

ANNUAL REPORT

2016 年報

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SinoMedia[®]

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

About us

SinoMedia Holding Limited (the “Company” or “SinoMedia”) and its subsidiaries (collectively the “Group”) is a leading media 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 businesses of the Group cover digital marketing iBCP, internet media, content production and operation, CCTV media resources management, public service advertising broadcast network and overseas media. SinoMedia maintains the marketing advantage in vertical fields of travel destinations and agriculture. It adheres to the operation principle of spanning the entire media value chain and has provided comprehensive, professional and high-quality brand communication services to over 3,000 clients worldwide.

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Financial Summary

<i>RMB'000</i>	For the year ended 31 December 2016	For the year ended 31 December 2015	Change (%)
Revenue	1,299,289	1,256,871	+3%
(Loss)/Profit from operations	(31,051)	172,259	-118%
(Loss)/Profit attributable to equity shareholders of the Company	(27,066)	121,673	-122%
(Losses)/Earnings per share (RMB)			
– Basic	(0.050)	0.220	-123%
– Diluted	(0.050)	0.217	-123%
Proposed dividends per share (HKD)	—	10.58 cents	N/A

<i>RMB'000</i>	For the year ended 31 December 2016	For the year ended 31 December 2015	Change (%)
REVENUE:			
TV media resources management Integrated communication services and content operations	1,119,537	1,171,265	-4%
Digital marketing and internet media	82,406	37,510	+120%
Rental income	64,028	16,833	+280%
Sales taxes and surcharges	46,565	51,218	-9%
	(13,247)	(19,955)	-34%
Revenue	1,299,289	1,256,871	

<i>RMB'000</i>	For the year ended 31 December 2016	For the year ended 31 December 2015	Change (%)
TURNOVER:			
TV media resources management Integrated communication services and content operations	1,119,537	1,171,265	-4%
Digital marketing and internet media	1,127,646	1,069,812	+5%
Rental income	64,028	16,833	+280%
Sales taxes and surcharges	46,565	51,218	-9%
	(13,247)	(19,955)	-34%
Turnover	2,344,529	2,289,173	

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 OF THE COMPANY

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

AUDITORS

KPMG

SHARE REGISTRAR

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

WEBSITE

www.sinomedia.com.hk

2016 Year In Review

January

www.wugu.com.cn was granted the title of “Beijing Leading Enterprise in Agricultural Informatisation”

www.wugu.com.cn (吾谷網) was granted the title of “Beijing Leading Enterprise in Agricultural Informatisation (北京市農業信息化龍頭企業)” at the Conference of “Internet + Agriculture” cum the Inauguration of Beijing Agriculture and Internet Association. The title was mostly granted to leading state-owned enterprises involved in agriculture and enterprises contributing to innovative industrialisation of agriculture in each district, country and town of Beijing. With the mission of “wealth creation and accelerated development for agriculture”, www.wugu.com.cn is committed to serve the upstream of agriculture industry chain, by offering information service in production, operation and sales as well as brand promotion service, to farming households and agricultural producers.



March

SinoMedia and Fox established strategic marketing partnership

SinoMedia signed an agreement with Fox International Channels, whereby it became the strategic marketing partner of Fox in China for marketing cooperation with TV channels under Fox International Channels, including National Geographic Channels, Fox News, Sky News and Fox Sports. By fully leveraging on its inter-screen communication capability that integrates “Internet + TV”, SinoMedia provides diversified and comprehensive overseas promotional services for Chinese culture and Chinese brands to “expand overseas”.



SinoMedia held advertising promotion conference for CCTV-9 Documentary Channel

SinoMedia, as the exclusive advertising agency for CCTV-9, held an advertising promotion conference themed “Power of Documentary” in Xiamen City jointly with CCTV Advertising Center and CCTV-9 Documentary Channel. Over 100 honorable guests from business community, advertising community and media in Fujian Province were invited to watch the original and introduced blockbusters launched by the Documentary Channel covering four major topics: history, culture, nature and reality. The promotion event demonstrated the strong core competitive edge of CCTV-9 Documentary Channel. By leveraging on the unique communication value and the strong competitiveness of CCTV-9, SinoMedia will provide a “high-end, high-quality, high-level” brand communication platform for advertisers.



May

www.lotour.com renewed contract with Ngari of Tibet

www.lotour.com (樂途旅遊網) renewed the contract with Ngari of Tibet. Focusing on the brand image of “Sky-high Ngari, A Mystic Land in Western Tibet”, lotour adopts an in-depth promotional scheme featuring initiatives via CCTV promotion, reception linkage among tourist agencies via internet promotion and implementation of self-driving tour events, so as to promote the tourist brand of Ngari in a tiered and multi-dimensional manner. The promotion was fully recognised by the Ngari Tourism Bureau, as it contributed to the steady development of the local tourism.

SinoMedia cooperated with YTL Hotels

SinoMedia signed a cooperation agreement with YTL Hotels of Malaysia, whereby it was designated as the agency for YTL Hotels in Greater China region. Under the agreement, SinoMedia will select and engage cooperation partners for YTL Hotels, as well as publicise and promote brand influence of YTL Hotels as a global luxury hotel group, including publicising and promoting its awards-winning luxury resorts, hotels and spa centers via channels such as hospitality markets, social media and digital marketing.



July

SinoMedia held the 7th Family-Culture thematic event

SinoMedia held the event of “2016 Tours for Outstanding Employees and Their Families on Luxury Cruise” with success. Since inception, this parent reception event has been successfully organized for seven times. The Philosophy of the “family-culture” of “care, responsibility and inclusiveness” in SinoMedia has been ingrained in each employees, and became an incentive for employees to live and work better.



September

SinoMedia held 2016 China Agriculture Development Summit Forum

SinoMedia organised 2016 China Agriculture Development Summit Forum themed “Supply-side Reform and Brand Agriculture Innovation”. The forum proceeded with three topics, namely, brand agriculture in the context of supply-side reform, new agriculture mode – innovation for the mode of agriculture enterprises, and agricultural modernisation – new roadmap of agriculture brands. The summit forum was graced by the presence and speeches of Sun Xiaoyu (孫曉郁), Chairman of China International Association for Urban and Rural Development; Chen Xiaohua (陳曉華), Vice Minister of Agriculture; Tang Yuanjie (唐圓結), Secretary of Party Committee and President of Farmers’ Daily News Agency; Du Zhixiong (杜志雄), Vice Director of Rural Development Institute under Chinese Academy of Social Sciences; and Yue Chunli (岳春利), Managing Vice Secretary of China Good Agri-products Development and Service Association.



October

SinoMedia launched iBCP 2.0 version and entered into contract with Feihe Dairy at ICCIE

SinoMedia launched the 2.0 version of iBCP, its self-developed intelligent advertising placement platform, on the spot of 11th China Beijing International Cultural & Creative Industry Expo, ushering in the visualised new era of intelligent advertising placement via digital mobile terminal. Meanwhile, SinoMedia and Feihe Dairy (飛鶴乳業), a leading milk brand of China, signed a strategic cooperation agreement, to provide Feihe Dairy with annual Internet advertisements and digital communication service.



www.boosj.com held the 2nd Square Dance Ceremony

www.boosj.com (播視網) held the 2nd Square Dance Ceremony themed “Nice Dancer of China” which received guidance and assistance from Hangzhou Municipal Cyberspace Administration (杭州市網信辦) and Hangzhou Association of Cyber Culture (杭州市網絡文化協會). The Ceremony was broadcast live via PC terminals as well as mobile WAP of gcw.boosj.com and mobile APP of “boosj Square Dance (播視廣場舞)”, manifesting the leadership of www.boosj.com in the trend of “Square dance + Internet” and its influence by forging the online platform of “Family of Dancers (舞友之家)” for lovers of Square Dance around the country.



November

“SinoMedia Charity” premiered its publicly educational films titled “Lead a Life with No Regret”

The series of national educational film of traffic safety titled “Lead a Life with No Regret” produced by SinoMedia’s Public Service Brand Operation Center (“SinoMedia Charity”) was premiered and it gained broad attention. The premiere was attended by Bai Yansong (白岩松), a famous host, and Huang Xiaoming (黃曉明), a movie star, who also assumed the role of propaganda ambassador for the series. The series was specially produced by the Road Traffic Safety Research Center of the Public Security Ministry, Beijing Jing An Charity Foundation and “SinoMedia Charity” team after one year’s effort, thanks to guidance from the Traffic Management Bureau of the Public Security Ministry and Transportation Service Department of the Ministry of Transport (交通運輸部運輸服務司). The series has been promoted on a large scale via channels such as CCTV, Traffic Propaganda Committee of China Alliance of Radio, Film and Television, theatres, new media, online video platform and outdoor video terminals. By producing the film series, “SinoMedia Charity” greatly raises the awareness of laws and rules among the traffic participants and reminds the public of traffic safety, which reflects its sense and practice of social responsibility.



Awards and Recognition



Company Honours

- Award:** “Boosj Square Dance APP” of www.boosj.com (播視網) — Third Prize of 2015 Zhejiang Innovation Contest of Online Audio-Visual New Media in Digital Publication.
- Time Period:** October 2016
- Awarded by:** Zhejiang Provincial Bureau of Press, Publication, Radio, Film and Television
- Award Description:** 2015 Zhejiang Innovation Contest of Online Audio-Visual New Media in Digital Publishing was hosted by Zhejiang Provincial Bureau of Press, Publication, Radio, Film and Television. Themed “integration and innovation”, it committed to encouraging strengthening of the Internet awareness of online audio-visual new media entities in digital publication, and guiding them in innovation towards future development. The award entry must be a digital publication or an online audio-visual work that was created independently or cooperatively and completed or launched online in 2015.
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- Award:** CCTV 2016 Advertising Agency with AAAA Credit Rating
- Time Period:** December 2016
- Awarded by:** CCTV Advertising Center
- Award Description:** CCTV Advertising Center unveiled the “Measures to Manage Advertising Agencies of CCTV Based on Credit Rating System (trial)” in 2016, marking the advent of management of relevant advertising agencies with credit ratings for the first time. Such system introduces rating criteria covering 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, according to which agencies will be granted ratings from AAAA (top) to AAA, AA and A (bottom).
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○ Award: China 4A 2016 Outstanding Contribution Award
Time period: December 2016
Awarded by: China Advertising Association of Commerce
Award Description: China 4A is short for "The Association of Accredited Advertising Agencies of China" under China Advertising Association of Commerce. China 4A is the oldest nationwide advertising industry organisation established in China as well as a top association of advertising agencies in China. It is established to be a professional advertising organisation with the highest standard and strongest social influence in service, innovation, strength and integrity.

○ Award: www.wugu.com.cn (吾谷網) — 2016 Advanced Unit in New Rural Cultural Construction
Time Period: December 2016
Awarded by: China Culture Administration Association
Award Description: China Culture Administration Association, run by Ministry of Cultural of the PRC, is devoted to building cultural resource platforms for regional collaboration and mutually beneficial corporation by founding the Administrative Committee on New Rural Cultural Construction and pooling intellectual resources such as experts, scholars and participants experienced in rural works. It carries out public cultural events in countryside and further steers the development of the New Countryside.

Awards and Recognition



Professional Honours:

- Award-winning Work: Publicity Scheme — “Good Driver of China, Epitome of Chinese Virtues”
Award: The 7th Tiger Roar Award • Excellence Award With Respect to Financial and Insurance Products and Services
Time Period: June 2016
Awarded by: China Advertising Association of Commerce
Award Description: Tiger Roar Award, or “Tiger Roar China Classical Communications Award”, is hosted by China Advertising Association of Commerce and undertaken by Hooxiao Media (虎嘯傳媒). With the criteria of professional and independent assessment and following the philosophy of “being trendy, original and classic”, it is the most authoritative, forward-looking and innovative brand of grand contest in terms of commercial communication.
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- Award-winning Work: Publicity Scheme — Spring Festival Promotion “Seat Myself Better Today” of Didi Chuxing (滴滴出行)
Award: The 16th IAI International Advertising Awards • Silver Award with Respect to Case/Film & Television
Time Period: July 2016
Awarded by: IAI International Advertising Institute.
Award Description: IAI International Advertising Awards is updated from the former IAI Yearbook Award, a well-known advertising award in China, in 2016. It is jointly hosted by China Advertising Association of Commerce, National Advertising Institute, School of Advertising of Communication University of China, jointly organised by MBA Institute of Communication University of China and IAI International Advertising Institute, and strategically supported by CCTV Advertising Center. For the purposes of “building platform for industrial exchanges, witnessing advertising development of the age, aiming at effect of brand marketing and providing reference of creativity strategy”, it boasts a panel of judges comprising firm owners, marketing and brand managers, advertising workers, media workers, academic masters in advertising media and celebrities.
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Award-winning Work: Creative Advertisement — “Trapped in Cell Phone”
Award: China Advertising Great-wall Awards — Excellence Award
Time Period: October 2016
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 rewards those commercial 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 2015 Annual Report
Award: Silver Award for 2015 Annual Reports of LACP Media Companies, Top 80 Annual Reports in the Asia-Pacific and Top 50 Annual Reports in China
Time Period: December 2016
Awarded by: League of American Communications Professionals (LACP)
Award Description: LACP is casted by the League of American Communications Professionals LLC, a world renowned marketing research agency. Its awards for annual reports, known as the “Olympics of Corporate Annual Reports”, are recognised as highly professional and authoritative in the industry. SinoMedia 2015 Annual Report reflects the Group’s vision of “Steady and Pragmatic, Adjusting Accordingly, Inter-screen Integration, Breakthroughs with Innovation” from viewpoints of “Healthy and Steady, Quick and Sharp, Diligent and Persistent, Smart and Thorough”, and it highlights the international image of SinoMedia by virtue of ingenious publication design.

Award-winning Work: SinoMedia 2015 Annual Report
Award: ARC Interior Design Honors Award/ARC Cover Design Honors Award
Time Period: December 2016
Awarded by: ARC International Panel of Judges
Award Description: ARC International Annual Report Competition, one of the largest international competitions for annual reports, is known as the “Oscars of Annual Reports”. This year, a total of over 2,300 corporations, governmental departments and non-profit institutions from 32 countries and regions around the world were attracted to participate in the competition. Its panel of judges consisted of professionals in investor relations and from financial sector, authors, designers and photographers from over 90 organisations and corporations worldwide. It enjoys global prestige and authority as it upholds the principles of fairness, openness, independence and transparency.

Chairman's Statement



Chen Xin

Looking back into 2016, the Group has experienced multiple polymerisation, industry transformation and value reconstruction at the new age of media convergence. Facing “new normal” of the economy and the increasingly development of communication models arising from the new media, we turned the pressure into momentum of development. In 2016, we upheld firmly the strategy of inter-screen communication service with “video” as the core, continued to explore further the market and foster the newly built projects, thus rapidly enhancing the capability of digital precision marketing, in order to meet the different demands of the client market for the communication of “three screens” of TV, computer and cellphone. In 2016, developing itself in due course, the Group still continued to optimise its internal mechanism with a focus on establishing an independent operation and development mechanism in terms of business, financial and personnel for its new projects, thus promoting the development of digital marketing and content marketing business and propelling a development trend of “1+1>2” between the traditional core business and the new business.

In 2016, although the macroeconomic growth continued to slow and the traditional media industry was lack of growth drive, we, as one of the biggest advertising underwriters of CCTV, still insisted on providing products and services to clients with a professional and leading high standard in order to help them enhance the influence of their brand. In response to CCTV’s “National brand campaign”, we further supported the promotion of underwriting channels and programmes to attract more placements from brand clients, and continued to maintain the leading position in the communication field of city travel through creative market strategy and product mix. We extended our international business to Southeast Asian, European and American markets through our branches in Hong Kong and Singapore. Through the strategic cooperation with international mainstream media such as FOX Group, CNN (Cable News Network) and National Geographic Channel, we had access to a platform resources covering more than 2 billion people worldwide and provided promotion services for many overseas destinations in Chinese market, which had also conducted business exploration for the “Go Global” of the Chinese brand. Meanwhile, the Group had established a strategy of treating documentary and documentary films as the entry point, developing content production and operations by virtue of its status as the exclusive underwriter of all advertising resources of CCTV-9 (Documentary). During the year under review, the Group was admitted to Beijing Documentary Development Association with recognition from the professional field, and made influential exploration and construction of the Chinese documentary industry operations under the cooperation with dozens of outstanding documentary production team as project partners.

In 2016, the Group was committed to developing digital marketing and internet media business in digital business in order to build a new business structure which adapts to the media market landscape in the future and demonstrate the medium and long-term value of SinoMedia as a comprehensive media operating platform. We continued to support the sound development of wugu.com.cn, boosj.com and lotour.com under the Group, seized the opportunity to strengthen the market expansion of digital precision marketing, and continued to invest in technology research and development of intelligent programming advertising, thus enhancing the professional capability of the internet integration services. The Group’s iBCP intelligent programming advertising placement platform, by virtue of its unique advantages of “rational digital technology” and “sensible brand service”, has successfully surpassed the majority programming purchasing platforms in the domestic market in terms of various technological functions during the first year of its operation. SinoMedia iBCP has upgraded the traditional real time bidding model, and formed an all-intelligent independent bidding placement system, which not only has a more advanced bidding algorithm, but also can make dynamic adjustment in milliseconds for the all-intelligent placement strategy. In 2016, SinoMedia iBCP has dynamically recorded the real data of more than 20 million users in its physical operation and accumulated the valid data of more than 6 million users with the cumulative valid view volume reaching 360 million times, which receives more than 10 billion times of advertising request from various internet media every day, earning SinoMedia iBCP an opportunity to edge itself into the lineup of industry leaders in terms of the availability.

As a comprehensive media operating corporation, SinoMedia has established a strategy of improving the industry chain layout, enhancing inter-screen operating capability and developing content industry, which is also an important part of our sustainable development. Since its inception, SinoMedia was bound to creative production. With the on-going development, it possesses the resources of content creative production. We will open a new prospect with a strong determination in combination with the features of “closely follow the market and fully connect the demands of users and clients with the integration capability of upstream and downstream of the industry chain” by virtue of the established platform advantages with profession, integrity and standardisation.

Chen Xin
29 March 2017

“ Innovative development with a strong determination ”

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Management Discussion and Analysis

ABOUT THE GROUP

In 2016, the age of media convergence went on, and the theme of media advertising came to multiple polymerisation, industry transformation and value reconstruction. Facing “new normal” of the economy and the increasingly development of communication models arising from the new media in the industry, SinoMedia turned its pressure into the momentum of best endeavor, innovation and development. During the year under review, the Group upheld firmly the strategy of inter-screen communication with video as the core, continued to explore further the TV advertising field representing an outstanding market share, and invested in and fostered newly built projects, thus rapidly enhancing the capability of digital precision marketing, in order to meet the different demands of the client market for the communication of “three screens” of TV, computer and cellphone. In 2016, the Group concentrated its efforts on the innovation of business structure, the optimisation of management mechanism and the construction of capability while maintaining the stability of its overall scale of operation, in order to lay a solid foundation for further development.

In 2016, the growth of China’s economy continued to slow and the traditional media industry was lack of growth drive, which significantly and negatively affected the overall advertising market. The research data from ninfo.cc (智訊), a CTR market research media, showed that the advertising market of China in 2016 fell 0.6% year-on-year, of which the traditional media declined 6% year-on-year, TV advertising spending fell 3.7% year-on-year, the volume fell 4.4% year-on-year; Meanwhile, the new media stepped into a stable period with slower growth, while internet advertising spending increased 18.5% year-on-year, thus further driving the growth of the market (Source: CTR Media Intelligence, February 2017).

During the year under review, although the Group faced heavy pressure, while developing itself at due course, it still continued to optimise its internal mechanism with a focus on establishing an independent operation and development mechanism in terms of business, financial and personnel for its new projects, thus promoting the development of digital marketing and content marketing business and propelling a development trend of “1+1>2” between the traditional core business and the new business.

BUSINESS REVIEW

Since its listing, leveraging the advantages of professional capability, capital strength and corporate culture, while deploying industry chain appropriately, the Group formed a business structure of SinoMedia comprehensive media operating corporation with the existing two business segments of “TV advertising and content operations” and “digital marketing and internet media” expanding from the TV advertising-focused business.

TV ADVERTISING AND CONTENT OPERATIONS

The Group’s advantages in traditional business come to TV advertising and content operations. During the year under review, as one of the biggest advertising underwriters of CCTV, the Group continued to outperform the market and insisted on providing products and services to clients with a professional and leading high standard in order to help them enhance the influence of their brand.

I. TV Media Resources Management

During the year under review, the Group renewed approximately 11,155 minutes of advertising resources on a total of 12 programmes on channels including CCTV-1 (General)/CCTV-News, CCTV-4 (Chinese International, including Europe and the US) and CCTV-7 (Military and Agriculture), and it obtained for the first time the exclusive underwriting right of all advertising resources of CCTV-9 (Documentary). It continued to operate the advantageous programmes covering news, politics, agriculture, culture and lifestyle. Its specific media resources include

the “Night News” (晚間新聞) on CCTV-1 (General), “News 30” (新聞30分) jointly broadcasted on CCTV-1 (General)/CCTV-News (Chinese), “Today’s Focus” (今日關注), “Across the Straits” (海峽兩岸) and “Hui Cui Tao” (薈萃套) on CCTV-4 (Chinese International, including Europe and the US), and programmes including “Zhi Fu Jing” (致富經), “Focus on the Three Agricultural Issues” (聚焦三農), “Daily Agricultural News” (每日農經) and “The Rural World” (鄉村大世界) on CCTV-7 (Military and Agriculture) as well as all advertising resources of CCTV-9 (Documentary). In response to CCTV’s “National brand campaign”, the Group further supported the promotion of underwriting channels and programmes to attract more placements from brand clients, thus witnessed the value return of the authoritative TV media and continued to maintain the leading position in the communication field of city travel through creative market strategy and product mix. As for the newly developed operations of “Documentary”, the Group set up CCTV-9 (Documentary) operating center which puts emphasis on development layout, explores the demands of clients, creates innovative product forms, and proactively expands the market in combination with the “content operations” strategy.

II. Integrated Communication Services

During the year under review, the Group continued to serve the enterprises and tourist destinations such as Wanglaoji, King’s Luck Brewery, Evergrande Group, Huaxia Life Insurance, China Life and Ping An Insurance, Tianjin Tourism Bureau, Shanxi Provincial Tourism Bureau, Anhui Provincial Tourism Bureau, Shandong Provincial Tourism Bureau, meanwhile, it also successively obtained the advertising placement and agency business from Country Garden, Feihe Dairy, China Welfare Lottery Distribution and Management Center, R & F Properties and other clients.

The Group extended its international business to Southeast Asian, European and American markets through its branches in Hong Kong and Singapore. The Group, through the strategic cooperation with international mainstream medias such as FOX Group, CNN (Cable News Network) and National Geographic Channel, had access to a platform resources covering more than 2 billion people worldwide and provided promotion service for many overseas destinations in Chinese market, which had also conducted business exploration for the “Go Global” of the Chinese brand. During the year under review, overseas clients working with the Group were: Toronto (Canada) Tourism Bureau, Ottawa (Canada) Tourism Bureau, European Tourism Commission, Swiss Open-air Museum Ballenberg, Dubai Parks and Resorts, YTL Hotels, American Best Western International Chain Hotels, Washington Tourism Board, Canada Airlines and so on.

III. Content Operations

In 2016, The Group delivered remarkable performance in the business of creative production with client industries increasingly diversified and business models also expanding from video shooting to creative production and case service, which fully reflected SinoMedia’s strength and competitiveness in video creative production. During the year under review, the Group had successively served the enterprises and tourist destinations such as Oriental Fashion Driving School, Anbang Insurance Group, Singapore Chinese Culture Center, China Postal Savings Bank, Agricultural Bank of China, the Department of Animal Husbandry, Ministry of Agriculture, and Publicity Department of Kunshan Municipal Party Committee.

In 2016, the public service brand operation center of SinoMedia completed a series of public service advertising videos efficiently with highly profession, of which the following key projects received widespread attention and dissemination: “Emergency passage for safety production”, “Leave life no regrets — National traffic safety education series of public welfare film”, Spring Festival public welfare advertisement “back home series — get together” by Country Garden, Spring Festival public welfare advertisement “Chinese New Year” by Feihe Dairy and city image publicity film by Changsha Pilot Investment Holding.

An efficient platform was entitled to competitiveness only in combination with high-quality content products. As for brand communication, an era with more emphasis on content marketing has arrived. In 2016, the Group had established a strategy of treating documentary and documentary films as the entry point, developing content production and operations by virtue of its status as the exclusive underwriter of all advertising resources of CCTV-9 (Documentary), set up the content marketing department, as well as enriched and adjusted the video program department, thus making influential exploration and construction of the Chinese documentary industry operations.

DIGITAL MARKETING AND INTERNET MEDIA

In 2016, the Group seized the opportunity to strengthen the market expansion of digital marketing, continued to invest in technology research and development of intelligent programming advertising, and enhanced the professional capability of the internet integration services in order to adapt to a new business structure of the media market landscape in the future and demonstrate the medium and long-term value of SinoMedia as a comprehensive media operating platform, while continuously supporting the independent development of wugu.com.cn, boosj.com and lotour.com under the Group.

I. Digital Marketing

The Group’s self-developed iBCP intelligent programming advertising placement platform with international technology as the standard, during the year under review, combining with its own operations and market inspections, has successfully surpassed the majority programming purchasing platforms currently in the domestic market in terms of various technological functions. SinoMedia iBCP has upgraded the traditional realtime bidding model, and formed an all-intelligent independent bidding placement system, which not only has a more advanced bidding algorithm, but also can make dynamic adjustment in milliseconds for the all-intelligent placement strategy. SinoMedia iBCP 2.0 as a landmark was launched in October 2016, which can realise LBS (Location Based Service) positioning placement and the functions of TV RTB (Real-time Bidding), ATD (Agency Trading Desk) and so on, access to more than 20 main internet medias, and support all the current forms of Internet advertising and the latest transmission protocol.

In 2016, during the first year of its operation, SinoMedia iBCP has dynamically recorded the real data of more than 20 million users, and accumulated the valid data of more than 6 million users with the cumulative valid view volume reaching 360 million times (Source: internal data). The Group has won the cooperation with dozens of clients within one year, including Feihe Dairy, Nippon Paint, Dazhong Electronics, Suning Group, Yangtze River Pharmaceutical Group, China Unicom, and China Life, and received a high degree of recognition and praise therefrom by virtue of the unique advantages of “rational digital technology” and “sensible brand service” from SinoMedia iBCP.

II. Internet Media

www.wugu.com.cn (吾谷網)

In 2016, the integration of wugu.com.cn and the operation team of agricultural media resources of CCTV-7 were deepened to enhance the business basis of the Agricultural Media Department. Transforming from “a communication expert of tier 3–4 market brands” to the emerging momentum for leading the exploration of “China’s agricultural branding communication”, the Agricultural Media Department sticks to the positioning of media operation, providing information and branding communication services for the “Three Rural” population and the enterprises in pan-agricultural field. The Agricultural Media Department, through TV + Internet, directly helps the “Three Rural” population and related enterprises to receive and exchange information more quickly, and to have a better brand building and promotion, accelerating the transition of traditional agriculture into “modern agriculture, brand agriculture and intelligent agriculture”. During the year under review, the credibility and authority of wugu.com.cn as a new agricultural media had been further established; it was appraised as a “Leading Company in Agricultural Information” by Beijing Municipal Government, and the “One Village, One Product (一村一品)” project operated by wugu.com.cn was also awarded two glorious prizes, “Outstanding Achievement for New Rural Culture Development” and “Outstanding Unit for New Rural Culture Development” by China Culture Administration Association.

www.boosj.com (播視網)

In 2016, the mobile webs for the three vertical channels of boosj.com, “Square Dance”, “Talented Kid” and “Cool Generation”, were launched with iterative upgrade for Square Dance APP and addition of interactive functions for different circles. Each WeChat public accounts of the square dance and the kid dance has maintained its leading position in their respective segmented fields. Besides integrating “internet-based quality contents”, boosj.com also made extra efforts in original contents and has formed exclusive content features in vertical channels through contracted cooperation and self-generation to produce nearly 900 programmes throughout the year, totaling over 10,000 minutes. By the end of 2016, the daily average website traffic of boosj.com reached about 2.1 million, representing an increase of 70% as compared to the beginning of the year, and the revenue also recorded significant increase throughout the year (Source: internal data).

www.lotour.com (樂途旅遊網)

In 2016, lotour.com accelerated the adjustment and developed its content features and marketing highlights based on the notes of travel inspiration from professional travellers with cooperation. The number of inspirational travellers and their inspiration articles recorded an increase of over 1,600 and 15,000 respectively throughout the year. The annual PV of lotour.com realised 160 million, representing a year-on-year increase of 59% (Source: internal data). During the year under review, lotour.com successfully developed and hosted the campaign “See the Beautiful World from the Eyes of Travel Talents of Twelve Constellations”, which have made positive impact in the travel media industry. Among these activities, “See the Beautiful Guilin from the Eyes of Travel Talents of Twelve Constellations” was highly recognised by Guilin Tourism Development Committee. In addition, having won the competitive presentation, lotour.com provided network marketing services for several branded travel clients, including the annual new media marketing business for Liaoning Tourism Administration, and the winter travel in Lhasa by lotour’s talents, etc.

FINANCIAL REVIEW

REVENUE AND LOSS ATTRIBUTABLE TO THE EQUITY SHAREHOLDERS OF THE COMPANY

For the year ended 31 December 2016, the Group recorded revenue of RMB1,299,289 thousand, representing an increase of 3% from RMB1,256,871 thousand last year.

Revenue details for the year under review are as follows:

- (I) Revenue recorded from TV media resources management was RMB1,119,537 thousand, representing a decrease of 4% from RMB1,171,265 thousand last year. Such decrease in revenue of this business segment was mainly attributable to the budget deduction of clients on TV advertising spending due to the sluggish growth in TV advertising industry and the slowdown in China' economic growth. In particular, the advertising placements of clients from tourism, medical care and energy refinery continued to decline as last year in various extent, especially the revenue recorded a relatively significant decrease in the first half of the year. By increasing the marketing efforts, optimising media strategies and product mix, and strengthening incentives for sales staff, the Group's revenue growth rebounded in the second half of the year and thus narrowed the decrease in revenue for the year.
- (II) Revenue from integrated communication services and content operations was RMB82,406 thousand in total, representing a significant increase of 120% from RMB37,510 thousand last year. Among which, (i) turnover recorded from integrated communication services was RMB1,090,037 thousand, an increase of 3% from RMB1,057,576 thousand last year. Under the International Accounting Standards, the Group's revenue is credited as net commission with relevant procurement costs 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 RMB44,797 thousand, an increase of 77% from RMB25,274 thousand last year. The commission income increased from last year due to changes in the commission settlement cycle of media suppliers; (2) the contract amount from creative production of advertisements recorded an increase of RMB25,373 thousand compared with last year, which resulted from the successful acquisition of new clients of financial insurance and transportation while maintaining existing clients.
- (III) Revenue recorded from digital marketing and internet media was RMB64,028 thousand in total, representing a significant increase of 280% from RMB16,833 thousand last year. Among which, (1) the self-developed intelligent programming advertising placement platform by the Group was in good operating condition during the year under review, and after one year's cultivation and development, digital marketing business became the new source in the revenue of this business segment and contributed revenue of RMB46,870 thousand during the year; (2) revenue from internet media was basically flat compared with last year.
- (IV) Rental income was RMB46,565 thousand, representing a decrease of 9% as compared with RMB51,218 thousand last year, mainly because part of the office premises was temporarily idled during the year.

Even though the revenue of the Group increased as compared with last year, its newly acquired exclusive underwriting TV advertising resources during the year led to an increase in cost and the gross profit margin recorded a decrease as compared with last year. Meanwhile, the operating expenses also increased from last year. The loss attributable to equity shareholders of the Company for the year ended 31 December 2016 amounted to RMB27,066 thousand, while the profit attributable to equity shareholders of the Company last year was RMB121,673 thousand.

OPERATING EXPENSES

For the year ended 31 December 2016, the Group's operating expenses were RMB183,976 thousand in aggregate, representing a year-on-year increase of 25% from RMB147,507 thousand last year, and accounted for 14.2% of the Group's revenue (year ended 31 December 2015: 11.7%). The Group continued to maintain a stable management over the budget for operating expenses. Even though both the total operating expenses and the ratio of expenses to revenue increased as compared with last year, they remained consistent as expected. The Group will continue to strictly control the overall budget on operating expenses, make efforts to enhance the marketing efficiency and strengthen the management over operating expenses.

Operating expenses include the followings:

- (i) Selling and marketing expenses amounted to RMB57,638 thousand, showing an increase of approximately RMB13,567 thousand from RMB44,071 thousand last year, and accounted for 4.5% of the Group's revenue (year ended 31 December 2015: 3.5%). The increase in selling and marketing expenses was mainly due to (1) in order to cater for the business development of the overseas markets and digital marketing segment, the Group set up the international business department and digital marketing center in the second half of 2015. At the same time, the Group set up the CCTV-9 Documentary channel operation center at the beginning of 2016 to support the development and sales of the new underwriting advertising resources, which consequently led to an increase of approximately RMB9,675 thousand in labor costs of marketing personnel as compared with last year; (2) the Group actively carried out marketing promotion and conducted media promotion activities for the new underwriting advertising resources. It also strengthened the development of clients, actively conducted client visits and participations in clients bidding. Subsequently, relevant promotion and marketing expenses increased by approximately RMB3,210 thousand as compared with last year.
- (ii) General and administrative expenses amounted to RMB126,337 thousand, representing an increase of approximately RMB22,901 thousand from RMB103,436 thousand last year, and accounted for 9.7% of the Group's revenue (year ended 31 December 2015: 8.2%). The increase in general and administrative expenses was mainly due to (1) in order to meet the requirements of business development, the Group newly engaged technological research and development personnel and professionals for departments including the international business and digital marketing and consequently led to an increase in labor costs by approximately RMB3,901 thousand as 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, based on which, the impairment loss on trade receivables recorded a decrease of approximately RMB3,226 thousand as compared with last year, and the impairment loss on goodwill and intangible assets recorded an increase of approximately RMB19,500 thousand as compared with last year.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

- (i) In December 2015, the Group reached an agreement with an independent third party and sold the Group's entire 49% of the equity investment in Guoguang Shengshi Culture and Media (Beijing) Company Limited. The total consideration of the transaction was RMB10,000 thousand. The transaction was completed in June 2016.
- (ii) In July 2016, the Group made a strategic investment in K Wizdom Pte Ltd., a technological innovation company in the field of artificial intelligence in Singapore (hereinafter referred to as "K Wizdom"), by way of subscribing for its convertible bonds with a total investment amount of SGD300 thousand (equivalent to approximately RMB1,537 thousand). K Wizdom is a fast growing high-tech startup company in Singapore, mainly engaged in the provision of automatic marketing services based on artificial intelligence for commercial clients to improve the accuracy in internet advertising placement and optimise the input-output ratio of advertising placement. Currently, K Wizdom has provided services for corporate clients in countries including Singapore, Malaysia and Australia.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's liquidity was at a reasonable level with a stable financial position as a whole. As at 31 December 2016, cash and bank balances amounted to RMB552,531 thousand (31 December 2015: RMB418,098 thousand), of which approximately 93% was denominated in Renminbi and the remaining 7% in HK dollars and other currencies. Bank time deposits with maturity over three months held by the Group in Renminbi amounted to RMB11,698 thousand (31 December 2015: RMB26,502 thousand). During the year, details of the cash flows status were as follows:

- (i) Net cash inflow from operating activities was RMB75,839 thousand (year ended 31 December 2015: net cash outflow of RMB223,032 thousand). The net inflow was mainly attributable to: (1) a decrease of approximately RMB42,778 thousand in prepayment of media agency costs to suppliers of the Group as compared to the end of last year due to the changes in settlement cycles of media cost; (2) an increase of advertising fee in advance from clients of approximately RMB32,587 thousand as compared to the end of last year; (3) hindered by the extension of settlement cycle of advertising clients, the balance of trade debtors and bills receivable increased approximately by RMB19,390 thousand as compared to the end of last year. The Group will continue to monitor closely the current and predicted liquidity status, actively follow up on clients of overdue debts, and ensure a continual reasonable cash level to meet the Group's short-term and long-term liquidity requirements.
- (ii) Net cash inflow from investing activities was RMB17,544 thousand (year ended 31 December 2015: RMB160,509 thousand), which was mainly attributable to: (1) the receipt of approximately RMB14,804 thousand of time deposits with maturity over three months which were matured; (2) the receipt of RMB10,000 thousand from the disposal of an equity investment; and (3) the spending of RMB10,438 thousand on acquisition of intangible assets.
- (iii) Net cash inflow from financing activities was RMB38,075 thousand (year ended 31 December 2015: net cash outflow of RMB318,208 thousand), which was mainly attributable to: (1) in order to meet the fund requirement of agency costs of the advertising resources, the Group obtained a one year period banking facilities of RMB240 million at the beginning of 2016, of which RMB170,000 thousand was utilised during the year; (2) RMB60,000 thousand was used for repayment of short-term bank borrowings; (3) approximately RMB 21,665 thousand was used for share buyback of the Company; (4) payment of final dividends for the year 2015 of approximately RMB 49,433 thousand in total.

As at 31 December 2016, the Group's total assets amounted to RMB 1,973,937 thousand, which consisted of equity attributable to equity shareholders of the Company of RMB 1,520,955 thousand and non-controlling interests of RMB -1,249 thousand. As at 31 December 2016, the Group obtained a short term bank loan of RMB 110,000 thousand.

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

HUMAN RESOURCES

As at 31 December 2016, the Group had 505 employees in total, which was flat as compared to the beginning of the year. During the year under review, the Group introduced plenty of professional talents in the fields covering digital marketing, content operation and production, and technological development. This enabled the Group to have a solid team and talent pool of digital advertising and content marketing in addition to the steady development of TV advertising business, which further improved the Group's capabilities of technological research and development of digital advertising and integrated marketing and services. In addition to recruiting from the market, the Group introduced graduate and postgraduate students majored in advertising media field from famous universities in China and abroad according to the "CTV Campus Recruiting Program" implemented for three consecutive years. In the aspect of employee training, the Group designed a series of training and developing activities, including the "Marketing Proposal Interactive Challenge Competition", "City Tourism Marketing TV and Internet Interactive Salon", "Practical Training of Content Marketing and

INDUSTRY AND GROUP OUTLOOK

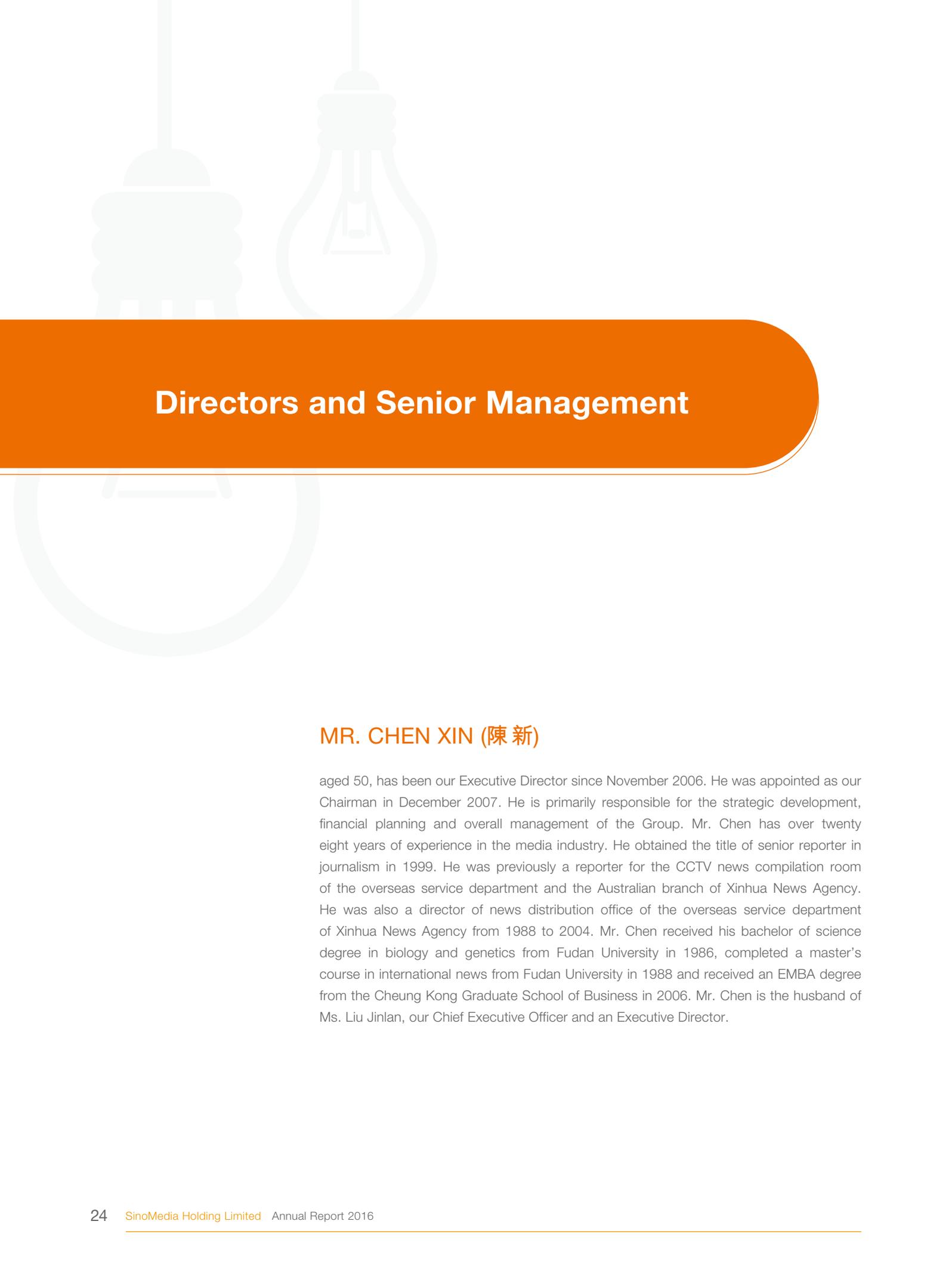
Documentary Program Marketing”, etc., and undertook regular trainings relating to the products and cases of TV advertising, digital marketing and content marketing, in order to improve the employees’ comprehensive knowledge and skills and product selling capabilities. In the aspect of talent incentives, 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 performances 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 24,073,000 units.

According to the 2017 forecast report of global advertising expenses released by Magna and Zenith, China is the second largest advertising market in the world. With the steady growth and continuous development of China’s economy, China’s advertising market still has space to grow and the total advertising spending will continue to increase. According to the latest research of CTR Media Intelligence, in January 2017, the decrease in spending on the advertising market (excluding the internet) became to shrink as compared with last year, and the decrease trend of spending on traditional media also became steady.

Under the possibility that the whole industry will become stable and generate new attraction in certain areas, the Group will devote to accomplish the established strategies of improving the industry chain layout, enhancing the inter-screen operating capability and developing content industry, and proactively build the sustainable important business segments.

Specifically, the Group will further optimise the media resources of TV advertising, stick to the client-oriented principle and stimulate the client’s advertising placement enthusiasm and efforts through flexible and efficient media strategies. Our exclusive underwriting and characteristic CCTV-9 Documentary channel will focus its resources on enlarging its influences and catering to the clients’ demands for content broadcasting by expanding along with the Group’s content marketing operations. Our Group will exercise the mechanism and methods of industrial operation, form advantages in respect of the documentary investment, planning, production and marketing and commit to be a leading documentary content provider and program operator in terms of investment scale and degree of specialisation. The Group will continue perfecting operational mechanism in digital marketing segment to attract senior personnel, accelerate the progress of building up dynamic DMP database, deepen the degree and level of intelligence of the platform and intelligent products to highlight the technological advantages and speed up the scale growth of digital marketing business. About internet media, wugu.com.cn will emphasise on building up two major channels of “One Village, One Product” and “Zhi Fu Jing”, and carry on the cooperation between the society and enterprises, to truly realise resources connection between users and clients, and create products with abilities to generate revenue; boosj.com will keep on exploring channel promotion, deepening the implementation of operations and enhancing the online users’ experience; lotour.com will concentrate on exploring the client market, improving product research and development and offering clients more attentive internet communication solutions concerning travel destinations.

As a comprehensive media corporation, SinoMedia will give full play to the features of “closely follow the market”, “fully connect the demands of users and clients” and “having the integration capability of upstream and downstream of the industry chain” and provide more competitive innovative products and communication services by virtue of the established platform advantages of profession, integrity and standardisation to create a new development landscape.



Directors and Senior Management

MR. CHEN XIN (陳新)

aged 50, 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 overall management of the Group. Mr. Chen has over twenty eight 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 news distribution office of the overseas service department of Xinhua News Agency 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.



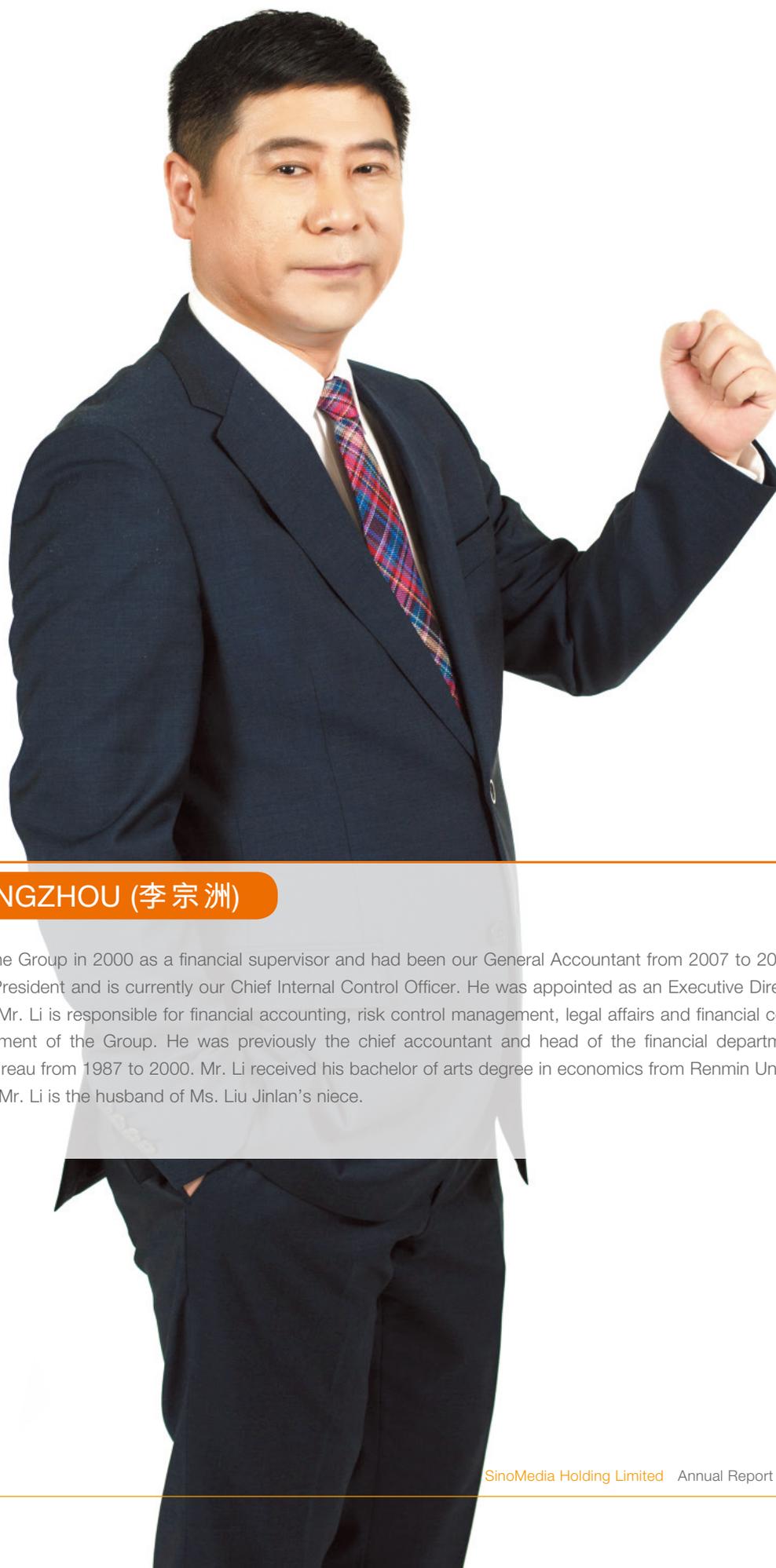


MS. LIU JINLAN (劉矜蘭)

aged 48, 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” (中國十大最具風采女性廣告人) by CCTV, Advertising School of the Communication University of China (中國傳媒大學廣告學院), Advertising Guidance (廣告導報) and “Business” magazine (經營者雜誌社) in 2006. She was elected chairman of The Association of Accredited Advertising Agencies of China (中國4A協會) in January 2008, and jointly recognised as one of the “2008 Top Ten People in Media Advertising of China” (2008中國十大傳媒廣告人物) by School of Journalism and Communication of Renmin University of China (中國人民大學新聞學院), Journalism School of Fudan University (復旦大學新聞學院) 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” (2009年度中國廣告行業傑出女性) by China Advertising Association of Commerce (中國商務廣告協會), Beijing Advertising Association (北京廣告協會), “21st Century Advertising Magazine” (21世紀廣告雙週刊), and the organizing committee of the 21st AD International Summit (21世紀廣告國際峰會組委會). She was also elected a vice-chairman of the first Media Committee of China Association of National Advertisers (中國廣告主協會) 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” (中國最具影響力十大女性廣告人) by “Advertising Guidance” magazine (廣告導報雜誌社) and MBA School of the Communication University of China (中國傳媒大學MBA學院) in September 2010 and April 2011 respectively. She was elected as the deputy head of Advertising Artistic Committee of China Television Artists Association (中國電視藝術家協會廣告藝術委員會) in March 2012. She was elected a vice president of Beijing Chaoyang District Association of Women Entrepreneurs (北京市朝陽區女企業家協會) 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” (年度人物獎) by The Association of Accredited Advertising Agencies of China (中國4A協會) in October 2013. In March 2014, she was recognized as one of the 2013/2014 “Top Ten Female Advertising Managers of China” (十大女性廣告經理人) by “Advertising Guidance” magazine (廣告導報雜誌社). 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 (中國4A協會) for four years, and has become one of the fifteen members of the selection committee of China Advertising Hall of Fame (中國廣告名人堂推選委員會), which is jointly created by China Advertising Association of Commerce (中國商務廣告協會), the Advertising Museum of China (中國廣告博物館) and the National Advertising Research Institute (國家廣告研究院). In January 2017, she was recognised as the “Expert of Think Tank of China Advertising Industry” (中國廣告智庫專家) by China Advertising Association of Commerce (中國商務廣告協會).

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 49, 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 our 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 56, 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 53, was appointed as our Independent Non-executive Director in May 2011. Mr. Lian graduated from Shanxi University (山西大學) in 1987 with a bachelor of laws degree and then a Ph.D. degree in engineering from China University of Geosciences (中國地質大學) in 2013. He currently serves as the director of the Key Laboratory of Big Data Strategy (大數據戰略重點實驗室), the president of the International Institute for Urban Development, Beijing (北京國際城市發展研究院), the president of Capital Association for Scientific Decision-Making (首都科學決策研究會), the chairman of the Foundation of Beijing International Cities Forum (北京國際城市論壇基金會), and serves concurrently as a committee member of the Expert Consultative Committee of the Beijing Municipal Government (北京市政府專家諮詢委員會), a committee member of the Beijing Municipal Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議北京市委員會), a vice president of the Beijing Chaoyang District People's Political Consultative Conference (政協北京市朝陽區委員會), a vice president of the Beijing Federation of Social Science Circles (北京市社會科學界聯合會), the chief expert of the Research Base of Beijing-Tianjin-Hebei Co-Development (京津冀協同發展研究基地). He has a number of publications including the Concept of Global City Revisited (重新認識世界城市), the Capital City of Strategic Positioning (首都戰略定位), the Multi-Win Approach of Beijing-Tianjin-Hebei Co-Development (京津冀協同發展的共贏之路), the Block Data (塊數據), the Era of DT (DT時代) and the Drive of Innovation (創新驅動力). 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 (中國人民政治協商會議北京市委員會).



MR. QI DAQING (齊大慶)

aged 52, 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. and Honghua Group Limited respectively, and serves as an independent director and the chairman of audit committee of iKang Healthcare Group, Inc. and Bona Film Group Limited respectively, and serves as an independent director and a member of audit committee, remuneration committee and nomination committee of MOMO Inc., and serves as an independent director and the chairman of nomination committee, a member of audit committee and remuneration committee of Jutal Offshore Oil Services 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), Honghua Group Limited (Hong Kong Stock Exchange), iKang Healthcare Group, Inc. (NASDAQ), Bona Film Group Limited (NASDAQ), MOMO Inc. (NASDAQ), and Jutal Offshore Oil Services 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 45, 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 49, 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 and President 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 fifteen 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 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. CUI RUI (崔銳)

aged 42, has been our Vice President since October 2014, responsible for the management of integrated communication business. Mr. Cui joined the Group in 2003, and had been our Vice President from April 2008 to July 2010. Then he has been the Assistant to the Chairman, and has served concurrently as the Managing Director of Beijing Golden Bridge Yunhan Advertising Company Limited (“Golden Bridge Yunhan”), a subsidiary of the Group, responsible for overall management of business operation of Golden Bridge Yunhan. Mr. Cui has over ten years of experience in advertising, and has accumulated a wealth of experience in media strategy and serving corporate clients. He promoted media strategy creativity and client-oriented service idea, and has solid experience in providing full services to large central and state-owned enterprises. Mr. Cui received an EMBA degree from University of International Business and Economics in 2015.

MS. ZHOU JUNHUA (周俊華)

aged 39, 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 ten years of team management experience. With more than fourteen 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 nine 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.

MR. WANG YINGDA (王英達)

aged 38, 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 fourteen 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 52, 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. ZHANG WEIWEI (張薇薇)

aged 34, has been our Vice President since October 2013, responsible for the market development of our exclusive agricultural media resources and administrative management of the Group. She joined the Group in 2005, and was the Vice General Manager of Corporate Brand Marketing Centre of the Group in 2010 and 2011. Then, she has been the General Manager of Beijing Golden Bridge Senmeng Media Advertising Co., Ltd. ("Golden Bridge Senmeng"), a subsidiary of the Group, since October 2011, responsible for overall management of business operation of Golden Bridge Senmeng. Ms. Zhang has rich experience of more than nine years in TV media marketing and team management. She has made considerable contribution to Golden Bridge Senmeng in its continuous improvement of operation and management systems, expansion of brand customers and optimization of media resources. Ms. Zhang graduated from Xi'an International University in 2004, majoring in economic management.





MS. ZHENG CHUN (鄭春)

aged 45, 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.

MR. LIU JIE (劉杰)

aged 47, has been our Vice President since November 2015, responsible for management innovation, strategic direction and development of technologies of the Group. Mr. Liu has over twenty three years of experience in computer information, internet and information security. Before joining the Group, he worked for Tencent Technology (Beijing) Co., Ltd., Beijing Pioneer of Times Software Co., Ltd., Beijing Jiangmin Technology Co., Ltd., and Beijing Great Software Co., Ltd., respectively. Mr. Liu received his bachelor of science degree in computer software science from Zhengzhou University in 1992.

MS. WANG HONG (王紅)

aged 47, 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 fifteen 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.

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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 2016, the Company has fully complied with all Code Provisions and where applicable, the recommended best practices prescribed in the Code, except for the following deviation:

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. Lian Yuming, being Independent Non-executive Directors of the Company, were not able to attend the annual general meeting of the Company held on 15 June 2016.

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 2017 respectively confirming that for the period from 1 January 2016 to 31 December 2016 and up to the date of signing the Confirmation by the relevant Covenantor, each of them have 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 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 2016.

BOARD OF DIRECTORS

1. Composition of the Board

During the year ended 31 December 2016, the Board comprised the following Directors:

EXECUTIVE DIRECTORS:	INDEPENDENT NON-EXECUTIVE DIRECTORS:
Mr. Chen Xin (<i>Chairman</i>)	Mr. Qi Daqing
Ms. Liu Jinlan (<i>Chief Executive Officer</i>)	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 24 to 35 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 2016, 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 Directors in respect of his or her independence to the Company pursuant to the requirements of the Listing Rules. The Company has assessed the independence and considers all Independent Non-executive Directors have satisfied the independent criteria under Rule 3.13 of the Listing Rules and remained independent throughout the year ended 31 December 2016. 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 2016, the Board held four meetings. As regards general meetings, the Company held the annual general meeting on 15 June 2016 during the year of 2016. 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:

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

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 insufficient 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 28 April 2017 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 2016. 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 2016, two out of the four Independent Non-executive Directors, were respectively remunerated at RMB168 thousand, and the remaining Independent Non-executive Director was remunerated at RMB187 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 111 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 relevant materials on the topics related to the updates on ethics and code of conduct of Directors, and corporate governance and regulations 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 (<i>Chairman</i>)	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 2015 annual report and 2016 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;
- 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 commences.

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 22 March 2016. 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:

NUMBER OF MEETING	COMMITTEE MEMBERS ATTENDED/HELD
Li Zongzhou (<i>Chairman</i>)	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;
- discussed strategies for tax planning and reviewed corporate information issued by the Group to ensure compliance in every respect with the Listing Rules;
- 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 the policy for the corporate governance of the Company.

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 (<i>Chairman</i>)	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 2016, 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 79 to 166 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 73 to 78 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, RMB2,980 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 Board 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 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.

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.

For the year ended 31 December 2016, 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 32 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 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.

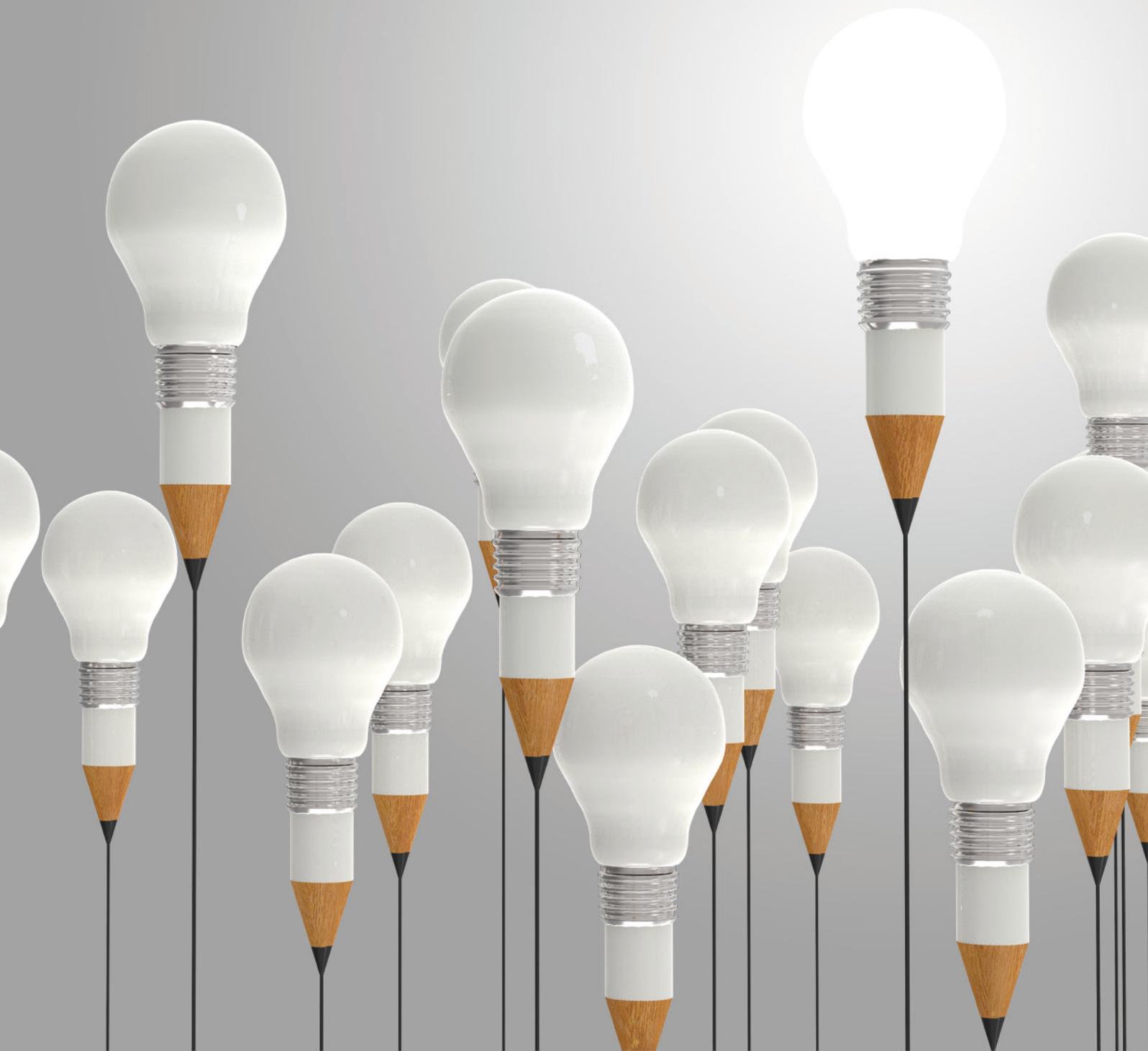
Under the Company's Articles of Association, the Board, on the requisition of shareholders of the Company holding not less than 5% of the total voting rights of all the members having a right to vote at general meetings of the Company, can convene an extraordinary general meeting pursuant to the provisions 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 15 June 2016 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 2016, 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 first 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 2016, and discloses the information on the management approach, strategy, priorities and objectives of SinoMedia regarding environment, society and governance.

This report explains how SinoMedia complies 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). This report has been reviewed and approved by the Board of Directors of SinoMedia.

STAKEHOLDER ENGAGEMENT AND MATERIALITY

In order to identify the most significant aspects for the Group to report on for 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.

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 2016, with a focus on highlighting the efforts of the Group on the sustainable development in the following aspects:

- Environmental aspect (emissions, utilisation 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

During the course of operation, SinoMedia emphasised the balance of interests of shareholders, clients and employees, it preserved an equal emphasis on business development and fulfillment of social responsibilities. At the same time, SinoMedia stressed efforts on the optimisation of internal structure and the protection of external environment, it devoted to the balance among economy, environment and society as well as the sustainable development of the Group.

ENVIRONMENTAL ASPECT

SinoMedia paid attention to environmental protection, stressed the efficient utilisation of resources and the reduction of carbon dioxide emission. It adopted strategic energy-saving measures in all aspects, continued to improve the efficiency of energy utilisation.

1. Energy Conservation System

The Group has taken an active part in implementing an accountability system by emphasising the practice of switching off lights and power sources after work to promote the appropriate use of electricity, and it used inductive hand-washing facilities to avoid the waste of water resources caused by negligence. The Group has special office support staff who regularly patrol and inspect water and electricity facilities to ensure water saving and energy saving.

2. Paper Usage

An office automation system has been implemented across the Group to encourage a paperless office and operation as well as the re-use of paper.

3. Emission Reduction of Vehicles

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

SOCIAL ASPECT

1. Employment and Labor Practices

Demographics of employees	As at 31 December 2016	As at 31 December 2015
Total number of employees	505	511
By region (%)		
Beijing	81	80
Hangzhou	11	11
Shanghai	3	3
Nanjing	2	3
Hong Kong	2	2
Singapore	1	1
By gender (%)		
Male	42	43
Female	58	57
By age group (%)		
30 or below	57	57
31–35	21	22
36–40	12	11
41 or above	10	10
By education level (%)		
Above degree	7	5
Degree	62	59
Diploma or below	31	36

Employee activities and benefits

The Group has always been formulating and implementing the policies and systems for human resources in strict compliance with relevant national laws and regulations and by adhering to the principle of providing benefits better than the market benchmark. In terms of remuneration, the Group adopts a multi-criteria decision-making approach to determine the remunerations of its staff on the basis of such qualitative and quantitative criteria as job and position, work experience and qualification, personal performance and corporate performance, together with short-term and long-term incentive schemes. Remove and dismiss of any employee is in strict compliance with the latest national labor regulations. With importance attached to the personalized management on the future development of its staff and in order to stimulate their work potential, the Group has formulated “the Proposal on the Promotion Channels of Middle and Senior Management Members” and “the Administrative Measures on the Green Promotion Channels for Professional Technicians” to provide its staff with a platform for promotion and career development. In terms of working-hour and holiday management, the

Group protects the interests of its staff in accordance with the Labor Law and national holiday arrangements. In addition, the Group also advocates and offers equal employment opportunities, and shows zero tolerance for any harassment, discrimination and slander regarding nationality, gender or marital and childbearing status, and adheres to such principle in all the aspects of operations.

SinoMedia upholds the cultural concept of “Care•Responsibility•Inclusiveness”, and creates a warm, harmonious and friendly working atmosphere in which the staff can feel at home. During the year, the Group organised several cultural and sport activities, including cruise tours to Japan and South Korea for employees, overseas tours for outstanding employees and their families, football matches, wedding ceremonies for employees, etc.



Employee Wedding Activity



Gathering Event of the Second Generation of SinoMedia



South Korea Tours 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 and safety of the staff. The Group continued to provide working lunch cards to its staff to provide a guarantee on the dining safety and convenience of the staff. In addition, as far as the Group 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 in the working environment provided by the Group for its staff.

3. Employee Development and Training

In 2016, SinoMedia upheld the human resource development strategy of "professionalism excellence, talent succession", it emphasized on the hiring and nurturing of talents, through setting up of 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.

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 staff, the Group designed a series of training and development activities such as "Marketing Proposal Interactive Challenge Competition", "Urban Tourism Marketing Television and Internet Interactive Salon", "Content Marketing and Documentary Marketing Practice Rehearsal" etc., in order to ensure that the employees understand and master the key points of the cases.

4. Labor Standard

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 attaches 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.

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 successfully registered two new trademarks in line of its business scope and development. The trademarks involved were under Category 35 (Advertising, Business Management and Marketing), Category 38 (Telecommunication and Communication Services), Category 41 (Education, Training, Entertainment and Cultural Activities) and Category 42 (Scientific and Technological Services and Related Research and Design Services, Industrial Analysis and Research, Computer Hardware and Software Design and Development). In terms of copyright protection, in 2016 the Group acquired four 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 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 the trainings for new staff. 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 2016, 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 2016, for the fourth consecutive year the Group offered year-end pension sums for greeting purposes to a total of approximately 150 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 2016, the Group produced jointly with its clients several advertising videos for charity events, such as reminding the public to pay attention to traffic safety, re-gaining warm interpersonal relationship by putting down mobile phones etc., they attracted a lot of attention and were well recognized by the general public. By virtue of its own industry advantages, SinoMedia “gathered strength, promoted civilisation”, demonstrating its responsibilities towards the society and its assumption of such responsibilities.

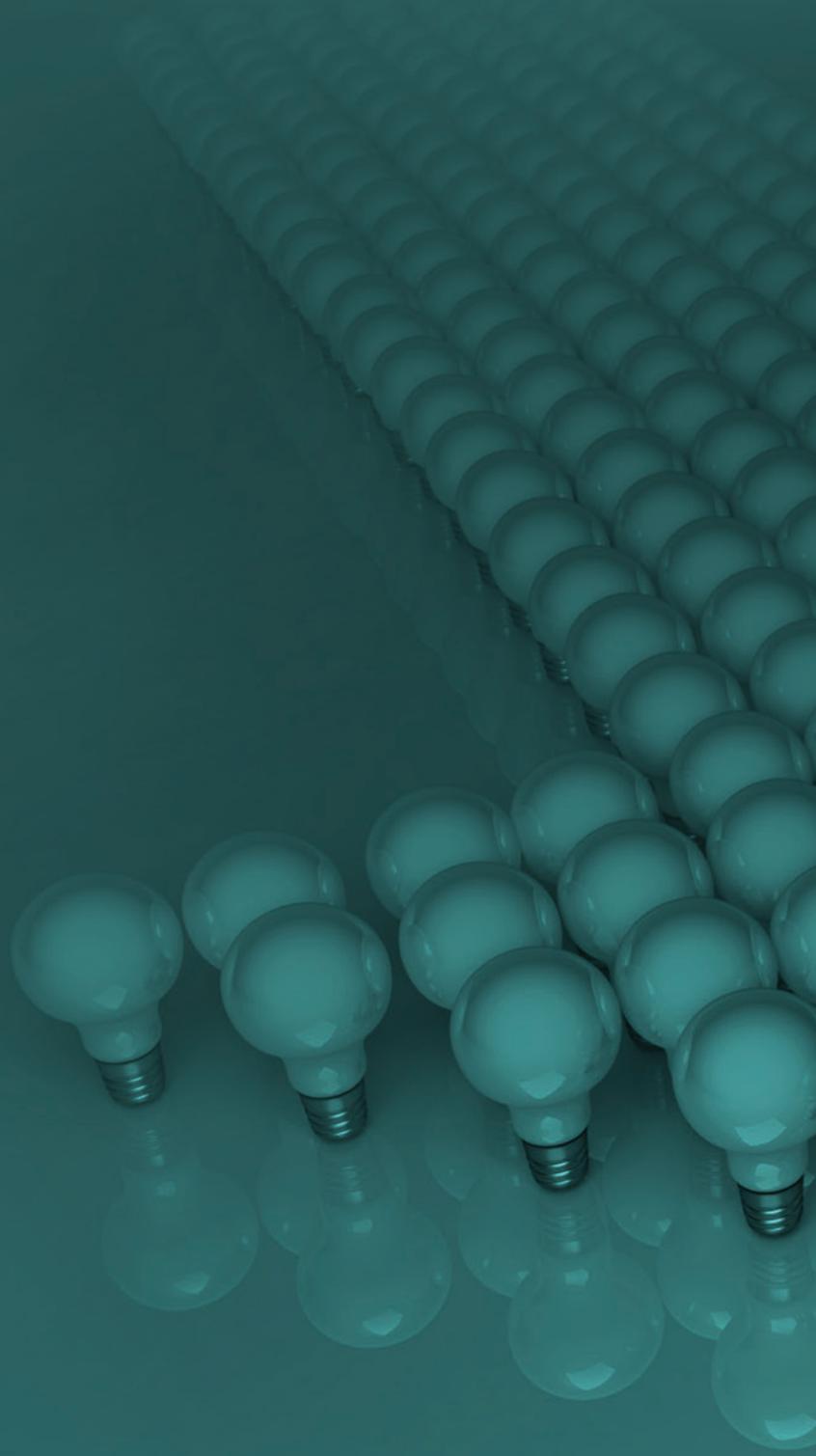


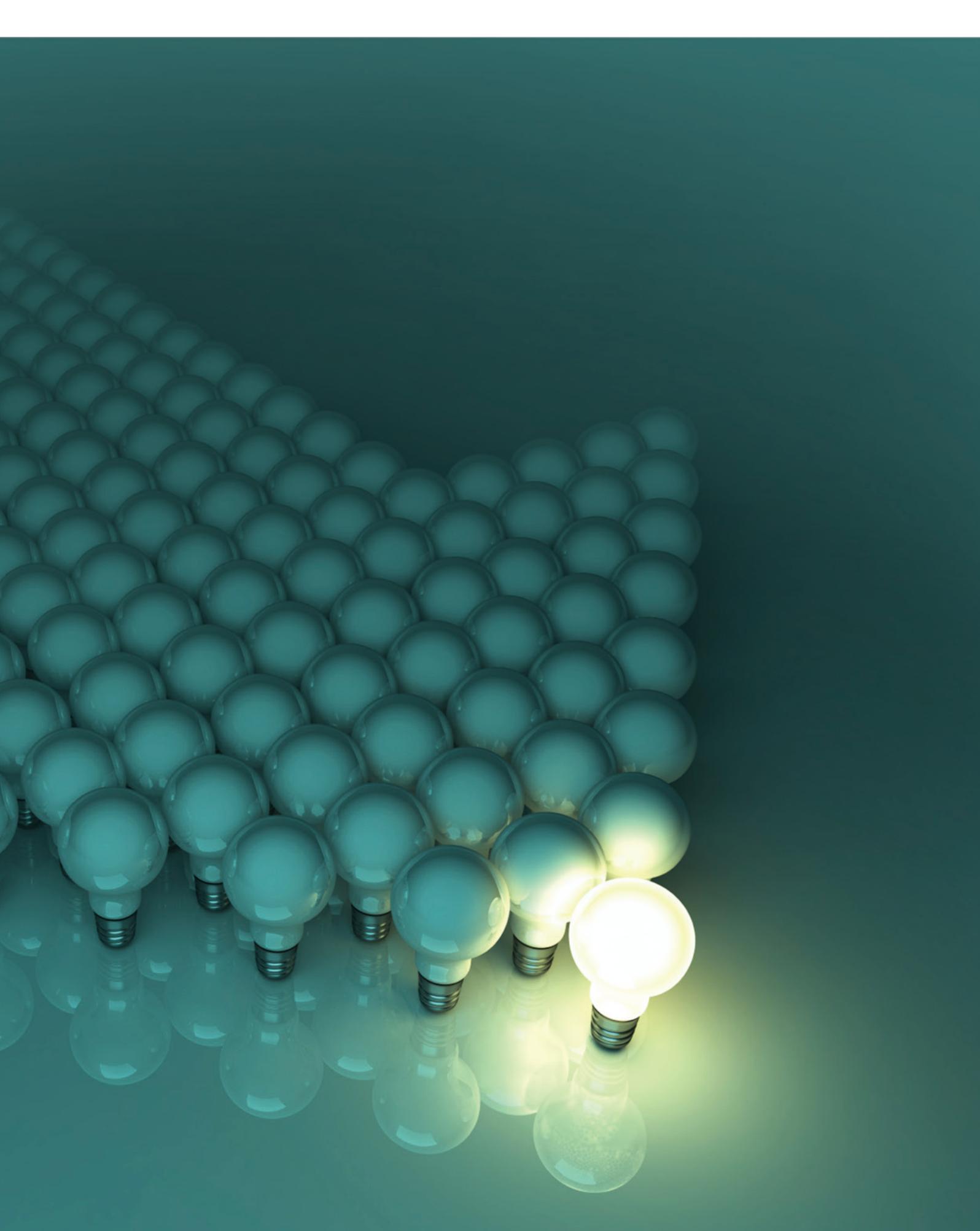
Re-gaining warm interpersonal relationship by putting down mobile phones – Nice surprise video



Fastening your seat belt for a safe trip – Seat belt video

ANNUAL REPORT 2016年報





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 2016.

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 2016 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 2016 are set out in the section headed "Management Discussion and Analysis".

ENVIRONMENTAL POLICIES AND PERFORMANCE

Throughout 2016, 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. These discussions form part of this directors' report.

COMPLIANCE WITH LAWS AND REGULATIONS

As at 31 December 2016 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 2016 is as follows:

	Percentage of the Group's total purchases
The largest supplier	91%
Five largest suppliers in aggregate	95%

The Group's five largest customers accounted for about 21% 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 loss of the Group for the year ended 31 December 2016 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 79 to 82.

TRANSFER TO RESERVES

Losses attributable to equity shareholders of the Company, before dividends, of approximately RMB27.07 million (2015: Profits attributable to equity shareholders of the Company, before dividends, of approximately RMB121.67 million) have been transferred to reserves. Other movements in reserves are set out in the Consolidated Statement of Changes in Equity on page 83.

Dividends totaling approximately RMB49.43 million (2015: approximately RMB121.85 million) was paid in August 2016. No dividend proposed by the Directors after the end of the reporting period. (2015: a final dividend of HKD10.58 cents per share)

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 23 to the financial statements.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year under review, the Company purchased 12,953,000 ordinary shares of the Company on the The Stock Exchange of Hong Kong Limited (“Stock Exchange”) at an aggregate price of HKD24,742,140. The bought-back shares had been cancelled subsequently in 2016 and in early 2017. 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
2016.1.5	38,000	2.49	2.49	94,620
2016.1.6	2,000	2.49	2.49	4,980
2016.1.7	324,000	2.49	2.43	798,020
2016.1.8	100,000	2.46	2.45	245,900
2016.1.11	622,000	2.44	2.37	1,501,040
2016.1.13	80,000	2.30	2.30	184,000
2016.1.14	193,000	2.28	2.26	438,590
2016.1.15	259,000	2.28	2.24	586,250
2016.1.18	320,000	2.18	2.10	683,580
2016.1.19	110,000	2.15	2.12	235,090
2016.1.20	242,000	2.14	2.09	512,990
2016.1.21	326,000	2.13	2.07	685,620
2016.1.22	180,000	2.12	2.07	374,400
2016.1.25	80,000	2.00	2.00	160,000
2016.1.26	130,000	2.00	1.97	258,090
2016.1.29	1,000	1.95	1.95	1,950
2016.5.23	5,000	1.88	1.88	9,400
2016.5.27	16,000	1.92	1.92	30,720
2016.5.30	15,000	1.92	1.92	28,800
2016.6.6	40,000	1.95	1.94	77,900
2016.6.8	40,000	1.95	1.94	77,980
2016.6.13	40,000	1.92	1.91	76,600
2016.6.24	593,000	1.92	1.80	1,080,660
2016.7.18	120,000	1.62	1.60	193,540
2016.7.19	124,000	1.62	1.60	199,920
2016.7.20	252,000	1.65	1.62	414,100
2016.7.21	25,000	1.65	1.65	41,250
2016.9.9	65,000	1.58	1.58	102,700
2016.9.12	372,000	1.58	1.55	582,650
2016.9.13	400,000	1.58	1.57	631,490
2016.9.14	157,000	1.58	1.58	248,060
2016.9.28	92,000	1.80	1.80	165,600
2016.10.19	197,000	1.88	1.87	369,890
2016.10.20	161,000	1.88	1.85	301,870
2016.10.28	33,000	1.88	1.88	62,040
2016.10.31	4,000	1.88	1.88	7,520
2016.11.1	89,000	1.90	1.86	168,180
2016.11.2	270,000	1.89	1.87	506,880
2016.11.3	210,000	1.88	1.85	390,900
2016.11.4	361,000	1.88	1.82	668,660
2016.11.7	93,000	1.86	1.85	172,850
2016.11.8	25,000	1.86	1.86	46,500
2016.11.9	362,000	1.87	1.83	669,990

Date	Number of Shares bought-back	Highest Price HKD	Lowest Price HKD	Total paid HKD
2016.11.10	3,000	1.87	1.87	5,610
2016.11.11	77,000	1.89	1.87	144,890
2016.11.14	450,000	1.89	1.84	837,350
2016.11.15	133,000	1.84	1.83	244,590
2016.11.16	384,000	1.86	1.83	709,320
2016.11.17	193,000	1.85	1.84	355,920
2016.11.18	130,000	1.86	1.85	241,300
2016.11.21	102,000	1.86	1.85	189,500
2016.11.22	29,000	1.86	1.86	53,940
2016.11.23	92,000	1.88	1.87	172,840
2016.11.24	163,000	1.88	1.87	305,610
2016.11.25	374,000	1.88	1.86	698,440
2016.11.28	80,000	1.87	1.87	149,600
2016.11.29	30,000	1.88	1.87	56,130
2016.11.30	383,000	1.88	1.86	716,580
2016.12.01	400,000	1.87	1.84	742,600
2016.12.02	290,000	1.87	1.85	539,300
2016.12.05	383,000	1.87	1.84	711,320
2016.12.06	68,000	1.85	1.84	125,620
2016.12.07	160,000	1.85	1.83	294,600
2016.12.08	230,000	1.85	1.83	422,700
2016.12.09	230,000	1.85	1.83	422,560
2016.12.12	350,000	1.81	1.79	628,500
2016.12.13	111,000	1.81	1.79	199,810
2016.12.14	90,000	1.82	1.80	162,900
2016.12.15	150,000	1.82	1.78	270,100
2016.12.16	60,000	1.81	1.80	108,200
2016.12.19	150,000	1.81	1.78	269,000
2016.12.20	120,000	1.79	1.77	213,200
2016.12.21	20,000	1.75	1.75	35,000
2016.12.22	50,000	1.76	1.76	88,000
2016.12.23	150,000	1.79	1.77	267,440
2016.12.28	150,000	1.80	1.78	267,900
	12,953,000			24,742,140

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, Chen Xin, Liu Jinlan, and He Hui David 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 2016, 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	258,945,169 (Note 2)	4,400,000	263,345,169	49.19%
Chen Xin	Founder of discretionary trust and beneficiary of trust	257,428,165 (Note 3)	—	257,428,165	48.09%
Li Zongzhou	Beneficial interest	—	2,500,000	2,500,000	0.47%
Qi Daqing	Beneficial interest	—	260,000	260,000	0.05%
Lian Yuming	Beneficial interest	—	200,000	200,000	0.04%
Wang Xin	Beneficial interest	—	200,000	200,000	0.04%

Notes:

- 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.
- Liu Jinlan is deemed to be interested in 258,945,169 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.
- 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 2016, 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.

No further options were and will be granted under the Pre-IPO Scheme after its termination upon the listing of the shares of the Company. The Post-IPO Scheme shall 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 both the Pre-IPO Scheme and the Post-IPO Scheme as at 31 December 2016 was 24,073,000 shares which represented approximately 4% of the total number of issued shares of the Company as at 31 December 2016.

Movements of the share options under the Schemes for the year ended 31 December 2016 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	Note 2
	1,200,000	—	—	—	1,200,000	2 July 2010	HKD1.84	Note 4
Li Zongzhou	1,600,000	—	—	—	1,600,000	10 July 2007	RMB1.56	Note 1
	900,000	—	—	—	900,000	2 July 2010	HKD1.84	Note 4
Qi Daqing	260,000	—	—	—	260,000	17 September 2009	HKD1.49	Note 3
Lian Yuming	200,000	—	—	—	200,000	29 August 2011	HKD2.62	Note 4
Wang Xin	200,000	—	—	—	200,000	11 September 2012	HKD3.22	Note 4
Employees								
in aggregate	5,520,000	—	—	—	5,520,000	4 July 2007 to 7 March 2008	RMB1.56	Note 1
	400,000	—	—	—	400,000	17 September 2009	HKD1.49	Note 3
	4,023,000	—	—	—	4,023,000	02 July 2010	HKD1.84	Note 4
	—	—	—	—	—	22 November 2010	HKD2.82	Note 4
	650,000	—	—	—	650,000	06 December 2010	HKD2.88	Note 4
	120,000	—	—	—	120,000	29 August 2011	HKD2.62	Note 4
	800,000	—	—	—	800,000	09 January 2012	HKD2.36	Note 4
	360,000	—	—	—	360,000	11 September 2012	HKD3.22	Note 4
	300,000	—	—	—	300,000	12 April 2013	HKD4.31	Note 4
	1,280,000	—	—	(260,000)	1,020,000	19 July 2013	HKD6.86	Note 4
	920,000	—	—	—	920,000	10 September 2014	HKD5.50	Note 4
	2,400,000	—	—	—	2,400,000	19 September 2015	HKD2.59	Note 4

Notes:

1. A Pre-IPO Options holder may exercise a maximum of 25% of the total number of the Pre-IPO Options granted after the lapse of 365 days from the acceptance of the Pre-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 Pre-IPO Options granted, up to ten years from the date of grant.

Pre-IPO Options granted to Li Zongzhou are exercisable from 8 January 2009 to 9 July 2017, subject to the vesting requirement mentioned above. Exercisable period of the Pre-IPO Options granted to employees of the Group commenced on 8 January 2009 and to be expired on a date ranging from 3 July 2017 to 6 March 2018 (depending on their respective dates of grant of the option) is also subject to the vesting requirement mentioned above.

2. An exception to the vesting requirement mentioned in note (1) above is that Liu Jinlan may exercise a maximum of 50% of the total number of the Pre-IPO Options granted after the lapse of 365 days from the acceptance of the options. Subsequently, for every full year of continuous service with the Company, Liu Jinlan may exercise a maximum of another 25% of the total number of the options granted, up to ten years from the date of grant.

Pre-IPO Options granted to Liu Jinlan is exercisable from 8 January 2009 to 9 July 2017, subject to the vesting requirement mentioned above.

3. A Post-IPO Options holder may exercise a maximum of 25% of the total number of the Post-IPO Options granted from his acceptance 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.

4. 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.

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

As at 31 December 2016, 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 (<i>Note 1</i>)	306,431,821	57.24%
CLH Holding Limited	Corporate interest (<i>Note 2</i>)	209,941,513	39.22%

Notes:

1. Equity Trustee Limited is deemed to be interested in 306,431,821 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 21,902,312 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 2016, there was no other persons or corporations (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.

DIRECTORS' INTERESTS IN CONTRACTS

No 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 had a material interest, whether directly or indirectly, subsisted at 31 December 2016 or at any time during the year under review.

DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES

Other than the Pre-IPO Scheme and Post-IPO Scheme as disclosed above, at no time during the year ended 31 December 2016 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 Pre-IPO Scheme and 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 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 167 of the annual report. The summary does not form part of the financial statements.

PROVIDENT AND RETIREMENT FUND SCHEMES

The Group's employees in the PRC participate in various defined contribution schemes stipulated by the relevant municipal and provincial governments, under which the Group is required to make monthly contributions to these schemes. The Group's subsidiaries in the PRC contribute funds to the retirement benefit schemes, which are calculated based on a stipulated percentage of the average employee salary as agreed by the relevant municipal and provincial government. 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 2016 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



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 79 to 166, which comprise the consolidated statement of financial position as at 31 December 2016, 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 2016 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") 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 ("HKSA") 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.

Independent auditor's report

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 102.

The Key Audit Matter

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.

How the matter was addressed in our audit

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 17 to the consolidated financial statements and the accounting policies on page 94.

The Key Audit Matter

The total provision for impairment of trade debtors and bills receivable balances as at 31 December 2016 was RMB72,622 thousand and the related impairment charge for the year then ended was RMB194 thousand, which represented 0.75% of the Group's loss before taxation for the year ended 31 December 2016.

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.

How the matter was addressed in our audit

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 whether 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 receivables as at 31 December 2015 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 2015 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 2016 with bank statements and relevant underlying documentation.

Independent auditor's report

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 HKSAAs 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 HKSAAs, 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.

Independent auditor's report

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

29 March 2017

Consolidated Statement of Profit or Loss

for the year ended 31 December 2016
(Expressed in Renminbi)

	Note	2016 MB'000	2015 RMB'000
Revenue	3	1,299,289	1,256,871
Cost of services		(1,179,053)	(955,291)
Gross profit		120,236	301,580
Other revenue	4	29,213	18,186
Other net income	4	3,475	—
Selling and marketing expenses		(57,638)	(44,071)
General and administrative expenses		(126,337)	(103,436)
(Loss)/Profit from operations		(31,051)	172,259
Finance income	5(a)	6,034	27,875
Finance costs	5(a)	(866)	(9,048)
Net finance income		5,168	18,827
Share of loss of an associate		—	(325)
(Loss)/Profit before taxation		(25,883)	190,761
Income tax	6(a)	(12,020)	(74,825)
(Loss)/Profit for the year		(37,903)	115,936
Attributable to:			
Equity shareholders of the Company		(27,066)	121,673
Non-controlling interests		(10,837)	(5,737)
(Loss)/Profit for the year		(37,903)	115,936
(Losses)/Earnings per share	10		
Basic (losses)/earnings per share (RMB)		(0.050)	0.220
Diluted (losses)/earnings per share (RMB)		(0.050)	0.217

The notes on pages 85 to 166 form part of these financial statements. Details of dividends payable to equity shareholders of the Company for the year are set out in note 23(b).

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2016
(Expressed in Renminbi)

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
(Loss)/Profit for the year	(37,903)	115,936
Other comprehensive income/(loss) for the year (after tax and reclassification adjustments)	2,975	(2,944)
Items that may be reclassified subsequently to profit or loss: Exchange differences on translation of financial statements of the company and overseas subsidiaries	2,975	(2,944)
Total comprehensive (loss)/income for the year	(34,928)	112,992
Attributable to:		
Equity shareholders of the Company	(24,091)	118,729
Non-controlling interests	(10,837)	(5,737)
Total comprehensive (loss)/income for the year	(34,928)	112,992

The notes on pages 85 to 166 form part of these financial statements.

Consolidated Statement of Financial Position

at 31 December 2016
(Expressed in Renminbi)

	Note	2016 RMB'000	2015 RMB'000
Non-current assets			
Property, plant and equipment	11	246,797	261,278
Investment property	11	603,906	615,151
Intangible assets	12	27,885	39,702
Goodwill	13	6,002	13,455
Interest in an associate	15	—	6,525
Trade and other receivables	17	2,085	1,917
Deferred tax assets	22(b)	—	2,197
		886,675	940,225
Current assets			
Other current financial asset	16(a)	1,537	—
Trade and other receivables	17	521,496	544,431
Pledged bank deposits	18	—	565
Time deposits with original maturity over three months	18	11,698	26,502
Cash and cash equivalents	18	552,531	418,098
		1,087,262	989,596
Current liabilities			
Trade and other payables	19	316,074	265,969
Bank loans	20	110,000	—
Current taxation	22(a)	28,131	39,710
Deferred tax liabilities	22(b)	26	—
		454,231	305,679
Net current assets		633,031	683,917
Total assets less current liabilities		1,519,706	1,624,142
NET ASSETS		1,519,706	1,624,142

The notes on pages 85 to 166 form part of these financial statements.

Consolidated Statement of Financial Position

at 31 December 2016
(Expressed in Renminbi)

	<i>Note</i>	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
CAPITAL AND RESERVES			
Share capital	23(c)	510,981	510,981
Reserves		1,009,974	1,103,573
Total equity attributable to equity shareholders of the Company		1,520,955	1,614,554
Non-controlling interests		(1,249)	9,588
TOTAL EQUITY		1,519,706	1,624,142

Approved and authorised for issue by the board of directors on 29 March 2017.

Chen Xin
Chairman

Li Zongzhou
Director

The notes on pages 85 to 166 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2016
(Expressed in Renminbi)

	Attributable to equity shareholders of the Company						Total	Non-controlling interests	Total equity
	Share capital	Capital reserve	Statutory reserve	Translation reserve	Other reserves	Retained profits			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(note 23(c))	(note 23(d))	(note 23(d))	(note 23(d))	(note 23(d))				
Balance at 1 January 2015	500,734	25,309	90,474	(1,285)	2,308	1,051,868	1,669,408	9,912	1,679,320
Changes in equity for 2015:									
Profit for the year	–	–	–	–	–	121,673	121,673	(5,737)	115,936
Other comprehensive loss	–	–	–	(2,944)	–	–	(2,944)	–	(2,944)
Total comprehensive income	–	–	–	(2,944)	–	121,673	118,729	(5,737)	112,992
Appropriation to reserves	–	–	36,412	–	–	(36,412)	–	–	–
Acquisition of non-controlling interests	–	–	–	–	–	(5,803)	(5,803)	5,803	–
Shares issued under share option scheme	10,247	(2,671)	–	–	–	–	7,576	–	7,576
Equity-settled share-based transactions (note 21)	–	(106)	–	–	–	–	(106)	–	(106)
Purchase of own shares	–	–	–	–	–	(53,402)	(53,402)	–	(53,402)
Dividends approved in respect of the previous year (note 23(b))	–	–	–	–	–	(121,848)	(121,848)	(390)	(122,238)
Balance at 31 December 2015 and 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 21)	–	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 23(b))	–	–	–	–	–	(49,433)	(49,433)	–	(49,433)
Balance at 31 December 2016	510,981	24,122	126,886	(1,254)	2,308	857,912	1,520,955	(1,249)	1,519,706

The notes on pages 85 to 166 form part of these financial statements.

Consolidated Cash Flow Statement

for the year ended 31 December 2016
(Expressed in Renminbi)

	<i>Note</i>	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Operating activities			
Cash generated from/(used in) operations	18(b)	97,215	(142,335)
PRC income tax paid	22(a)	(21,376)	(80,697)
Net cash generated from/(used in) operating activities		75,839	(223,032)
Investing activities			
Payment for purchase of property, plant and equipment		(620)	(13,180)
Payment for purchase of intangible assets		(10,438)	(4,580)
Payment for purchase of financial asset		(1,537)	—
Proceeds from disposal of an associate		10,000	—
Refund of restricted cash	18	565	151,618
Received of time deposits with initial term over three months	18	14,804	4,190
Interest received		4,770	22,461
Net cash generated from investing activities		17,544	160,509
Financing activities			
Proceeds from new bank loans		170,000	—
Repayment of bank loans		(60,000)	(145,152)
Payment for purchase of own shares		(21,665)	(53,402)
Proceeds from shares issued under share option scheme		—	7,576
Borrowing costs paid	5(a)	(827)	(4,842)
Dividends paid to non-controlling interests		—	(540)
Dividends paid to equity shareholders of the Company		(49,433)	(121,848)
Net cash generated from/(used in) financing activities		38,075	(318,208)
Net increase/(decrease) in cash and cash equivalents		131,458	(380,731)
Cash and cash equivalents at 1 January		418,098	801,773
Effect of foreign exchange rate changes		2,975	(2,944)
Cash and cash equivalents at 31 December		552,531	418,098

The notes on pages 85 to 166 form part of these financial statements.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

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 2016 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.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

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 have issued a number of amendments to IFRSs and HKFRSs that are first effective for the current accounting period of the Group. None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

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).

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

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.

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).

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

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
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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.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

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)

(I) 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.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

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.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

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.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

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.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

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.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

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 designing and developing advertisement 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.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

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.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

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 years ended 31 December 2016 and 2015, there are no revenues generated from outside Mainland China. As at 31 December 2016 and 2015, the balances of non-current assets, which are based on the physical location of the assets located outside Mainland China, are amounting to RMB206 thousand and RMB155 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 judgments 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

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
TV media resources management	1,119,537	1,171,265
Integrated communication services and content operations	82,406	37,510
Digital marketing and internet media	64,028	16,833
Rental income	46,565	51,218
Less: Sales taxes and surcharges	(13,247)	(19,955)
	1,299,289	1,256,871

4. OTHER REVENUE AND OTHER NET INCOME

Other revenue	<i>Note</i>	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Government grant	(i)	11,947	16,871
Tax refund		8,973	—
Others		8,293	1,315
		29,213	18,186

- (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	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Disposal of an associate	3,475	—

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

5. (LOSS)/PROFIT BEFORE TAXATION

(a) Finance income and costs

	2016 RMB'000	2015 RMB'000
Interest income on bank deposits	4,770	22,461
Net foreign exchange gain	1,264	4,880
Changes in fair value of derivative financial instruments	—	534
Finance income	6,034	27,875
Interest on bank borrowings wholly repayable within five years	(827)	(4,842)
Changes in fair value of derivative financial instruments	—	(4,157)
Others	(39)	(49)
Finance costs	(866)	(9,048)
Net finance income	5,168	18,827

(b) Staff cost

	Note	2016 RMB'000	2015 RMB'000
Salaries, wages and other benefits		94,946	86,462
Contributions to defined contribution retirement plan	(i)	7,497	8,022
Equity-settled share-based payment expenses	21	1,590	(106)
		104,033	94,378

(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% (2015:14% to 20%) 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. (LOSS)/PROFIT BEFORE TAXATION (CONTINUED)

(c) Other items

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

	<i>Note</i>	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Amortisation			
– intangible assets	12	5,055	4,833
Depreciation	11	26,211	28,382
Impairment losses			
– trade debtors and bills receivable	17(b)	(777)	2,449
– intangible assets	12	16,607	–
– goodwill	13	7,453	4,560
		23,283	7,009
Operating lease charges: minimum lease payments			
– hire of machinery		173	79
– hire of properties		5,344	6,452
		5,517	6,531
Auditors' remuneration			
– audit services		2,980	2,980
Professional fee		3,199	5,188
Research and development costs (other than amortisation costs)		5,276	4,013

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

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

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

	2016 RMB'000	2015 RMB'000
Current tax		
Provision for PRC income tax	9,797	70,836
Deferred tax		
Origination and reversal of temporary differences	2,223	3,989
Total income tax expense	12,020	74,825

- (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 did not earn any income subject to Singapore income tax during the year.
- (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. Except for the Company and its subsidiaries in Hong Kong and Singapore and Lotour Huicheng, 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 (loss)/profit at applicable tax rates:

	2016 RMB'000	2015 RMB'000
(Loss)/Profit before taxation	(25,883)	190,761
Notional tax on (loss)/profit before taxation, calculated at the statutory tax rates applicable to the respective tax jurisdictions	(3,131)	50,298
Tax effect of non-deductible expenses	6,858	6,156
Withholding tax withhold by PRC subsidiaries	—	12,961
Tax losses not recognised as deferred tax assets	12,136	7,079
Offset unused tax losses	—	(891)
Tax effect of non-taxable income	(3,843)	(778)
Actual tax expense	12,020	74,825

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 2016

	Directors' fees	Salaries, allowances and other benefits in kind	Discretionary bonuses	Contributions to defined contribution retirement plan	Equity settled share-based payment	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	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

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

7. DIRECTORS' EMOLUMENTS (CONTINUED)

For the year ended 31 December 2015

	Directors' fees	Salaries, allowances and other benefits in kind	Discretionary bonuses	Contributions to defined contribution retirement plan	Equity settled share-based payment	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Executive directors						
Chen Xin	—	1,472	150	44	—	1,666
Liu Jinlan	—	1,954	398	44	—	2,396
Li Zongzhou	—	1,440	405	—	—	1,845
Independent non-executive directors						
Qi Daqing	176	—	—	—	—	176
Lian Yuming	158	—	—	—	12	170
Wang Xin	158	—	—	—	19	177
He Hui David	—	—	—	—	—	—
	492	4,866	953	88	31	6,430

8. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments during the year ended 31 December 2016, three (2015: three) are Directors whose emoluments are disclosed in note 7. The aggregate of the emoluments in respect of the other two (2015: two) individuals are as follows:

	2016 RMB'000	2015 RMB'000
Salaries, allowances and other benefits in kind	3,282	3,128
Contribution to defined contribution plan	95	88
Equity-settled share-based transactions	458	—
	3,835	3,216

The emoluments of the two (2015: two) individuals with the highest emoluments are within the following bands:

	2016	2015
Nil to RMB1,000,000	—	—
RMB1,000,001 to RMB1,500,000	—	—
RMB1,500,001 to RMB2,000,000	1	2
RMB2,000,001 to RMB2,500,000	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 (2015: nil).

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

10. (LOSSES)/EARNINGS PER SHARE

(a) Basic (losses)/earnings per share

The calculation of basic (losses)/earnings per share is based on the loss attributable to ordinary equity shareholders of the Company of RMB27,066 thousand (2015: profit of RMB121,673 thousand) and the weighted average of 543,216 thousand ordinary shares (2015: 551,834 thousand shares) in issue during the year, calculated as follows:

	Note	2016 RMB'000	2015 RMB'000
(Loss)/Profit attributable to ordinary equity shareholders		(27,066)	121,673
Weighted average number of ordinary shares			
		2016 '000	2015 '000
Issued ordinary shares at 1 January		547,915	568,215
Effect of shares repurchased		(4,699)	(19,565)
Effect of issues of ordinary shares upon exercise of share options	23(c)	—	3,184
Weighted average number of ordinary shares at 31 December		543,216	551,834

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

(b) Diluted (losses)/earnings per share

The calculation of diluted (losses)/earnings per share is based on the loss attributable to ordinary equity shareholders of the Company of RMB27,066 thousand (2015: profit of RMB121,673 thousand) and the weighted average number of ordinary shares of 543,646 thousand shares (2015: 559,786 thousand shares after adjusting for the effect of share options in issue), calculated as follows:

	2016 RMB'000	2015 RMB'000
(Loss)/Profit attributable to ordinary equity shareholders (basic and diluted)	(27,066)	121,673

	2016 '000	2015 '000
Weighted average number of ordinary shares (diluted)		
Weighted average number of ordinary shares (basic)	543,216	551,834
Effect of share options in issue	430	7,952
Weighted average number of ordinary shares (diluted) at 31 December	543,646	559,786

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

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 2015	276,189	19,317	15,282	310,788	669,258	980,046
Additions						
Purchase	1,809	1,226	—	3,035	—	3,035
Decreases						
Disposals	(493)	(4,528)	(184)	(5,205)	—	(5,205)
Balance at 31 December 2015	277,505	16,015	15,098	308,618	669,258	977,876
Balance at 1 January 2016	277,505	16,015	15,098	308,618	669,258	977,876
Additions						
Purchase	16	604	—	620	—	620
Reclassification	—	—	—	—	3,586	3,586
Decreases						
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
Depreciation						
Balance at 1 January 2015	15,125	12,651	10,457	38,233	39,309	77,542
Depreciation						
Charge for the year	8,573	2,981	2,030	13,584	14,798	28,382
Decreases						
Disposals	—	(4,302)	(175)	(4,477)	—	(4,477)
Balance at 31 December 2015	23,698	11,330	12,312	47,340	54,107	101,447
Balance at 1 January 2016	23,698	11,330	12,312	47,340	54,107	101,447
Depreciation						
Charge for the year	7,275	3,006	1,322	11,603	14,608	26,211
Reclassification	(223)	—	—	(223)	223	—
Decreases						
Disposals	—	(2,608)	—	(2,608)	(3,324)	(5,932)
Balance at 31 December 2016	30,750	11,728	13,634	56,112	65,614	121,726
Net book value						
At 31 December 2016	243,185	2,148	1,464	246,797	603,906	850,703
At 31 December 2015	253,807	4,685	2,786	261,278	615,151	876,429

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 2016 of the Group's investment properties are RMB1,118,877 thousand (2015: RMB1,028,674 thousand).

(c) Fixed assets 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 RMB15,931 thousand (2015: RMB16,412 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:

	2016 RMB'000	2015 RMB'000
Within 1 year	52,355	39,526
After 1 year but within 5 years	91,363	41,395
	143,718	80,921

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

12. INTANGIBLE ASSETS

	Development costs RMB'000	Patents and trademarks RMB'000	Softwares RMB'000	Total RMB'000
Cost				
At 1 January 2015	11,183	35,228	—	46,411
Additions through internal development	3,090	1,030	460	4,580
At 31 December 2015	14,273	36,258	460	50,991
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
Accumulated amortisation				
At 1 January 2015	1,530	4,926	—	6,456
Charge for the year	1,006	3,787	40	4,833
At 31 December 2015	2,536	8,713	40	11,289
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
Net book value				
At 31 December 2016	5,514	21,956	415	27,885
At 31 December 2015	11,737	27,545	420	39,702

12. INTANGIBLE ASSETS (CONTINUED)

The Group assessed the recoverable amounts of the intangible assets of Lotour Huicheng and as a result the carrying amount of the intangible assets of Lotour Huicheng was written down to their recoverable amount of zero. An impairment loss of RMB16,607 thousand was recognised in “General and administrative expenses”. The estimates of recoverable amount were 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 30.61%. The major assumption is the growth rate in revenue. The growth rates are based on the past performance of Lotour Huicheng, its expectation for market development and its development target. The discount rates used are pre-tax and reflect specific risks relating to Lotour Huicheng.

The impairment loss recognised during the year solely relates to Lotour Huicheng’s intangible assets based in Beijing, China.

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

	<i>RMB'000</i>
Cost	
At 1 January 2015, 31 December 2015 and 31 December 2016	23,644
Accumulated impairment losses	
At 1 January 2015	5,629
Impairment loss	4,560
At 31 December 2015	10,189
At 1 January 2016	10,189
Impairment loss	7,453
At 31 December 2016	17,642
Carrying amount	
At 31 December 2016	6,002
At 31 December 2015	13,455

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

13. GOODWILL (CONTINUED)

Impairment tests for cash-generating units containing goodwill

Goodwill arises on the acquisition of the subsidiaries including Beijing Lotour Huicheng Internet Technology Company Limited (“Lotour Huicheng”) and Hangzhou Sanji Media Company Limited (“Hangzhou Sanji”) are as follows:

	2016 RMB'000	2015 RMB'000
Lotour Huicheng	—	7,453
Hangzhou Sanji	6,002	6,002
	6,002	13,455

Lotour Huicheng

The recoverable amount of Lotour Huicheng 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 20.95% (2015:23.31%). The major assumption is the growth rate in revenue. The growth rates are based on the past performance of Lotour Huicheng, its expectation for market development and its development target. The discount rates used are pre-tax and reflect specific risks relating to Lotour Huicheng.

The impairment loss recognised during the year solely relates to Lotour Huicheng based in Beijing, China.

Hangzhou Sanji

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 20.44% (2015:18%). 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.

No impairment loss (2015: RMB4,560 thousand) recognised during the year relates to Hangzhou Sanji based in Hangzhou, China. As Hangzhou Sanji has been reduced to its recoverable amount of RMB14.5 million, any adverse change in the assumptions used in the calculation of recoverable amount would result in further impairment losses.

14. INVESTMENTS IN SUBSIDIARIES

As at 31 December 2016, the Company had direct and indirect interests in the following subsidiaries:

Name of companies	Place and date of incorporation/ establishment	Registered and fully paid capital	Proportion of ownership interest			Principal activities	Director(s)
			Group's effective interest	Held by the Company	Held by a subsidiary		
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-05	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 Ms. Jin Lanxiang
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-11	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-13	SGD2,000,000	100%	100%	—	Production and distribution of advertisement	Ms. Liu Jinlan Mr. Li Zongzhou

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(Expressed in Renminbi unless otherwise indicated)

14. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of companies	Place and date of incorporation/ establishment	Registered and fully paid capital	Proportion of ownership interest			Principal activities	Director(s)
			Group's effective interest	Held by the Company	Held by a subsidiary		
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	Jiangsu, the PRC 30-Jan-07	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 中視金橋國際傳媒澗水有限公司	Lianshui, the PRC 25-Jun-14	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-08	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-08	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-09	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	Registered and fully paid capital	Proportion of ownership interest			Principal activities	Director(s)
			Group's effective interest	Held by the Company	Held by a subsidiary		
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-09	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-10	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-10	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-11	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-11	RMB30,000,000	99.70%	—	100%	Advertisement design and production, agency and publishing services	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-10	RMB30,841,400	70.80%	—	71%	Information services, media production and advertisement services	Mr. Liu Xuming Mr. Chen Xin Mr. Peng Bin

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

14. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of companies	Place and date of incorporation/ establishment	Registered and fully paid capital	Proportion of ownership interest			Principal activities	Director(s)
			Group's effective interest	Held by the Company	Held by a subsidiary		
Hangzhou Sanji Media Company Limited 杭州三基傳媒有限公司	Hangzhou, the PRC 22-Jun-06	RMB50,930,000	75%	—	75.26%	Information services, media production and advertisement services	Mr. Chen Xin Ms. Liu Jinlan Mr. Lei Wenjun
Hangzhou Dalei Internet Technology Company Limited 杭州大雷網絡科技有限公司	Hangzhou, the PRC 09-May-12	RMB10,000,000	75%	—	75.26%	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-16	RMB50,000,000	100%	—	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-16	RMB10,000,000	100%	—	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-16	RMB5,000,000	100%	—	100%	Corporate management, consulting and property management	Mr. Yan Tiehua

15. INTEREST IN AN ASSOCIATE

	2016 RMB'000	2015 RMB'000
Unlisted shares, at cost	—	5,145
Goodwill	—	4,855
Share of loss	—	(3,475)
	—	6,525
Less: impairment loss	—	—
	—	6,525

Guoguang Shengshi Cultural and Media (Beijing) Company Limited (“Guoguang Shengshi”)

CTV Golden Bridge Culture Development (Beijing) Company Limited (“Golden Bridge Culture”), a subsidiary controlled by the Group through contractual arrangements, owned 49% of the voting power of Guoguang Shengshi. In June, 2016, the Group disposed of the 49% equity interest to Global Broadcasting Media Group with a consideration of RMB10,000 thousand, and the net profit RMB3,475 thousand has been recognised in the consolidated statement of profit or loss.

16. OTHER FINANCIAL ASSETS

(a) Other current financial asset

	2016 RMB'000	2015 RMB'000
Other financial asset	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 2016, the fair value of the convertible note is based on the total principle of the contract.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

16. OTHER FINANCIAL ASSETS (CONTINUED)

(b) Other non-current financial asset

Available-for-sale equity securities

	<i>Note</i>	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Ftuan.com	<i>(i)</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 2016.

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Original cost	18,952	18,952
Impairment to the investment on Ftuan.com	(18,952)	(18,952)
Carrying value at 31 December	—	—

17. TRADE AND OTHER RECEIVABLES

	Note	2016 RMB'000	2015 RMB'000
Non-current assets			
Other receivables		2,085	1,917
Current assets			
Trade debtors and bills receivable		190,045	171,562
Less: allowance for doubtful debts	17(b)	(72,622)	(73,529)
		117,423	98,033
Prepayments and deposits to media suppliers		382,987	425,765
Advances to employees		1,741	1,645
Other debtors and prepayments	(i)	29,591	29,234
Less: allowance for doubtful debts		(10,246)	(10,246)
		521,496	544,431
		523,581	546,348

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

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

17. 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 is as follows:

	2016		2015	
	Gross RMB'000	Impairment RMB'000	Gross RMB'000	Impairment RMB'000
Within 3 months	70,790	—	63,007	—
3 to 6 months	27,574	—	18,689	—
6 to 12 months	5,158	—	3,803	—
Over 12 months	86,523	72,622	86,063	73,529
	190,045	72,622	171,562	73,529

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 24(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 debtors and bills receivable during the year is as follows:

	2016 RMB'000	2015 RMB'000
Balance at 1 January	73,529	71,080
Impairment loss recognised for the year	194	3,952
Reversal of impairment loss	(971)	(1,503)
Uncollectible amounts written off	(130)	—
Balance at 31 December	72,622	73,529

17. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

At 31 December 2016, the Group's trade debtors and bills receivable of RMB72,622 thousand (2015: RMB73,529 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:

	2016 RMB'000	2015 RMB'000
Neither past due nor impaired	70,790	63,007
Less than 6 months past due	27,597	18,860
More than 6 months but less than 12 months past due	10,986	6,139
More than 12 months past due	8,050	10,027
Total amount past due	46,633	35,026
	117,423	98,033

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.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

18. CASH AND CASH EQUIVALENTS

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Cash at bank and on hand	552,531	418,098
Time deposit with original maturity over three months	11,698	26,502
Pledged bank deposits	—	565
Less:	564,229	445,165
Time deposit with original maturity over three months	(11,698)	(26,502)
Pledged bank deposits	—	(565)
Cash and cash equivalents	552,531	418,098

(a) Cash and cash equivalents are denominated in

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
RMB	511,116	330,230
USD	14,414	10,989
EUR	1	1
AUD	6	6
SGD	1,433	3,024
HKD	25,561	73,848
	552,531	418,098

18. CASH AND CASH EQUIVALENTS (CONTINUED)

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

	<i>Note</i>	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
(Loss)/Profit before taxation		(25,883)	190,761
Adjustments for:			
Depreciation	5(c)	26,211	28,382
Amortisation of intangible assets	5(c)	5,055	4,833
Impairment of intangible assets	12	16,607	—
Impairment of goodwill	13	7,453	4,560
Finance costs	5(a)	827	8,999
Finance income	5(a)	(4,770)	(22,995)
Share of loss of an associate		—	325
Net gain on disposal of an associate		(3,475)	—
Net loss on sale of property, plant and equipment and intangible asset		728	560
Equity-settled share-based payment expenses	21	1,590	(106)
		24,343	215,319
Changes in working capital:			
Decrease/(Increase) in trade and other receivables		22,767	(116,231)
Increase/(Decrease) in trade and other payables		50,105	(241,423)
Cash generated from/(used in) operations		97,215	(142,335)

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

19. TRADE AND OTHER PAYABLES

	Note	2016 RMB'000	2015 RMB'000
Trade payables	(i)	15,824	4,910
Payroll and welfare expenses payables		16,879	16,044
Other tax payables	(ii)	20,532	13,646
Other payables and accrued charges		37,821	38,938
Dividends payable due to non-controlling interest of a subsidiary		856	856
		91,912	74,394
<hr style="border-top: 1px dashed orange;"/>			
Advances from customers	(iii)	224,162	191,575
		316,074	265,969

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

	2016 RMB'000	2015 RMB'000
Within 3 months	14,657	4,024
3 months to 6 months	776	880
6 months to 12 months	385	6
Over 12 months	6	—
		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 24.

20. BANK LOANS

As at 31 December 2016, the bank loans were repayable as follows:

	2016 RMB'000	2015 RMB'000
Within one year or on demand	110,000	—

As at 31 December 2016, the bank loans were secured as follows:

	2016 RMB'000	2015 RMB'000
Secured bank loans	110,000	—

At 31 December 2016, the banking facilities obtained by the Group amounted to RMB240,000 thousand for the period from 11 January 2016 to 10 January 2017 (2015: nil) were secured by its own property of Floor 6, 7, 12 and 13 of The Place-SinoMedia Tower on Block D, 9 Guanghai Road, Chaoyang District, Beijing, the PRC, with an aggregate carrying value of RMB282,719 thousand (2015: not applicable).

At 31 December 2016, the banking facilities were utilised by the Group to the extent of RMB110,000 thousand.

21. 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.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

21. 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	3,348,000	One year's service	10 years
1 July 2007	2,548,000	Two years' service	10 years
1 July 2007	2,548,000	Three years' service	10 years
1 July 2007	1,876,000	Four years' service	10 years

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

	2016		2015	
	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	11,088,000
Exercised during the year	RMB1.56	—	RMB1.56	128,000
Forfeited during the year	RMB1.56	—	RMB1.56	640,000
Outstanding at the end of the year		10,320,000		10,320,000
Exercisable at the end of the year		10,320,000		10,320,000

The options outstanding as at 31 December 2016 had an exercise price of RMB1.56 per share and a weighted average remaining contractual life of 0.5 years (2015: 1.5 years).

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

(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 binomial 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 2016, no equity-settled share-based payment expenses (2015: 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 2016, the Company granted 11 tranches of share option under Post-IPO Scheme.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

21. 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	165,000	On the date of grant	8 years
17 September 2009	165,000	One year's service	8 years
17 September 2009	165,000	Two years' service	8 years
17 September 2009	165,000	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	1,336,000	One year's service	8 years
2 July 2010	1,435,000	Two years' service	8 years
2 July 2010	1,575,000	Three years' service	8 years
2 July 2010	1,777,000	Four years' service	8 years

21. 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.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

21. 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

21. 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.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

21. 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	185,000	Three years' service	8 years
11 September 2012	185,000	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	75,000	One year's service	8 years
12 April 2013	75,000	Two years' service	8 years
12 April 2013	75,000	Three years' service	8 years
12 April 2013	75,000	Four years' service	8 years

21. 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	255,000	One year's service	8 years
19 July 2013	255,000	Two years' service	8 years
19 July 2013	255,000	Three years' service	8 years
19 July 2013	255,000	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.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

21. 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	230,000	One year's service	8 years
10 September 2014	230,000	Two years' service	8 years
10 September 2014	230,000	Three years' service	8 years
10 September 2014	230,000	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	600,000	One year's service	8 years
15 September 2015	600,000	Two years' service	8 years
15 September 2015	600,000	Three years' service	8 years
15 September 2015	600,000	Four years' service	8 years

21. 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 1 st tranche		Post-IPO Option 2 nd tranche		Post-IPO Option 3 rd tranche		Post-IPO Option 4 th tranche		Post-IPO Option 5 th tranche		Post-IPO Option 6 th tranche	
At 1 January 2015	HKD1.49	660,000	HKD1.84	10,405,500	HKD2.82	125,000	HKD2.88	713,000	HKD2.62	595,000	HKD2.36	800,000
Granted	–	–	–	–	–	–	–	–	–	–	–	–
Exercised	–	–	HKD1.84	4,282,000	–	–	HKD2.88	63,000	HKD2.62	–	–	–
Lapsed	–	–	HKD1.84	500	HKD2.82	125,000	–	–	HKD2.62	275,000	–	–
At 31 December 2015	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 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
Currently exercisable As 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

	Post-IPO Option 7 th tranche		Post-IPO Option 8 th tranche		Post-IPO Option 9 th tranche		Post-IPO Option 10 th tranche		Post-IPO Option 11 th tranche		Total
At 1 January 2015	HKD3.22	1,020,000	HKD4.31	620,000	HKD6.86	1,680,000	HKD5.50	920,000	–	–	17,698,500
Granted	–	–	–	–	–	–	–	–	2,400,000	2,400,000	2,400,000
Exercised	HKD3.22	300,000	HKD4.31	80,000	–	–	–	–	–	–	4,725,000
Lapsed	HKD3.22	160,000	–	240,000	HKD6.86	400,000	–	–	–	–	1,360,500
At 31 December 2015	HKD3.22	560,000	HKD4.31	300,000	HKD6.86	1,280,000	HKD5.50	920,000	–	2,400,000	14,013,000
At 1 January 2016	HKD3.22	560,000	HKD4.31	300,000	HKD6.86	1,280,000	HKD5.50	920,000	–	2,400,000	14,013,000
Granted	–	–	–	–	–	–	–	–	–	–	–
Exercised	–	–	–	–	–	–	–	–	–	–	–
Lapsed	–	–	–	–	HKD6.86	260,000	–	–	HKD2.59	–	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
Currently exercisable As at 31 December 2016	HKD3.22	560,000	HKD4.31	225,000	HKD6.86	765,000	HKD5.50	460,000	HKD2.59	600,000	11,163,000

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

21. 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 outstanding as at 31 December 2016 had an exercise price of HKD1.49 per share and a weighted average remaining contractual life of 0.75 years.

The options of Post-IPO 2nd tranche outstanding as at 31 December 2016 had an exercise price of HKD1.84 per share and a weighted average remaining contractual life of 1.5 years.

The options of Post-IPO 3rd tranche outstanding as at 31 December 2016 had an exercise price of HKD2.82 per share and a weighted average remaining contractual life of 1.9 years.

The options of Post-IPO 4th tranche outstanding as at 31 December 2016 had an exercise price of HKD2.88 per share and a weighted average remaining contractual life of 1.95 years.

The options of Post-IPO 5th tranche outstanding as at 31 December 2016 had an exercise price of HKD2.62 per share and a weighted average remaining contractual life of 2.33 years.

The options of Post-IPO 6th tranche outstanding as at 31 December 2016 had an exercise price of HKD2.36 per share and a weighted average remaining contractual life of 3.02 years.

The options of Post-IPO 7th tranche outstanding as at 31 December 2016 had an exercise price of HKD3.22 per share and a weighted average remaining contractual life of 3.69 years.

The options of Post-IPO 8th tranche outstanding as at 31 December 2016 had an exercise price of HKD4.31 per share and a weighted average remaining contractual life of 4.28 years.

The options of Post-IPO 9th tranche outstanding as at 31 December 2016 had an exercise price of HKD6.86 per share and a weighted average remaining contractual life of 4.55 years.

The options of Post-IPO 10th tranche outstanding as at 31 December 2016 had an exercise price of HKD5.50 per share and a weighted average remaining contractual life of 5.69 years.

The options of Post-IPO 11th tranche outstanding as at 31 December 2016 had an exercise price of HKD2.59 per share and a weighted average remaining contractual life of 6.70 years.

21. 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 1 st tranche	17 September 2009	HKD1.49	HKD1.49	43.77%	8 years	2.49%	2.16%
Post-IPO 2 nd tranche	2 July 2010	HKD1.74	HKD1.84	46.17%	8 years	1.61%	2.09%
Post-IPO 3 rd tranche	22 November 2010	HKD2.82	HKD2.82	45.72%	8 years	1.30%	2.02%
Post-IPO 4 th tranche	6 December 2010	HKD2.88	HKD2.88	45.70%	8 years	1.30%	2.16%
Post-IPO 5 th tranche	29 August 2011	HKD2.60	HKD2.62	41.47%	8 years	2.94%	1.74%
Post-IPO 6 th tranche	9 January 2012	HKD2.36	HKD2.36	42.58%	8 years	5.37%	1.52%
Post-IPO 7 th tranche	11 September 2012	HKD3.22	HKD3.22	43.51%	8 years	4.96%	0.66%
Post-IPO 8 th tranche	12 April 2013	HKD4.31	HKD4.31	44.58%	8 years	5.33%	0.95%
Post-IPO 9 th tranche	19 July 2013	HKD6.68	HKD6.86	45.82%	8 years	3.94%	2.20%
Post-IPO 10 th tranche	10 September 2014	HKD5.40	HKD5.50	55.13%	8 years	6.00%	1.98%
Post-IPO 11 th tranche	15 September 2015	HKD2.52	HKD2.59	56.48%	8 years	10.00%	1.43%

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.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

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

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

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

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.

22. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	2016 RMB'000	2015 RMB'000
PRC income tax		
Balance at the beginning of the year	39,710	49,571
Provision for the year	9,797	70,836
Tax paid	(21,376)	(80,697)
Balance of tax provision at the end of the year	28,131	39,710

22. 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 2015	(2,794)	(3,392)	(6,186)
Charged to profit or loss	2,794	1,195	3,989
At 31 December 2015	—	(2,197)	(2,197)
At 1 January 2016	—	(2,197)	(2,197)
Charged to profit or loss	26	2,197	2,223
At 31 December 2016	26	—	26

(ii) Reconciliation to the consolidated statement of financial position

	2016 RMB'000	2015 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	—	(2,197)
Net deferred tax liabilities recognised in the consolidated statement of financial position	26	—
	26	(2,197)

(c) Deferred tax assets and liabilities not recognised:

As at 31 December 2016, temporary differences relating to the undistributed retained earnings of PRC subsidiaries amounted to RMB1,071,023 thousand (2015: RMB1,087,884 thousand). Deferred tax liability of RMB106,781 thousand (2015: RMB108,462 thousand) have not been recognised in respect of the tax that would be payable on the distribution of these retained earnings as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that those retained earnings are not likely to be distributed in the foreseeable future.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

23. 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 23(c))	Capital reserve RMB'000 (note 23(d))	Translation reserve RMB'000 (note 23(d))	Retained Profits RMB'000 (note 23(d))	Total RMB'000
Balance at 1 January 2015	500,734	25,142	(60,342)	146,730	612,264
Changes in equity for 2015:					
Total comprehensive income for the year	—	—	32,371	86,305	118,676
Equity-settled share-based transactions (note 21)	—	(106)	—	—	(106)
Exercise of share option	10,247	(2,671)	—	—	7,576
Purchase of own shares	—	—	—	(53,402)	(53,402)
Dividends approved in respect of the previous year	—	—	—	(121,848)	(121,848)
Balance at 31 December 2015 and 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 21)	—	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	510,981	23,955	6,864	(33,823)	507,977

23. CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(b) Dividends

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

	2016 RMB'000	2015 RMB'000
No dividend proposed after the end of the reporting period (2015: approximately RMB8.90 cents per ordinary share in total)	—	48,517

Pursuant to a resolution passed at the Director's meeting on 29 March 2017, no dividend proposed after the end of the reporting period.

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

	2016 RMB'000	2015 RMB'000
Dividends to equity shareholders of the Company	49,433	121,848

Pursuant to the board resolutions dated 15 June 2016, the Company declared dividends at an aggregate amount of HKD57,635 thousand (equivalent to approximately RMB49,433 thousand at an exchange rate of 0.85770) to the equity shareholders from the distributable reserve. Such dividends were fully paid in August 2016.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

23. CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(c) Share capital

(i) Issued share capital

	2016		2015	
	No. of ordinary shares	HKD	No. of ordinary shares	HKD
Ordinary shares, issued and fully paid:				
At 1 January	547,915,370	581,930,830	568,215,370	568,952,090
Shares issued under share option scheme	—	—	4,853,000	12,978,740
Shares repurchased and cancelled	12,583,000	—	25,153,000	—
At 31 December	535,332,370	581,930,830	547,915,370	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.

23. 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 2016	3,006,000	2.49	1.97	6,792	5,711
February 2016	1,000	1.95	1.95	4	3
May 2016	21,000	1.92	1.88	40	34
June 2016	728,000	1.95	1.80	1,347	1,151
July 2016	521,000	1.65	1.60	857	732
September 2016	1,086,000	1.80	1.55	1,739	1,498
October 2016	358,000	1.88	1.85	675	588
November 2016	3,657,000	1.90	1.82	6,827	6,062
December 2016	3,575,000	1.88	1.75	6,579	5,886
				24,860	21,665

The repurchase was governed by section 257 of the Hong Kong Companies Ordinance. The total amount paid on the repurchased shares of HKD24,860 thousand (equivalent to approximately RMB21,665 thousand) was paid wholly out of retained profits.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

23. CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(c) Share capital (continued)

(iii) Shares issued under share option scheme

In the year of 2016, 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.

At 31 December 2016, there were 10,320,000 unexercised pre-IPO share options (2015: 10,320,000) at an exercise price of RMB1.56.

23. 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

The Company has adopted share option schemes on 27 May 2008 (the "Post-IPO Scheme").

Exercise period	Exercise price	2016 Number	2015 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
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
		34,460,000	34,460,000

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

23. 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)

Each option entitles the holder to subscribe for one ordinary share in the Company. Further details of these options are set out in note 21 to the financial statements.

At 31 December 2016, there were 13,753,000 unexercised post-IPO share options (2015: 14,013,000).

(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.

(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).

23. CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(d) Nature and purpose of reserves (continued)

(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.

24. 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.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

24. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

(CONTINUED)

(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, 0.99% (2015: 0.00%) and 1.51% (2015: 4.20%) 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 17.

(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.

24. 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:

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

	2015					Carrying amount RMB'000
	Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	
Trade and other payables*	74,394	—	—	—	74,394	74,394

* Excludes advances from customers

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(Expressed in Renminbi unless otherwise indicated)

24. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

(CONTINUED)

(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.

24. 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.

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Trade and other receivables		
— in HKD	1,000	810
— in SGD	312	369
Cash and cash equivalents		
— in USD	14,414	10,989
— in EUR	1	1
— in AUD	6	6
— in SGD	1,433	3,024
— in HKD	25,561	73,855
Trade and other payables		
— in HKD	(1,291)	(1,703)
— in SGD	(87)	(756)
Gross exposure	41,349	86,595

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(Expressed in Renminbi unless otherwise indicated)

24. 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:

RMB	Average rate		Reporting date spot rate	
	2016	2015	2016	2015
HKD	0.8662	0.8134	0.8945	0.8378
USD	6.7153	6.3063	6.9370	6.4936
AUD	4.8717	4.8725	5.0157	4.7276
EUR	7.2010	7.2754	7.3068	7.0952
SGD	4.6935	4.6136	4.7995	4.5875

(iv) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after tax (and retained earnings) 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.

	2016		2015	
	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained earnings RMB'000	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained earnings RMB'000
USD	10%	1,441	10%	1,099
	(10%)	(1,441)	(10%)	(1,099)
AUD	10%	1	10%	1
	(10%)	(1)	(10%)	(1)
EUR	10%	0.1	10%	0.1
	(10%)	(0.1)	(10%)	(0.1)
HKD	10%	2,527	10%	7,296
	(10%)	(2,527)	(10%)	(7,296)
SGD	10%	166	10%	264
	(10%)	(166)	(10%)	(264)

24. 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 2015.

(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.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

24. 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 measurement as at 31 December 2016 categorised into			
	Fair value at 31 December 2016 RMB'000	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 measurement as at 31 December 2015 categorised into			
	Fair value at 31 December 2015 RMB'000	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Asset				
Other current financial asset	—	—	—	—
Liability				
Other current financial liability	—	—	—	—

During the year ended 2016 and 2015, there were no transfer between instruments in Level 1 and Level 2, or transfer into or out of Level 3.

24. 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 2016 and 2015.

25. COMMITMENTS

(a) Capital commitment

As at 31 December 2016, the Group did not have any significant capital commitment.

(b) Operating commitments

As at 31 December 2016, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2016 RMB'000	2015 RMB'000
Within one year	3,130	4,311
After one year but within five years	1,329	2,741
Total	4,459	7,052

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

	2016 RMB'000	2015 RMB'000
Within one year	87,253	98,013

26. CONTINGENT ASSETS AND LIABILITIES

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

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

27. MATERIAL RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

	Note	2016 RMB'000	2015 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 2016 to 31 December 2016 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

	2016 RMB'000	2015 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 2016.

(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:

	2016 RMB'000	2015 RMB'000
Short-term employee benefits	8,683	9,615
Equity-settled share-based transactions	465	31
	9,148	9,646

Total remuneration is included in "Personnel expenses" (see note 5(b)).

28. COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	2016 RMB'000	2015 RMB'000
Non-current assets		
Investments in subsidiaries	268,208	250,283
	268,208	250,283
Current assets		
Trade and other receivables	218,836	241,628
Other financial asset	1,537	—
Cash and cash equivalents	21,475	73,162
	241,848	314,790
Current liabilities		
Trade and other payables	2,079	1,913
	2,079	1,913
Net current assets	239,769	312,877
Total assets less current liabilities	507,977	563,160
NET ASSETS	507,977	563,160
CAPITAL AND RESERVES		
Share capital	510,981	510,981
Reserves	(3,004)	52,179
TOTAL EQUITY	507,977	563,160

Approved and authorised for issue by the board of directors on 29 March 2017.

Chen Xin
Chairman

Li Zongzhou
Director

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

29. IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At 31 December 2016, 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.

30. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2016

Up to the date of issue of these financial statements, the IASB/HKICPA has issued a number of amendments and new standards which are not yet effective for the year ended 31 December 2016 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
Amendments to IAS/HKAS 7, <i>Statement of cash flows: Disclosure initiative</i>	1 January 2017
Amendments to IAS/HKAS 12, <i>Income taxes: Recognition of deferred tax assets for unrealised losses</i>	1 January 2017
IFRS/HKFRS 9, <i>Financial instruments</i>	1 January 2018
IFRS/HKFRS 15, <i>Revenue from contracts with customers</i>	1 January 2018
Amendments to IFRS/HKFRS 2, <i>Share-based payment: Classification and measurement of share-based payment transactions</i>	1 January 2018
IFRS/HKFRS 16, <i>Leases</i>	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments and new standards 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.

Five Year Summary

(Expressed in Renminbi)

	2016 RMB'000	2015 RMB'000	2014 RMB'000	2013 RMB'000	2012 RMB'000
Results					
Revenue	1,299,289	1,256,871	1,634,652	1,767,036	1,642,113
(Loss)/Profit from operations	(31,051)	172,259	424,126	506,131	419,672
Net finance income	5,168	18,827	7,291	20,909	18,589
Share of (loss)/profit of associates	—	(325)	(840)	3,455	(1,169)
(Loss)/Profit before taxation	(25,883)	190,761	430,577	530,495	437,092
Income tax	(12,020)	(74,825)	(124,691)	(158,808)	(131,468)
(Loss)/Profit for the year	(37,903)	115,936	305,886	371,687	305,624
Attributable to:					
Equity shareholders of the Company	(27,066)	121,673	306,571	369,108	302,591
Non-controlling interests	(10,837)	(5,737)	(685)	2,579	3,033
(Loss)/Profit for the year	(37,903)	115,936	305,886	371,687	305,624
Assets and liabilities					
Property, plant and equipment	246,797	261,278	272,555	219,393	53,253
Investment property	603,906	615,151	629,949	704,159	3,766
Intangible assets	27,885	39,702	39,955	38,336	—
Goodwill	6,002	13,455	18,015	23,644	—
Prepayments	—	—	—	—	792,869
Interest in associates	—	6,525	6,850	44,153	48,086
Other non-current financial assets	—	—	—	23,417	24,339
Deferred tax assets	—	2,197	6,186	11,703	5,146
Trade and other receivables	2,085	1,917	2,550	1,800	—
Net current assets	633,031	683,917	703,260	438,761	318,683
Total assets less current liabilities	1,519,706	1,624,142	1,679,320	1,505,366	1,246,142
Other non-current financial liability	—	—	—	—	(12,442)
NET ASSETS	1,519,706	1,624,142	1,679,320	1,505,366	1,233,700

Five Year Summary

(Expressed in Renminbi)

	2016	2015	2014	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Capital and reserves					
Share capital	510,981	510,981	500,734	172	171
Reserves	1,009,974	1,103,573	1,168,674	1,477,978	1,224,542
Total equity attributable to equity shareholders of the Company	1,520,955	1,614,554	1,669,408	1,478,150	1,224,713
Non-controlling interests	(1,249)	9,588	9,912	27,216	8,987
TOTAL EQUITY	1,519,706	1,624,142	1,679,320	1,505,366	1,233,700
(Losses)/Earnings per share					
Basic (losses)/earnings per share (RMB)	(0.050)	0.220	0.542	0.661	0.544
Diluted (losses)/earnings per share (RMB)	(0.050)	0.217	0.528	0.636	0.532

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)