,753,000**
Granted		**–**		**–**		**–**		**–**		**–**	**HKD1.77**	**18,752,000**	**18,752,000**
Exercised		**–**		**–**		**–**		**–**		**–**		**–**	
Lapsed	**HKD3.22**	**50,000**	**HKD4.31**	**40,000**	**HKD6.86**	**330,000**	**HKD5.50**	**120,000**	**HKD2.59**	**1,760,000**	**HKD1.77**	**600,000**	**3,720,500**
At 31 December 2017	**HKD3.22**	**510,000**	**HKD4.31**	**260,000**	**HKD6.86**	**690,000**	**HKD5.50**	**800,000**	**HKD2.59**	**640,000**	**HKD1.77**	**18,152,000**	**28,944,500**
Currently exercisable As at 31 December 2017	**HKD3.22**	**510,000**	**HKD4.31**	**260,000**	**HKD6.86**	**690,000**	**HKD5.50**	**600,000**	**HKD2.59**	**320,000**		**–**	**10,272,500**

20. EQUITY-SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

(b) Post-IPO Share Option Scheme (continued)

(ii) The number and weighted average exercise prices of share options are as follows: (continued)

The options of Post-IPO 1st tranche had lapsed at 16 September 2017.

The options of Post-IPO 2nd tranche outstanding as at 31 December 2017 had an exercise price of HKD1.84 per share and a weighted average remaining contractual life of 0.5 years.

The options of Post-IPO 3rd tranche outstanding as at 31 December 2017 had an exercise price of HKD2.82 per share and a weighted average remaining contractual life of 0.9 years.

The options of Post-IPO 4th tranche outstanding as at 31 December 2017 had an exercise price of HKD2.88 per share and a weighted average remaining contractual life of 0.95 years.

The options of Post-IPO 5th tranche outstanding as at 31 December 2017 had an exercise price of HKD2.62 per share and a weighted average remaining contractual life of 1.33 years.

The options of Post-IPO 6th tranche outstanding as at 31 December 2017 had an exercise price of HKD2.36 per share and a weighted average remaining contractual life of 2.02 years.

The options of Post-IPO 7th tranche outstanding as at 31 December 2017 had an exercise price of HKD3.22 per share and a weighted average remaining contractual life of 2.69 years.

The options of Post-IPO 8th tranche outstanding as at 31 December 2017 had an exercise price of HKD4.31 per share and a weighted average remaining contractual life of 3.28 years.

The options of Post-IPO 9th tranche outstanding as at 31 December 2017 had an exercise price of HKD6.86 per share and a weighted average remaining contractual life of 3.55 years.

The options of Post-IPO 10th tranche outstanding as at 31 December 2017 had an exercise price of HKD5.50 per share and a weighted average remaining contractual life of 4.69 years.

The options of Post-IPO 11th tranche outstanding as at 31 December 2017 had an exercise price of HKD2.59 per share and a weighted average remaining contractual life of 5.70 years.

The options of Post-IPO 12th tranche outstanding as at 31 December 2017 had an exercise price of HKD1.77 per share and a weighted average remaining contractual life of 7.67 years.

(Expressed in Renminbi unless otherwise indicated)

20. EQUITY-SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

(b) Post-IPO Share Option Scheme (continued)

(iii) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted was measured based on a binominal lattice model, with following input:

	Date of grant	Share Price at grant date	Exercise price	Expected volatility	Option life (expressed as weighted average life)	Expected dividends	Risk-free interest rate
Post-IPO 1st tranche	17 September 2009	HKD1.49	HKD1.49	43.77%	8 years	2.49%	2.16%
Post-IPO 2nd tranche	2 July 2010	HKD1.74	HKD1.84	46.17%	8 years	1.61%	2.09%
Post-IPO 3rd tranche	22 November 2010	HKD2.82	HKD2.82	45.72%	8 years	1.30%	2.02%
Post-IPO 4th tranche	6 December 2010	HKD2.88	HKD2.88	45.70%	8 years	1.30%	2.16%
Post-IPO 5th tranche	29 August 2011	HKD2.60	HKD2.62	41.47%	8 years	2.94%	1.74%
Post-IPO 6th tranche	9 January 2012	HKD2.36	HKD2.36	42.58%	8 years	5.37%	1.52%
Post-IPO 7th tranche	11 September 2012	HKD3.22	HKD3.22	43.51%	8 years	4.96%	0.66%
Post-IPO 8th tranche	12 April 2013	HKD4.31	HKD4.31	44.58%	8 years	5.33%	0.95%
Post-IPO 9th tranche	19 July 2013	HKD6.68	HKD6.86	45.82%	8 years	3.94%	2.20%
Post-IPO 10th tranche	10 September 2014	HKD5.40	HKD5.50	55.13%	8 years	6.00%	1.98%
Post-IPO 11th tranche	15 September 2015	HKD2.52	HKD2.59	56.48%	8 years	10.00%	1.43%
Post-IPO 12th tranche	30 August 2017	HKD1.74	HKD1.77	46.60%	8 years	6.62%	1.34%

20. EQUITY-SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

(b) Post-IPO Share Option Scheme (continued)

(iii) Fair value of share options and assumptions (continued)

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected change to future volatility based on publicly available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options are granted mainly under a service condition. The condition has not been taken into account in the grant date fair value measurement of the services received. There was no market condition associated with the share option grants.

21. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represents:

	2017	2016
	RMB'000	*RMB'000*
PRC income tax		
Balance at the beginning of the year	**28,131**	39,710
Provision for the year	**54,688**	9,797
Tax paid	**(8,782)**	(21,376)
Balance of tax provision at the end of the year	**74,037**	28,131

21. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

(b) Deferred tax assets and liabilities recognised:

(i) Movement of deferred tax assets and liabilities

The components of deferred tax (assets)/liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

Deferred tax arising from	Accrued expenses/ revenue *RMB'000*	Tax loss carry-forwards *RMB'000*	Total *RMB'000*
At 1 January 2016	—	(2,197)	(2,197)
Charged to profit or loss	26	2,197	2,223
At 31 December 2016	26	—	26
At 1 January 2017	**26**	**—**	**26**
Charged to profit or loss	**(26)**	**—**	**(26)**
At 31 December 2017	**—**	**—**	**—**

(ii) Reconciliation to the consolidated statement of financial position

	2017 *RMB'000*	2016 *RMB'000*
Net deferred tax assets recognised in the consolidated statement of financial position	**—**	—
Net deferred tax liabilities recognised in the consolidated statement of financial position	**—**	26
	—	26

(c) Deferred tax assets not recognised:

In accordance with the accounting policies set out in note 1(s), the Group has not recognised deferred tax assets in respect of cumulative tax losses of RMB199,092 thousand (2016: RMB167,300 thousand) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entities. The tax losses do not expire under current tax legislation.

(d) Deferred tax liabilities not recognised:

As at 31 December 2017, temporary differences relating to the undistributed retained profits of PRC subsidiaries amounted to RMB1,076,240 thousand (2016: RMB1,071,023 thousand). Deferred tax liability of RMB107,301 thousand (2016: RMB106,781 thousand) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that those retained profits are not likely to be distributed in the foreseeable future.

22. CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the Consolidated Statement of Changes in Equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Share capital *RMB'000* *(note 22(c))*	Capital reserve *RMB'000* *(note 22(d))*	Translation reserve *RMB'000* *(note 22(d))*	Retained Profits *RMB'000* *(note 22(d))*	Total *RMB'000*
Balance at 1 January 2016	510,981	22,365	(27,971)	57,785	563,160
Changes in equity for 2016:					
Total comprehensive income for the year	–	–	34,835	(20,510)	14,325
Equity-settled share-based transactions (note 20)	–	1,590	–	–	1,590
Purchase of own shares	–	–	–	(21,665)	(21,665)
Dividends approved in respect of the previous year	–	–	–	(49,433)	(49,433)
Balance at 31 December 2016 and 1 January 2017	**510,981**	**23,955**	**6,864**	**(33,823)**	**507,977**
Changes in equity for 2017:					
Total comprehensive income for the year	**–**	**–**	**(35,983)**	**104,697**	**68,714**
Equity-settled share-based transactions (note 20)	**–**	**1,718**	**–**	**–**	**1,718**
Purchase of own shares	**–**	**–**	**–**	**(31,987)**	**(31,987)**
Balance at 31 December 2017	**510,981**	**25,673**	**(29,119)**	**38,887**	**546,422**

22. CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(b) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the year

	2017 *RMB'000*	2016 *RMB'000*
Dividends proposed after the end of the reporting period (2016: no dividends proposed)	**36,831**	–

Pursuant to a resolution passed at the Director's meeting on 27 March 2018, a dividend of HKD8.86 cents per share in respect of the year ended 31 December 2017 totalling of HKD45,514 thousand (equivalent to approximately RMB36,831 thousand at an exchange rate of 0.80923) will be proposed for shareholders' approval at the Annual General Meeting. Dividends HKD45,514 thousand in total proposed after the statement of financial position date has not been recognised as a liability at the end of the reporting period.

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year approved during the year

	2017 *RMB'000*	2016 *RMB'000*
Dividends to equity shareholders of the Company	**–**	49,433

22. CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(c) Share capital

(i) Issued share capital

	2017 No. of ordinary shares	2017 HKD	2016 No. of ordinary shares	2016 HKD
Ordinary shares, issued and fully paid:				
At 1 January	**535,332,370**	**581,930,830**	547,915,370	581,930,830
Shares repurchased and cancelled	**18,906,000**	**–**	12,583,000	–
At 31 December	**516,426,370**	**581,930,830**	535,332,370	581,930,830
RMB equivalent		**510,981,107**		510,981,107

In accordance with section 135 of the Hong Kong Companies Ordinance, the ordinary shares of the company do not have a par value.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

22. CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(c) Share capital (continued)

(ii) Purchase of own shares

During the year, the Company repurchased its own ordinary shares on The Stock Exchange of Hong Kong Limited as follows:

Month/year	Number of Shares repurchased	Highest price paid per share *HKD*	Lowest price paid per share *HKD*	Aggregate price paid *HKD '000*	Equivalent to *RMB '000*
January 2017	1,998,000	1.88	1.79	3,659	3,233
April 2017	2,873,000	1.79	1.71	5,079	4,503
May 2017	1,433,000	1.71	1.68	2,426	2,137
June 2017	1,440,000	2.00	1.59	2,309	2,004
July 2017	2,466,000	1.85	1.63	4,296	3,702
September 2017	1,116,000	1.82	1.72	2,010	1,696
October 2017	1,127,000	1.96	1.87	2,143	1,824
November 2017	4,937,000	1.92	1.79	9,048	7,652
December 2017	3,356,000	1.87	1.84	6,264	5,236
				37,234	31,987

The repurchase was governed by section 257 of the Hong Kong Companies Ordinance. The total amount paid on the repurchased shares of HKD37,234 thousand (equivalent to approximately RMB31,987 thousand) was paid wholly out of retained profits.

22. CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(c) Share capital (continued)

(iii) Shares issued under share option scheme

In the year of 2017, no options were exercised to subscribe for ordinary shares in the Company.

(iv) Terms of unexpired and unexercised share options at the end of reporting period

(1) Pre-IPO Scheme

A pre-IPO share options holder may exercise a maximum of 25% of the total number of the pre-IPO share options granted after the elapse of 365 days from the acceptance of the pre-IPO share options. Subsequently, for every full year of continuous service with the Company, the holder may exercise a maximum of another 25% of the total number of the pre-IPO share options granted, up to ten years from the date on which the pre-IPO share options are granted.

Exercisable period of the pre-IPO share options granted to employees of the Group commences on 8 January 2009 and expires on a date ranging from 3 July 2017 to 6 March 2018 (depending on their respective date of grant of the option), subject to the vesting requirement mentioned above.

By 29 June 2017, the Pre-IPO Scheme had expired.

(2) Post-IPO Scheme

The Company has adopted share option schemes on 27 May 2008 (the “Post-IPO Scheme”). By 16 September 2017, the first tranche of Post-IPO Scheme had expired.

Exercise period	Exercise price	2017 Number	2016 Number
17 September 2009 to 16 September 2017	HKD1.49	**165,000**	165,000
17 September 2010 to 16 September 2017	HKD1.49	**165,000**	165,000
17 September 2011 to 16 September 2017	HKD1.49	**165,000**	165,000
17 September 2012 to 16 September 2017	HKD1.49	**165,000**	165,000
2 July 2011 to 1 July 2018	HKD1.84	**4,895,000**	4,895,000
2 July 2012 to 1 July 2018	HKD1.84	**4,895,000**	4,895,000
2 July 2013 to 1 July 2018	HKD1.84	**4,895,000**	4,895,000
2 July 2014 to 1 July 2018	HKD1.84	**4,895,000**	4,895,000
22 November 2011 to 21 November 2018	HKD2.82	**325,000**	325,000
22 November 2012 to 21 November 2018	HKD2.82	**325,000**	325,000
22 November 2013 to 21 November 2018	HKD2.82	**325,000**	325,000
22 November 2014 to 21 November 2018	HKD2.82	**325,000**	325,000

(Expressed in Renminbi unless otherwise indicated)

22. CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(c) Share capital (continued)

(iv) Terms of unexpired and unexercised share options at the end of reporting period (continued)

(2) Post-IPO Scheme (continued)

Exercise period	Exercise price	2017 Number	2016 Number
6 December 2011 to 5 December 2018	HKD2.88	**265,000**	265,000
6 December 2012 to 5 December 2018	HKD2.88	**265,000**	265,000
6 December 2013 to 5 December 2018	HKD2.88	**265,000**	265,000
6 December 2014 to 5 December 2018	HKD2.88	**265,000**	265,000
29 August 2012 to 28 August 2019	HKD2.62	**635,000**	635,000
29 August 2013 to 28 August 2019	HKD2.62	**635,000**	635,000
29 August 2014 to 28 August 2019	HKD2.62	**635,000**	635,000
29 August 2015 to 28 August 2019	HKD2.62	**635,000**	635,000
9 January 2013 to 8 January 2020	HKD2.36	**350,000**	350,000
9 January 2014 to 8 January 2020	HKD2.36	**350,000**	350,000
9 January 2015 to 8 January 2020	HKD2.36	**350,000**	350,000
9 January 2016 to 8 January 2020	HKD2.36	**350,000**	350,000
11 September 2013 to 10 September 2020	HKD3.22	**465,000**	465,000
11 September 2014 to 10 September 2020	HKD3.22	**465,000**	465,000
11 September 2015 to 10 September 2020	HKD3.22	**465,000**	465,000
11 September 2016 to 10 September 2020	HKD3.22	**465,000**	465,000
12 April 2014 to 11 April 2021	HKD4.31	**175,000**	175,000
12 April 2015 to 11 April 2021	HKD4.31	**175,000**	175,000
12 April 2016 to 11 April 2021	HKD4.31	**175,000**	175,000
12 April 2017 to 11 April 2021	HKD4.31	**175,000**	175,000
19 July 2014 to 18 July 2021	HKD6.86	**470,000**	470,000
19 July 2015 to 18 July 2021	HKD6.86	**470,000**	470,000
19 July 2016 to 18 July 2021	HKD6.86	**470,000**	470,000
19 July 2017 to 18 July 2021	HKD6.86	**470,000**	470,000
10 September 2015 to 9 September 2022	HKD5.50	**270,000**	270,000
10 September 2016 to 9 September 2022	HKD5.50	**270,000**	270,000
10 September 2017 to 9 September 2022	HKD5.50	**270,000**	270,000
10 September 2018 to 9 September 2022	HKD5.50	**270,000**	270,000
15 September 2016 to 14 September 2023	HKD2.59	**600,000**	600,000
15 September 2017 to 14 September 2023	HKD2.59	**600,000**	600,000
15 September 2018 to 14 September 2023	HKD2.59	**600,000**	600,000
15 September 2019 to 14 September 2023	HKD2.59	**600,000**	600,000
30 August 2018 to 29 August 2025	HKD1.77	**4,688,000**	—
30 August 2019 to 29 August 2025	HKD1.77	**4,688,000**	—
30 August 2020 to 29 August 2025	HKD1.77	**4,688,000**	—
30 August 2021 to 29 August 2025	HKD1.77	**4,688,000**	—
		53,212,000	34,460,000

(c) Share capital (continued)

(iv) Terms of unexpired and unexercised share options at the end of reporting period (continued)

(2) Post-IPO Scheme (continued)

Each option entitles the holder to subscribe for one ordinary share in the Company. Further details of these options are set out in note 20 to the financial statements.

At 31 December 2017, there were 28,944,500 unexercised post-IPO share options (2016: 13,753,000).

(d) Nature and purpose of reserves

(i) Capital reserve

The capital reserve comprises the contribution from non-controlling interests and the portion of the grant date fair value of unexercised share options granted to employees and directors of the Group that has been recognised in accordance with the accounting policy adopted for equity-settled share-based transactions in note 1(r)(ii).

(ii) Statutory reserve

Pursuant to applicable PRC regulations, certain PRC subsidiaries are required to transfer 10% of their profit after income tax (after offsetting prior year's losses, if applicable) to statutory reserve until such reserve reaches 50% of the registered capital. The transfer to the reserve must be made before distribution of dividends to equity holders. The statutory reserve can be utilised, upon approval by the relevant authorities, to offset accumulated losses or to increase registered capital of the subsidiary, provided that the balance after such issue is not less than 25% of its registered capital.

22. CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(d) Nature and purpose of reserves (continued)

(iii) Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements presented in any currencies other than RMB which are dealt with in accordance with the accounting policies as set out in note 1(v).

(iv) Other reserves

Other reserves comprises the difference between the carrying amount of the net assets received and the consideration paid, as a result of the reorganisation during which the Company acquired subsidiaries from the ultimate controlling shareholders of the Group in 2006 and 2007.

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholders returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

23. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity and currency risks arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its equity investments in other entities.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

(a) Credit risk (continued)

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are normally due within 90 days from the date of billing. Debtors with overdue balances are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 4.52% (2016: 0.99%) and 5.76% (2016: 1.51%) of the total trade and other receivables was due from the Group's largest customer and the five largest customers respectively.

The maximum exposure to credit risk without taking account of any collateral is represented by the carrying amount of trade and other receivables in the consolidated statement of financial position after deducting any impairment allowance. The Group does not provide any other guarantees which would expose the Group to credit risk.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 16.

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

23. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Liquidity risk (continued)

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows and the earliest date the Group can be required to pay:

	2017 Contractual undiscounted cash outflow					
	Within 1 year or on demand	**More than 1 year but less than 2 years**	**2 years but less than 5 years**	**More than 5 years**	**Total**	**Carrying amount**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
Trade and other payables*	**128,513**	**13**	**—**	**—**	**128,526**	**128,526**

	2016 Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	2 years but less than 5 years	More than 5 years	Total	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and other payables*	91,906	6	—	—	91,912	91,912
Bank loans	110,000	—	—	—	110,000	110,000

* Excludes advances from customers

(c) Currency risk

The Group is exposed to currency risk primarily through trade and other receivables, trade and other payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily Hong Kong dollars, United States dollars, and Singapore dollars.

(i) Forecast transactions

The Group did not hedge its foreign currency exposure other than by retaining its foreign currency denominated earnings and receipts to the extent permitted by the State Administration of Foreign Exchange.

(ii) Recognised assets and liabilities

In respect of trade and other receivables, trade and other payables denominated in foreign currencies, the Group ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

23. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(c) Currency risk (continued)

(iii) Exposure to currency risk

The following table details the Group's exposure at the end of reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in Renminbi, translated using the spot rate at the year-end date. Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency are excluded.

	2017 ***RMB'000***	2016 *RMB'000*
Trade and other receivables		
— in HKD	**952**	1,000
— in SGD	**179**	312
Cash and cash equivalents		
— in USD	**9,537**	14,414
— in EUR	**1**	1
— in AUD	**7**	6
— in SGD	**4,248**	1,433
— in HKD	**41,153**	25,561
Trade and other payables		
— in HKD	**(1,046)**	(1,291)
— in SGD	**(59)**	(87)
Gross exposure	**54,972**	41,349

23. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(c) Currency risk (continued)

(iii) Exposure to currency risk (continued)

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2017	2016	**2017**	2016
HKD	**0.8652**	0.8662	**0.8359**	0.8945
USD	**6.7356**	6.7153	**6.5342**	6.9370
AUD	**5.0543**	4.8717	**5.0928**	5.0157
EUR	**7.5546**	7.2010	**7.8023**	7.3068
SGD	**4.8413**	4.6935	**4.8831**	4.7995

(iv) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after tax (and retained profits) that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant.

	2017		2016	
	Increase/ (decrease) in foreign exchange rates	**Effect on profit after tax and retained profits**	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits
USD	**10%**	**954**	10%	1,441
	(10%)	**(954)**	(10%)	(1,441)
AUD	**10%**	**1**	10%	1
	(10%)	**(1)**	(10%)	(1)
EUR	**10%**	**0.1**	10%	0.1
	(10%)	**(0.1)**	(10%)	(0.1)
HKD	**10%**	**4,106**	10%	2,527
	(10%)	**(4,106)**	(10%)	(2,527)
SGD	**10%**	**437**	10%	166
	(10%)	**(437)**	(10%)	(166)

23. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(c) Currency risk (continued)

(iv) Sensitivity analysis (continued)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after tax measured in the respective functional currencies, translated into Renminbi at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2016.

(d) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS/HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

- Level 3 valuations: Fair value measured using significant unobservable inputs.

23. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(d) Fair value measurement (continued)

(i) Financial assets and liabilities measured at fair value (continued)

The Group

	Fair value at 31 December 2017 *RMB'000*	Fair value measurement as at 31 December 2017 categorised into Level 1 *RMB'000*	Level 2 *RMB'000*	Level 3 *RMB'000*
Asset				
Other current financial asset	**1,537**	**–**	**–**	**1,537**
Liability				
Other current financial liability	**–**	**–**	**–**	**–**

The Group

	Fair value at 31 December 2016 *RMB'000*	Fair value measurement as at 31 December 2016 categorised into Level 1 *RMB'000*	Level 2 *RMB'000*	Level 3 *RMB'000*
Asset				
Other current financial asset	1,537	–	–	1,537
Liability				
Other current financial liability	–	–	–	–

During the year ended 2017 and 2016, there were no transfer between instruments in Level 1 and Level 2, or transfer into or out of Level 3.

23. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(d) Fair value measurement (continued)

(ii) Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 31 December 2017 and 2016.

24. COMMITMENTS

(a) Capital commitment

As at 31 December 2017, the Group did not have any significant capital commitment.

(b) Operating commitments

As at 31 December 2017, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2017 ***RMB'000***	2016 *RMB'000*
Within one year	**3,946**	3,130
After one year but within five years	**2,076**	1,329
Total	**6,022**	4,459

As at the reporting date, non-cancellable contracts for purchasing advertisement resources payable by the Group are as follows:

	2017 ***RMB'000***	2016 *RMB'000*
Within one year	**989,524**	87,253

25. CONTINGENT ASSETS AND LIABILITIES

As at 31 December 2017, the Group did not have any significant contingent assets and liabilities.

26. MATERIAL RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

	Note	2017 RMB'000	2016 RMB'000
Rental of office	(i)	**722**	722

(i) CTV Golden Bridge International Media Group Company Limited, a subsidiary of the Company, rented an office from Shanghai CTV Golden Bridge International Culture and Communication Company Limited, which was effectively controlled by the ultimate controlling shareholder of the Group for the period from 1 January 2017 to 31 December 2017 at a price of RMB722 thousand per annum. The amount of rent charged under the lease was determined with reference to amounts charged by Shanghai CTV Golden Bridge International Culture and Communication Company Limited to third parties.

(b) Outstanding balance with related parties

	2017 RMB'000	2016 RMB'000
Rental of office	**722**	722

The balance represents non-cancellable rentals payable by the Group to Shanghai CTV Golden Bridge International Culture and Communication Company Limited for the rentals of 2017.

(c) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 7 and certain of the highest paid employees as disclosed in note 8, is as follows:

	2017 RMB'000	2016 RMB'000
Short-term employee benefits	**11,329**	8,683
Equity-settled share-based transactions	**362**	465
	11,691	9,148

Total remuneration is included in "Staff cost" (see note 5(b)).

27. COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	2017 RMB'000	2016 RMB'000
Non-current assets		
Investments in subsidiaries	**252,077**	268,208
	252,077	268,208
Current assets		
Trade and other receivables	**259,443**	218,836
Other financial asset	**1,537**	1,537
Cash and cash equivalents	**40,274**	21,475
	301,254	241,848
Current liabilities		
Trade and other payables	**6,909**	2,079
	6,909	2,079
Net current assets	**294,345**	239,769
Total assets less current liabilities	**546,422**	507,977
NET ASSETS	**546,422**	507,977
CAPITAL AND RESERVES		
Share capital	**510,981**	510,981
Reserves	**35,441**	(3,004)
TOTAL EQUITY	**546,422**	507,977

Approved and authorised for issue by the board of directors on 27 March 2018.

Chen Xin
Chairman

Li Zongzhou
Director

28. IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At 31 December 2017, the directors consider the immediate parent and the ultimate holding company of the Group to be Golden Bridge International Culture Limited and CLH Holding Limited respectively, both of which are incorporated in Cayman Islands. These two entities do not produce financial statements available for public use.

29. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017

Up to the date of issue of these financial statements, the IASB/HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2017 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
IFRS/HKFRS 9, *Financial instruments*	1 January 2018
IFRS/HKFRS 15, *Revenue from contracts with customers*	1 January 2018
Amendments to IFRS/HKFRS 2, *Share-based payment: Classification and measurement of share-based payment transactions*	1 January 2018
Amendments to HKAS 40, *Investment property: Transfers of investment property*	1 January 2018
HK(IFRIC) 22, *Foreign currency transactions and advance consideration*	1 January 2018
IFRS/HKFRS 16, *Leases*	1 January 2019
HK(IFRIC) 23, *Uncertainty over income tax treatments*	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far the Group has identified no aspects of the new standards which may have a significant impact on the consolidated financial statements. As the Group has not completed its assessment, further impacts may be identified in due course and will be taken into consideration when determining whether to adopt any of these new requirements before their effective date and which transitional approach to take, where there are alternative approaches allowed under the new standards.

29. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

IFRS/HKFRS 9, Financial instruments

IFRS/HKFRS 9 will replace the current standard on accounting for financial instruments, IAS/HKAS 39, *Financial instruments: Recognition and measurement*. IFRS/HKFRS 9 introduces new requirements for classification and measurement of financial assets, including the measurement of impairment for financial assets and hedge accounting. On the other hand, IFRS/HKFRS 9 incorporates without substantive changes the requirements of IAS/HKAS 39 for recognition and derecognition of financial instruments and the classification and measurement of financial liabilities.

IFRS/HKFRS 9 is effective for annual periods beginning on or after 1 January 2018 on a retrospective basis. The Group plans to use the exemption from restating comparative information and will recognise any transition adjustments against the opening balance of equity at 1 January 2018.

Expected impacts of the new requirements on the Group's financial statements are as follows:

(a) Classification and measurement

IFRS/HKFRS 9 contains three principal classification categories for financial assets: measured at (1) amortised cost, (2) fair value through profit or loss (FVTPL) and (3) fair value through other comprehensive income (FVTOCI).

- The classification for debt instruments is determined based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the asset. If a debt instrument is classified as FVTOCI then interest revenue, impairment and gains/losses on disposal will be recognised in profit or loss.

- For equity securities, the classification is FVTPL regardless of the entity's business model. The only exception is if the equity security is not held for trading and the entity irrevocably elects to designate that security as FVTOCI. If an equity security is designated as FVTOCI then only dividend income on that security will be recognised in profit or loss. Gains, losses and impairments on that security will be recognised in other comprehensive income without recycling.

The Group has assessed that its financial assets currently measured at amortised cost and FVTPL will continue with their respective classification and measurements upon the adoption of IFRS/HKFRS 9.

The classification and measurement requirements for financial liabilities under IFRS/HKFRS 9 are largely unchanged from IAS/HKAS 39, except that IFRS/HKFRS 9 requires the fair value change of a financial liability designated at FVTPL that is attributable to changes of that financial liability's credit risk to be recognised in other comprehensive income (without reclassification to profit or loss). The Group currently does not have any material financial liabilities designated at FVTPL and therefore this new requirement will not have a significant impact on the Group upon adoption of IFRS/HKFRS 9.

29. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

(b) Impairment

The new impairment model in IFRS/HKFRS 9 replaces the "incurred loss" model in IAS/HKAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure either a 12-month expected credit loss or a lifetime expected credit loss, depending on the asset and the facts and circumstances. The Group expects that the application of the expected credit loss model will result in earlier recognition of credit losses. Based on a preliminary assessment, if the Group were to adopt the new impairment requirements at 31 December 2017, there will not have a significant impact in accumulated impairment loss as compared with that recognised under IAS/HKAS 39.

IFRS/HKFRS 15, Revenue from Contracts with Customers

IFRS/HKFRS 15 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. The Group currently plans to adopt IFRS/HKFRS 15 initially on 1 January 2018.

IFRS/HKFRS 15 establishes a five-step model comprehensive framework for the recognition of revenue from contracts with customer: (i) identify the contract; (ii) identify performance obligations; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations; and (v) recognise revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

The Group plans to elect to use the cumulative effect transition method for the adoption of IFRS/HKFRS 15 and will recognise the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2018. The Group has assessed that the new revenue standard is not likely to have significant impact on the results of the Group.

IFRS/HKFRS 16, Leases

As disclosed in note 1(l), currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into some leases as the lessor and others as the lessee.

29. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

IFRS/HKFRS 16, Leases (continued)

IFRS/HKFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once IFRS/HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

IFRS/HKFRS 16 will primarily affect the Group's accounting as lessee of leases for properties, plant and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease. As disclosed in note 24(b), at 31 December 2017 the Group's future minimum lease payments under non-cancellable operating leases amount to RMB6,022,000, among which only RMB2,076,000 is payable either between 1 and 5 years after the reporting date. Some of these amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once IFRS/HKFRS 16 is adopted. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of IFRS/HKFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of IFRS/HKFRS 16 and the effects of discounting.

The standard offers different transition options and practical expedients, including the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. If this practical expedient is chosen, the Group will apply the new definition of a lease in IFRS/HKFRS 16 only to contracts that are entered into on or after the date of initial application. If the practical expedient is not chosen, the Group will need to reassess all of its decisions about which existing contracts are, or contain, leases, using the new definition. Depending on whether the Group elects to adopt the standard retrospectively or follow a modified retrospective method of recognising a cumulative-effect adjustment to the opening balance of equity at the date of initial application, the Group may or may not need to restate comparative information for any changes in accounting resulting from the reassessment.

IFRS/HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. The Group has decided not to early adopt IFRS/HKFRS 16 in its 2018 consolidated financial statements.

Five Year Financial Summary

(Expressed in Renminbi)

	2017 RMB'000	2016 RMB'000	2015 RMB'000	2014 RMB'000	2013 RMB'000
Results					
Revenue	**1,472,698**	1,299,289	1,256,871	1,634,652	1,767,036
Profit/(Loss) from operations	**138,441**	(31,051)	172,259	424,126	506,131
Net finance income	**6,507**	5,168	18,827	7,291	20,909
Share of (loss)/profit of associates	**—**	—	(325)	(840)	3,455
Profit/(Loss) before taxation	**144,948**	(25,883)	190,761	430,577	530,495
Income tax	**(54,662)**	(12,020)	(74,825)	(124,691)	(158,808)
Profit/(Loss) for the year	**90,286**	(37,903)	115,936	305,886	371,687
Attributable to:					
Equity shareholders of the Company	**93,042**	(27,066)	121,673	306,571	369,108
Non-controlling interests	**(2,756)**	(10,837)	(5,737)	(685)	2,579
Profit/(Loss) for the year	**90,286**	(37,903)	115,936	305,886	371,687
Assets and liabilities					
Property, plant and equipment	**239,256**	246,797	261,278	272,555	219,393
Investment property	**589,110**	603,906	615,151	629,949	704,159
Intangible assets	**24,902**	27,885	39,702	39,955	38,336
Goodwill	**6,002**	6,002	13,455	18,015	23,644
Interest in associates	**—**	—	6,525	6,850	44,153
Other non-current financial assets	**—**	—	—	—	23,417
Deferred tax assets	**—**	—	2,197	6,186	11,703
Trade and other receivables	**865**	2,085	1,917	2,550	1,800
Net current assets	**715,303**	633,031	683,917	703,260	438,761
Total assets less current liabilities	**1,575,438**	1,519,706	1,624,142	1,679,320	1,505,366
NET ASSETS	**1,575,438**	1,519,706	1,624,142	1,679,320	1,505,366

Five Year Financial Summary

(Expressed in Renminbi)

	2017	2016	2015	2014	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Capital and reserves					
Share capital	**510,981**	510,981	510,981	500,734	172
Reserves	**1,068,777**	1,009,974	1,103,573	1,168,674	1,477,978
Total equity attributable to equity shareholders of the Company	**1,579,758**	1,520,955	1,614,554	1,669,408	1,478,150
Non-controlling interests	**(4,320)**	(1,249)	9,588	9,912	27,216
TOTAL EQUITY	**1,575,438**	1,519,706	1,624,142	1,679,320	1,505,366
Earnings/(Losses) per share					
Basic earnings/(losses) per share (RMB)	**0.177**	(0.050)	0.220	0.542	0.661
Diluted earnings/(losses) per share (RMB)	**0.177**	(0.050)	0.217	0.528	0.636

SinoMedia®

中視金橋國際傳媒控股有限公司

SinoMedia Holding Limited

(incorporated in Hong Kong with limited liability)

（於香港註冊成立之有限公司）