品牌中国
BRANDING CHINA

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

(incorporated in the Cayman Islands with limited liability)
(GEM Stock Code: 8219)
(Main Board Stock Code: 863)

TRANSFER OF LISTING FROM THE GROWTH ENTERPRISE MARKET TO THE MAIN BOARD OF THE STOCK EXCHANGE OF HONG KONG LIMITED

Financial Adviser to the Company

ANGLO CHINESE CORPORATE FINANCE, LIMITED 英高

On 9 February 2015, an application was made by the Company to the Stock Exchange for the transfer of listing of the Shares from GEM to the Main Board. On 7 August 2015, the Company renewed such application. The Company has applied for the listing of, and permission to deal in (i) the 246,810,194 Shares in issue; and (ii) the 20,000,000 Shares which may fall to be issued pursuant to the exercise of the share options that may be but not yet granted under the Share Option Scheme on the Main Board by way of transfer of listing from GEM to the Main Board.

The Board is pleased to announce that the approval-in-principle has been granted by the Stock Exchange on 26 August 2015 for the Shares to be listed on the Main Board and de-listed from GEM.

All pre-conditions for the Transfer of Listing have been fulfilled in relation to the Company and the Shares.

The last day of dealings in the Shares on GEM (Stock code: 8219) will be 7 September 2015. Dealing in the Shares on the Main Board (Stock code: 863) will commence at 9:00 a.m. on 8 September 2015.

* *For identification purposes only*

The Transfer of Listing will have no effect on the existing share certificates in respect of the Shares which will continue to be good evidence of legal title and be valid for trading, settlement and registration purposes and will not involve any transfer or exchange of the existing share certificates. Currently, the Shares have a board lot size of 2,000 Shares each and are traded in Hong Kong dollars. No change will be made to the Chinese and English stock short names, the existing share certificates, the board lot size, trading currency of the Shares and the Hong Kong branch share registrar and transfer office of the Company in connection with the Transfer of Listing.

On 19 January 2015, MOFCOM issued the Draft Law for general public comment which has ended in February 2015. Summary of the Draft Law and the potential impact on the Group are set out in section headed "Draft Law" of this announcement.

Reference is made to the announcement issued by the Company dated 9 February 2015 in relation to the formal application submitted to the Stock Exchange for the Transfer of Listing under the transfer of listing arrangement pursuant to the relevant provisions of the GEM Listing Rules and the Main Board Listing Rules and the announcement issued by the Company dated 9 August 2015 in relation to the renewal of such application.

TRANSFER OF LISTING OF THE SHARES FROM GEM TO THE MAIN BOARD

On 9 February 2015, an application was made by the Company to the Stock Exchange for the transfer of listing of the Shares from GEM to the Main Board. On 7 August 2015, the Company renewed such application. The Company has applied for the listing of, and permission to deal in (i) the 246,810,194 Shares in issue; and (ii) the 20,000,000 Shares which may fall to be issued pursuant to the exercise of the share options that may be but not yet granted under the Share Option Scheme, on the Main Board by way of transfer of listing from GEM to the Main Board.

The Board is pleased to announce that the approval-in-principle has been granted by the Stock Exchange on 26 August 2015 for the Shares to be listed on the Main Board and de-listed from GEM. All pre-conditions for the Transfer of Listing have been fulfilled in relation to the Company and the Shares.

REASONS FOR THE TRANSFER OF LISTING

The Shares have been listed on the GEM since 27 April 2012. The Group is principally engaged in the provision of one-stop integrated marketing communications services including advertising communications, PR communications and event marketing with a focus on well-known brands in the high value consumer goods sector. The Group places particular emphasis on the expansion of its digital marketing business and is receptive to any investment opportunity which could further such growth strategy and long-term development of the Group.

The Board believes that the Transfer of Listing will enhance the profile of the Group and improve the trading liquidity of the Shares. The Board also believes that following the Transfer of Listing, the Company could gain a wider recognition among larger institutional and retail investors. The Board considers that the listing of the Shares on the Main Board will be beneficial to the future growth, financing flexibility and business development of the Group.

As at the date of this announcement, the Board had no immediate plans to change the nature of the business of the Group following the Transfer of Listing. The Transfer of Listing will not involve any issue of new Shares by the Company.

DEALINGS IN THE SHARES ON THE MAIN BOARD

The Shares have been accepted as eligible securities by HKSCC for deposit, clearance and settlement in the CCASS with effect from 27 April 2012, the date on which the Shares were first listed on GEM. Subject to the continued compliance with the stock admission requirements of HKSCC, the Shares will continue to be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS once dealings in the Shares on the Main Board commence, and that all activities under CCASS are subject to the General Rules of the CCASS and CCASS Operational Procedures in effect from time to time.

The last day of dealings in the Shares on GEM (Stock code: 8219) will be 7 September 2015. Dealing in the Shares on the Main Board (Stock code: 863) will commence at 9:00 a.m. on 8 September 2015.

The Transfer of Listing will have no effect on the existing share certificates in respect of the Shares which will continue to be good evidence of legal title and be valid for trading, settlement and registration purposes and will not involve any transfer or exchange of the existing share certificates. Currently, the Shares have a board lot size of 2,000 Shares each and are traded in Hong Kong dollars. No change will be made to the Chinese and English stock short names, the existing share certificates, the board lot size, trading currency of the Shares and the Hong Kong branch share registrar and transfer office (which is Tricor Investor Services Ltd) of the Company in connection with the Transfer of Listing.

SHARE OPTION SCHEME

The Share Option Scheme was adopted by the Company on 10 April 2012 for the purpose of enabling the Group to grant options to selected eligible participants as incentives or rewards for their contribution to the Group and shall be valid for a period of 10 years. Subject to the early termination provisions contained in the Share Option Scheme, the remaining life of the Share Option Scheme will be until 8 April 2022.

As at the date of this announcement, the Share Option Scheme fully complies with the requirements of Chapter 17 of the Main Board Listing Rules, and will remain effective upon the Transfer of Listing.

Pursuant to the Share Option Scheme and as at the date of this announcement, the Company may grant options which would entitle the holders to subscribe for up to 20,000,000 Shares, representing 10% of the share capital of the Company in issue as at the date of listing of the Shares on GEM (that is, 27 April 2012), during the remaining term of the Share Option Scheme.

The listing of the Shares issued and to be issued upon exercise of options which may be granted pursuant to the Share Option Scheme will also be transferred to the Main Board pursuant to Rule 9A.10 of the Main Board Listing Rules.

As at the date of this announcement, there are no outstanding options, warrants or similar rights or convertible equity securities issued by the Company which will be transferred to the Main Board save as disclosed above.

GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES

Pursuant to Rule 9A.12 of the Main Board Listing Rules, the general mandates granted to the Directors to allot and issue new Shares and repurchase Shares by the Shareholders on 12 June 2015 will continue to be valid and remain in effect until the earliest of:

(a) the conclusion of the next annual general meeting of the Company;

(b) the expiration of the period within which the next annual general meeting of the Company is required by the laws of the Cayman Islands or the articles of association of the Company to be held; and

(c) the revocation or variation of such authority given by an ordinary resolution of Shareholders in general meeting.

COMPETING INTERESTS

As at the date of this announcement, none of the Directors or their respective associates has an interest in a business which competes or may compete, either directly or indirectly, with the business of the Group.

PUBLICATION OF RESULTS

Upon the Transfer of Listing, the Company will cease the practice of reporting financial results on a quarterly basis and will follow the relevant requirements of the Main Board Listing Rules, which include publishing its interim results and annual results within two months and three months from the end of the relevant periods or financial years, respectively.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be made available for viewing on the respective websites of the Company at www.brandingchinagroup.com. and of the Stock Exchange at www.hkexnews.hk:

(a) the published directors' report and annual accounts of the Company for the year ended 31 December 2014;

(b) the quarterly report of the Company for the three months ended 31 March 2015;

(c) the interim report of the Company for the six months ended 30 June 2015;

(d) amended and restated memorandum and articles of association of the Company;

(e) the circular of the Company dated 31 March 2015 in relation to, among other things, renewal of general mandates to issue and repurchase shares and re-election of directors; and

(f) a copy of each of announcements and other corporate communications made by the Company before the date of this announcement as required under the GEM Listing Rules and the Main Board Listing Rules.

Copies of the following documents will be available for viewing on the website of the Company at www.brandingchinagroup.com:

(a) the Structured Contracts;

(b) Mr. Fang Bin's undertaking executed on 10 August 2015 as mentioned in the section headed "The Draft Law – Potential impact on the Group"; and

(c) the letter of assignment dated 24 August 2015 mentioned in the section headed "Further details of the Structured Contracts – Irrevocable power of attorney".

ACQUISITION

Reference is made to the announcements dated 21 March 2013, 19 April 2013 and 22 April 2013 and the circular dated 20 May 2013 issued by the Company. The Company completed the acquisition of the Target Group in June 2013. The Target Group has been fully integrated as an organic part of the Group as its primary platform of the wireless marketing business in terms of sharing of the client base in the automobile, finance and fast moving consumer goods industries, development of media resources and cooperation in daily operation.

As disclosed in the Prospectus, it is the business strategy of the Group to expand its digital marketing platform and seek to expand the Group's business by acquiring growing companies in the integrated marketing communications sector preferably with digital marketing capabilities. With the development of Internet and the popularity of smart phones and tablet computers, the customers' businesses, consumers' lifestyles and purchasing behaviour have experienced great changes, and the focus of marketing demand of the clients has shifted gradually from traditional media to digital media, especially the wireless media. The acquisition of the Target Group is therefore in line with the business strategy of the Group and the industry trend.

Since the completion date of such acquisition of 17 June 2013, the Target Group had contributed approximately RMB55.9 million and RMB19.9 million to the Group's revenue and net profit for the year ended 31 December 2013. The revenue and profit contribution of the Target Group for the year ended 31 December 2014 were approximately RMB96.5 million and RMB25.5 million, respectively, representing approximately 32% and 62% of the revenue and net profit of the Group, respectively. The Target Group accounted for a significant part of the Group's revenue and net profit since the completion of its acquisition and is expected to continue to do so after the Transfer of Listing. The profit of the Group would reduce significantly if the Target Group's profit were excluded.

Summarised below are the analysis on the revenue and gross profit of the Target Group and the Original Group:

	For the year ended 31 December		For the three months ended 31 March	
	2013	**2014**	**2014**	**2015**
Target Group				
Revenue	76,037.74	96,506.11	7,523.51	23,135.96
Gross profit	38,263.51	44,459.20	4,121.51	5,785.85
Gross profit margin	*50.32%*	*46.07%*	*54.78%*	*25.01%*
Original Group				
Revenue	215,423.85	207,397.01	52,807.55	39,337.26
Gross profit	59,656.03	38,538.76	9,440.92	6,806.18
Gross profit margin	*27.69%*	*18.58%*	*17.88%*	*17.30%*

Target Group

Revenue of the Target Group increased approximately 26.92% from approximately RMB76.0 million (of which RMB55.9 million was consolidated into the Group) for the year ended 31 December 2013 to approximately RMB96.5 million for the year ended 31 December 2014 and approximately 207.52% from approximately RMB7.5 million for the three months ended 31 March 2014 to approximately RMB23.1 million for the three months ended 31 March 2015. The increases were mainly driven by the expansion of its wireless effect marketing business, which involves charging the advertisement on the basis of the effectiveness of the service measured by indicators such as cost per action, cost per click and cost per sale.

Gross profit of the Target Group increased approximately 16.19% from approximately RMB38.3 million (of which RMB31.0 million was consolidated into the Group) for the year ended 31 December 2013 to approximately RMB44.5 million for the year ended 31 December 2014 and approximately 40.38% from approximately RMB4.1 million for the three months ended 31 March 2014 to approximately RMB5.78 million for the three months ended 31 March 2015. Gross profit margin of the Target Group dropped from 50.32% in 2013 to 46.07% in 2014 as a result of the shift of customers' preference towards using wireless effect marketing which has lower margin than wireless advertising agency and wireless advertising production, the other two segments of its wireless marketing business. Wireless advertising agency involves selling advertising spaces in wireless media which are purchased by the Target Group from media suppliers and wireless advertising production involves design and production of wireless advertisement. Gross profit margin of the Target Group dropped to 25.01% for the three months ended 31 March 2015 from 54.78% for the same period because the Target Group purchased certain new buyout type mobile media resources in the first quarter of 2015 which have not been fully utilised as mentioned on in the section headed "Cost of sales".

Original Group

Revenue of the Original Group decreased approximately 3.73% from approximately RMB215.4 million for the year ended 31 December 2013 to approximately RMB207.4 million for the year ended 31 December 2014 and approximately 25.51% from approximately RMB52.8 million for the three months ended 31 March 2014 to approximately RMB39.3 million for the three months ended 31 March 2015. The decrease in revenue of the Original Group, which is mainly engaged in advertising business through traditional (non-digital) media resources, is mainly attributable to the increasing popularity of using digital media resources (such as internet and smartphone apps) as compared with traditional media resources (such as magazines) for marketing activities.

Gross profit of the Original Group decreased approximately 35.40% from approximately RMB59.7 million for the year ended 31 December 2013 to approximately RMB38.5 million for the year ended 31 December 2014 and approximately 27.91% from approximately RMB9.4 million for the three months ended 31 March 2014 to approximately RMB6.8 million for the three months ended 31 March 2015. The Original Group's gross profit margin dropped from 27.69% in 2013 to 18.58% in 2014 as a result of the overall industry trend towards the use of digital marketing channels. The gross profit margin of the Original Group of 17.30% for the three months ended 31 March 2015 maintained largely at the same level as 17.88% for the same period of 2014.

The main operating entities of the Target Group are Ju Liu Information and Ju Liu Software. According to the PRC legal opinion, both Ju Liu Information and Ju Liu Software are mainly engaged in advertising business and the principal and material laws and regulations applicable to the advertising business of the two companies are similar to those disclosed in the Prospectus, namely the Advertising Law of the People's Republic of China (中華人民共和國廣告法), the Regulations on Administration of Advertisement (廣告管理條例), the Detailed Rules for the Implementation of the Regulation on the Administration of Advertising (廣告管理條例實施細則), the Measures for Administration of Advertising Business Licenses (廣告經營授權管理辦法) and the Notice Governing Issues in relation to the Renewal of Advertising Business License (關於換發《廣告經營許可證》有關問題的通知).

According to the PRC legal opinion dated 17 August 2015, the PRC Legal Adviser of the Company is of the opinion that up to the date of the PRC legal opinion, Ju Liu Information and Ju Liu Software have complied with the relevant applicable laws and regulations in all material respects and has obtained all necessary permits and licences for its operations; Ju Liu Information and Ju Liu Software are not required to obtain a Value-added Telecommunications Service Operating Permit for their business operations; the business scope of Ju Liu Information and Ju Liu Software would not subject to foreign investment restrictions under the PRC foreign investment laws; and the Group's holding of the entire interest in Ju Liu Information and Ju Liu Software are in compliance with all applicable laws and regulations in the PRC.

Following the Target Group becoming a member of the Group, it is the intention of the Group to continue to utilise Target Group as its primary wireless advertising platform. The Directors of the Company intend that the Target Group will consolidate its existing customers which are primarily brands in automobile, finance and fast moving consumer goods industries with the focus on the middle class as the main target group. The Target Group intends to explore the marketing services for the second hand automobile market, focus on the marketing services for bank credit card business and the automobile insurance business in the finance sector and reduce gradually its business reliance on fast moving consumer goods sector due to its decreased profit margin and business volume. It is the intention of the Target Group to develop more direct customers, and reduce its reliance on advertising agencies.

From the supplier perspective, the Target Group intends to expand further its media resources, especially in automobile owner services and second hand automobile trading services, and to explore potential strategic cooperation with other digital marketing companies to expand its scope of services and strengthen its bargaining power in the purchase of media resources. The Target Group will also continue to enhance its technical strength and the expertise of professional team in order to optimise the advertising effect of its wireless marketing services.

The Company continues to look for investment opportunities to further its growth strategy and the long term development of the Group. As at the date of this announcement, no discussions are taking place and no legally binding agreements or contracts have been entered into by the Company in relation to any specific investment opportunity.

CERTAIN FINANCIAL INFORMATION OF THE GROUP

The table below sets forth the selected information of the Group's audited consolidated statements of comprehensive income for the three years ended 31 December 2014 and the unaudited consolidated statement of comprehensive income for the three months ended 31 March 2015 and the comparative figures for the corresponding period in 2014:

	Audited For the year ended 31 December			Unaudited For the three months ended 31 March	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000 except for figure per share				
Revenue	146,939.78	271,275.66	303,903.12	60,331.06	62,473.22
Cost of sales	(88,990.31)	(180,615.19)	(220,905.16)	(46,768.63)	(49,881.19)
Gross profit	57,949.47	90,660.47	82,997.96	13,562.43	12,592.03
Other income and gains	2,722.50	3,835.38	7,908.32	2,864.09	1,479.33
Selling and distribution expenses	(1,368.19)	(4,449.76)	(5,074.74)	(1,698.83)	(1,465.82)
Administrative and other expenses	(14,521.24)	(18,001.78)	(28,483.36)	(5,366.35)	(8,623.89)
Finance costs	–	(1,883.70)	(1,509.25)	(306.29)	(282.60)
Share of profits of associates	74.98	13.72	18.08	1.43	–
Profit before income tax expense	44,857.52	70,174.34	55,857.02	9,056.48	3,699.05
Income tax expenses	(12,501.13)	(19,308.84)	(14,833.78)	(2,264.12)	(1,665.76)
Profit for the period	32,356.40	50,865.51	41,023.24	6,792.36	2,033.29
Other comprehensive income					
Exchange differences	(526.58)	(45.66)	145.99	990.98	721.62
Total comprehensive income for the period	31,829.81	50,819.84	41,169.23	7,783.34	2,754.91
Basic and diluted earnings per share	0.1758	0.2255	0.1668	0.0275	0.0082

Performance of the Group for the three years ended 31 December 2014

Revenue

As shown in the table below, revenue from major customers of the Group throughout the three years ended 31 December 2014 and three months ended 31 March 2015 could be generally categorised into: (i) advertising communications; (ii) PR communications; and (iii) event marketing. Amongst these three sources of income, advertising communications was the most significant contributor to the business operations and financial performance of the Group throughout the three years ended 31 December 2014 and three months ended 31 March 2015 as it contributed to approximately 49.09%, 57.03% and 62.07% of the Group's revenue for the three years ended 31 December 2014 respectively.

The table below sets forth the breakdown of the Group's revenue by principal business activities for the three years ended 31 December 2014 and for the three months ended 31 March 2014 and 31 March 2015:

	Audited For the year ended 31 December						**Unaudited For the three months ended 31 March**			
	2012		**2013**		**2014**		**2014**		**2015**	
	RMB'000	*% of total revenue*	*RMB'000*	*% of total revenue*	*RMB'000*	*% of total revenue*	*RMB'000*	*% of total revenue*	*RMB'000*	*% of total revenue*
Advertising communications	73,205.9	49.09%	156,868.33	57.03%	191,074.81	62.07%	21,000.79	34.20%	35,562.24	56.28%
PR communications	24,953.46	16.73%	58,390.55	21.23%	81,157.84	26.36%	20,380.45	33.19%	11,020.33	17.44%
Event marketing	50,978.61	34.18%	59,795.53	21.74%	35,619.90	11.57%	20,030.39	32.62%	16,601.95	26.28%
	149,137.96	**100.00%**	**275,054.41**	**100.00%**	**307,852.55**	**100%**	**61,411.63**	**100%**	**63,184.52**	**100%**
Less: cultural business development charge	(2,198.18)		(3,778.75)		(3,949.43)		(1,080.57)		(711.3)	
Revenue	**146,939.78**		**271,275.66**		**303,903.12**		**60,331.06**		**62,473.22**	

Year ended 31 December 2013 compared to year ended 31 December 2012

The Group recorded total revenue of approximately RMB271.3 million for the year ended 31 December 2013, representing an increase of approximately 84.62% or approximately RMB124.3 million from approximately RMB146.9 million for the year ended 31 December 2012.

The income from the advertising communications business for the year ended 31 December 2013 was approximately RMB156.8 million, representing an increase of approximately 114.28% or approximately RMB83.7 million as compared with approximately RMB73.2 million for the year ended 31 December 2012. Such growth was primarily due to: (i) the Group's enhanced efforts in securing better advertising space during the year ended 31 December 2013 so that its major clients were attracted to place advertisements in traditional media, leading to a significant growth in advertising communications business of the Group as compared with the previous year; (ii) the consolidation of the income of the Target Group for the seven months ended 31 December 2013 into the total advertising communications income of the Group for the year ended 31 December 2013 as a result of such acquisition.

For the year ended 31 December 2013, the PR communications income was approximately RMB58.4 million, representing an increase of approximately 134.00% or approximately RMB33.4 million as compared with approximately RMB25.0 million for the year ended 31 December 2012. Such an increase was mainly attributable to the Group's positioning its digital marketing business as the key sector for business development. In 2013, by continuously expanding its digital marketing professional team and amassing digital media communications resources, together with the increasing popularity of the EPR business among brand owners, the Group recorded a substantial increase in the income from the EPR business as compared with the previous year, therefore boosting the overall income from the Group's PR communications business. During the period ended 31 December 2013, the income from EPR business was approximately RMB41.3 million, representing an increase of approximately 155.71% or approximately RMB25.2 million as compared with the previous year.

The income from several event marketing projects undertaken by the Group in 2013 amounted to approximately RMB59.8 million, representing an increase of approximately 17.30% or approximately RMB8.8 million as compared with approximately RMB51.0 million as at 31 December 2012. Such increase was mainly due to clients' increasing satisfaction with the marketing outcome of the Group's effort as a result of its innovative event marketing methods and enhanced strategies, which allowed the Group to organise various large-scale brand promotional campaigns during the year ended 31 December 2013.

Year ended 31 December 2014 compared to year ended 31 December 2013

For the year ended 31 December 2014, the revenue of the Group was approximately RMB303.9 million, representing an increase of approximately 12.03% or approximately RMB32.6 million as compared with approximately RMB271.3 million for the year ended 31 December 2013.

During the year ended 31 December 2014, the income from the advertising communications business was approximately RMB191.1 million, representing an increase of approximately 21.81% or approximately RMB34.2 million as compared with approximately RMB156.9 million for the previous year. The increase in the income from the advertising communications business was mainly due to (i) the expansion of media suppliers by the Group to secure a variety of media resources so that its major clients are attracted to place advertisements, leading to a significant growth in advertising communications business of the Group as compared with the previous year; and (ii) the consolidation of the income of the Target Group into the advertising communications income of the Group as a result of the acquisition of the Target Group completed in June 2013, which helped to boost the income.

For the year ended 31 December, 2014, the Group's PR communications income was approximately RMB81.2 million, representing an increase of approximately 38.99% or approximately RMB22.8 million as compared with approximately RMB58.4 million for the previous year. The increase in the income of PR communications business was mainly attributable to the expansion of the Group's EPR business as a result of the Group's positioning of its digital marketing business as the key sector for business development. As the marketing effect of the EPR is more measurable than traditional PR, it is widely recognised by customers and major clients of the Group increased their respective budgets with the Group, which in turn increased the overall business revenue of PR communications.

The event marketing income for the year ended 31 December 2014 was approximately RMB35.6 million, representing a decrease of approximately 40.43% or approximately RMB24.2 million, as compared with that of approximately RMB59.8 million for the previous year. The decrease in the income of event marketing was mainly due to the shift of marketing budgets by customers of the Group from event marketing to new media channels such as EPR and other forms of digital marketing.

Three months ended 31 March 2015 compared to three months ended 31 March 2014

For the three months ended 31 March 2015, the revenue of the Group was approximately RMB62.47 million, representing an increase of approximately RMB2.14 million as compared with approximately RMB60.33 million for the same period in 2014. Such increase was mainly due to the rapid growth of digital media (particularly the wireless media) communications methods adopted by the Group which had accurate, interactive and high efficiency advertisement placement features and attracted the customers to place orders on an ongoing basis, thus resulting in an increase of orders as compared with the same period in 2014.

Cost of sales

The following table sets out the Group's cost of sales breakdown for the three years ended 31 December and for the three months ended 31 March 2014 and 31 March 2015:

	For the year ended 31 December						For the three months ended 31 March			
	2012		2013		2014		2014		2015	
	RMB'000	*% of cost of sale*	*RMB'000*	*% of cost of sale*	*RMB'000*	*% of cost of sales*	*RMB'000*	*% of cost of sales*	*RMB'000*	*% of cost of sales*
Content production, printing and distribution costs of self-operated publication and operating costs of www.cnnauto.com	12,772.81	14.35%	14,941.09	8.27%	12,077.90	5.47%	2,518.49	5.38%	450.21	0.90%
Expenses for procuring advertising space and content	33,945.10	38.14%	104,345.32	57.77%	162,501.60	73.56%	21,551.52	46.08%	32,273.77	64.70%
Event organising and production costs	35,802.98	40.23%	52,578.86	29.11%	34,146.70	15.46%	20,230.65	43.26%	16,075.97	32.23%
Salaries and other staff costs paid to sales and marketing and strategic, creative and execution staff	6,469.42	7.27%	8,749.92	4.84%	12,178.96	5.51%	2,467.97	5.28%	1,081.24	2.17%
Total	**88,990.31**	**100.00%**	**180,615.19**	**100.00%**	**220,905.16**	**100.00%**	**46,768.63**	**100.00%**	**49,881.19**	**100.00%**
Year-on-year growth	*21.69%*		*102.96%*		*22.31%*		*N/A*		*6.66%*	

As stated in the Prospectus, as some of the Group's media resources and costs were shared amongst its three major business segments (namely, advertising, PR and event marketing), it is not feasible to allocate further such key components of cost of sales to the individual business segments.

The Group's cost of sales amounted to approximately RMB89.0 million, RMB180.6 million and RMB220.9 million for the three years ended 31 December 2014, representing a year-on-year growth of approximately 21.69%, 102.96% and 22.31%, respectively. As explained in the Group's 2013 annual report, the year-on-year growth in cost of sales for the year ended 31 December 2013 was mainly due to the increase in relevant costs as a result of an increase in income from various businesses of the Group during the year ended 31 December 2013 and the significant increase in expenses for procuring advertising space and the event organising and production costs as a result of the inclusion of the cost of sales of the Target Group. On the other hand, as mentioned in the Group's 2014 annual report, the year-on-year increase in cost of sales for the year ended 31 December 2014 was mainly due to (i) the increase in relevant costs as a result of expansion of the businesses of the Group during the period; and (ii) active exploration of new media resources by the Group in order to capture more business opportunities.

For the three months ended 31 March 2015, the Group's cost of sales amounted to approximately RMB49.9 million, representing an increase of approximately 6.66% as compared with approximately RMB46.8 million for the three months ended 31 March 2014. Such increase was mainly due to the Group's efforts to obtain better mobile media resources to meet customers' needs.

The Group is undertaking a strategic transformation and placing particular emphasis on the expansion of its digital marketing business which includes internet advertising, wireless advertising and EPR businesses. Following the trend of the advertising industry and the customer's customised demand, the Group started exploring the buyout type mobile media resources in May 2014.

Under the buyout arrangement, the Group is committing to pay for the rights to use operators certain advertising space on a mobile media resource for a specified period, typically 9 to 12 months, with equal instalments over such period. In certain circumstances where the mobile media resources have strong market presence and customer recognition and thus have stronger bargaining power, the Group will be requested by the application operators to use the buyout arrangement. In other circumstances where the Group expects certain mobile media resources are likely to increase in price, the Group may request to adopt the buyout method in order to lock in their prices and hence have better control on the costs. With such a buyout commitment, better rates are generally secured compared with the rates for shorter periods for a specific marketing programme. Having entered into a buyout arrangement, the Company will have access to advertising space which it can then utilise for its clients for their respective marketing programmes. Based on the experience of the Group, it generally takes a period of 3 to 6 months to fully utilise a newly acquired buyout type mobile media resource.

The buyout type media resources accounted for approximately 3.44% of the expenses for procuring advertising space for the year ended 31 December 2014 and such percentage increased to approximately 19.17% for the three months ended 31 March 2015.

Set out below is the breakdown of the expenses for procuring advertising space and content of the Group:

	For the year ended 31 December			For the three months ended 30 March	
	2012	2013	2014	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Target Group					
Buyout type	–	–	5,589.94	–	6,187.11
Non-buyout type	–	23,032.29	45,325.51	3,402.00	11,163.00
Other entities of the Group					
Buyout type	–	–	–	–	–
Non-buyout type	25,338.01	52,391.97	62,565.07	6,768.33	9,226.56
Expenses for procuring advertising space	**25,338.01**	**75,424.26**	**113,480.52**	**10,170.33**	**26,576.67**
Expenses for advertising content	**8,607.09**	**28,921.06**	**49,021.08**	**11,381.19**	**5,697.10**
Total expenses for procuring advertising space & content	**33,945.10**	**104,345.32**	**162,501.60**	**21,551.52**	**32,273.77**

As the Group's major platform of wireless marketing business, the Target Group's significant increase in the expenses of procuring advertising space during the year ended 31 December 2014 and for the three months ended 31 March 2015 were mainly driven by (i) the increase in overall demands of customers; (ii) the higher costs in procuring buyout type of media resources with strong market presence and customer recognition; and (iii) the increase in prices of mobile media resources as a results of their increasing popularity amongst customers. There was no one-off increase in such cost.

The increase in expenses for procuring advertising space for other entities of the Group during the year ended 31 December 2014 was mainly driven by: (i) the increase in overall customer demands; (ii) the procurement of customer designated media resources that are more expensive; and (iii) the increase in costs by using non-buyout type media resources with strong market presence and customer recognition. There was no one-off increase in such cost.

Gross profit

The Group's gross profit amounted to approximately RMB57.9 million, RMB90.7 million and RMB83.0 million, representing gross profit margins of approximately 39.44%, 33.42% and 27.31% for the three years ended 31 December 2014, respectively. Such steady drop in gross profit margin was mainly due to the disproportionate increase in the expenses for procuring advertising space as illustrated earlier.

For the year ended 31 December 2013, the Group achieved a gross profit of approximately RMB90.7 million, representing an increase of approximately 56.45% or approximately RMB32.7 million as compared with approximately RMB57.9 million for the year ended 31 December 2012. The Group's gross profit margin decreased from 39.44% for the year ended 31 December 2012 to 33.42% for the year ended 31 December 2013. Such decrease was primarily due to (i) the increase of media operating cost of traditional media; (ii) a drop in overall gross profit margin as a result of the increased volume of event marketing business which generated lower profit margin than digital marketing business; (iii) the continuous optimisation and expansion of the Group's professional teams, which led to an increase in labour cost.

For the year ended 31 December 2014, the Group achieved a gross profit of approximately RMB83.0 million, representing a decrease of approximately 8.45% or approximately RMB7.7 million as compared with approximately RMB90.7 million for the previous year. The Group's profit margin decreased from approximately 33.42% for the year ended 31 December 2013 to approximately 27.31% for the year ended 31 December 2014. The decrease in the Group's gross profit margin was primarily due to (i) the increase of media operating cost of traditional media; and (ii) recruitment of digital marketing talent in an effort to strengthen digital marketing business, which increased the budget of labour costs and resulted in a drop in gross profit margin.

For the three months ended 31 March 2015, the gross profit of the Group decreased from approximately RMB13.56 million for the three months ended 31 March 2014 to approximately RMB12.59 million. Such decrease was mainly due to the Group's efforts to obtain better mobile media resources to meet customers' needs, resulting in an increase in costs as compared with the same period of last year.

Profit/(loss) for the year

In June 2013, the Group completed the acquisition of the Target Group. As disclosed in the 2013 annual report of the Group, income of the Target Group for the seven months ended 31 December 2013 was included in the total advertising communications income of the Group for the year ended 31 December 2013 as a result of such acquisition. As a result, the Group recorded a net profit of approximately RMB50.9 million, representing a year-on-year growth of roughly 57.20% for the year ended 31 December 2013. The net profit margin of the Group for the year ended 31 December 2013 declined from 22.02% in the previous year to 18.75%.

Net profit of the Group for the year ended 31 December 2014 was approximately RMB41.02 million, representing a decrease of approximately 19.35% or approximately RMB9.84 million as compared with approximately RMB50.87 million for the previous year. The decrease was mainly attributable the increased cost of sales in purchasing media resources, the increased selling and distribution costs due to expansion of sales team and consolidation of full year costs of the sales team of the Target Group, and the increase in administrative expenses in back office labour costs and rental expenses of additional workplace. Net profit margin dropped to 13.50% from 18.75% for the previous year. The decrease was primarily attributable to (i) that the Group obtained more high quality media resources at higher cost so as to provide better service to the clients which caused the overall purchasing cost of each business sector to increase during the year ended 31 December 2014; and (ii) the increase in administrative and other expenses for the year ended 31 December 2014 by approximately

RMB10.48 million to approximately RMB28.48 million as compared with that of the year ended 31 December 2013. The quality media resources mentioned above are mainly traditional media resources and digital media resources which were reputable and well recognised by existing and potential customers of the Group. As the bargaining power of such high quality media resources are in general strong and due to the fierce competition in the advertising industry during 2014, the Group was not able to fully transfer the increased costs to the end customers in 2014 and maintain the same margin as in 2013. The increase in administrative and other expenses mentioned above are mainly caused by: (i) the increased in management salaries of approximately RMB5.27 million as the management salaries incurred by the Target Company was consolidated into the Group for the full financial year of 2014 whereas in 2013, only salaries that occurred after the acquisition (i.e. June to December) were consolidated into the Group; (ii) the rental of a new business conference venue in 2014 which increased the rental cost by approximately RMB3.18 million.

The net profit of the Group decreased from approximately RMB6.79 million for the three months ended 31 March 2014 to approximately RMB2.03 million for the three months ended 31 March 2015. The decrease was mainly due to: (i) increase of approximately RMB3.11 million in cost of sales as compared with that of last year to meet the customers' demands and to acquire the buyout type mobile media resources; (ii) the intermediary consulting fees of approximately RMB1.57 million incurred by the Company in relation to its application to the Stock Exchange for the transfer of listing of its Shares from GEM to the Main Board; and (iii) the expansion of workplace by the Group in response to business development requirement which led to an increase of approximately RMB0.99 million lease expenses as compared with that of the corresponding period of last year. If the intermediary consulting fees, which have only occurred as a result of the proposed transfer of listing, are ignored as non-recurring cost, the net profit after taxation of the Group would be greater.

Liquidity position

Net current assets

The following table sets out the details of the Group's current assets and liabilities as at 31 December 2012, 2013 and 2014 and 31 March 2015:

	Audited As at 31 December			Unaudited As at 31 March
	2012	**2013**	**2014**	**2015**
	RMB	*RMB*	*RMB*	*RMB*
Current Assets				
Trade and bills receivables	77,563,241	147,584,340	137,828,977	126,918,989
Prepayments, deposits and other receivables	25,909,682	34,101,518	102,679,599	81,081,778
Cash and cash equivalents	96,215,275	116,719,309	109,623,594	121,266,457
Total current assets	**199,688,198**	**298,405,167**	**350,132,170**	**329,267,224**
Current liabilities				
Trade payables	21,912,399	38,635,219	53,471,136	38,319,977
Receipts in advance, other payables and accruals	3,916,518	29,855,511	37,254,085	29,058,392
Amount due to an associate	20,000	–	–	–
Bank borrowing	15,000,000	15,000,000	20,000,000	20,000,000
Current tax liabilities	6,428,119	11,925,628	5,874,787	6,663,740
Total current liabilities	**47,277,036**	**95,416,358**	**116,600,008**	**94,042,109**
Net current assets	**152,411,162**	**202,988,809**	**233,532,162**	**235,225,115**

The Group recorded net current assets of approximately RMB152.4 million, RMB203.0 million and RMB233.5 million as at 31 December 2012, 2013 and 2014 respectively.

As at 31 December 2012, the Group recorded current assets of approximately RMB199.7 million comprised mainly of cash and cash equivalents of approximately RMB96.2 million and trade and bills receivable of approximately RMB77.6 million. The Group's current liabilities comprised mainly of trade payables of approximately RMB21.9 million and bank borrowing of RMB15.0 million.

As at 31 December 2013, the Group recorded current assets of approximately RMB298.4 million comprised mainly of cash and cash equivalents of approximately RMB116.7 million and trade and bills receivable of approximately RMB147.6 million. The Group's current liabilities comprised mainly of trade payables of approximately RMB38.6 million, and receipts in advance, other payables and accruals of approximately RMB29.9 million.

As at 31 December 2014, the Group recorded current assets of approximately RMB350.1 million comprised mainly of cash and cash equivalents of approximately RMB109.6 million and trade and bills receivable of approximately RMB137.8 million. The Group's current liabilities comprised mainly of trade payables of approximately RMB53.5 million, and receipts in advance, other payables and accruals of approximately RMB37.3 million.

As at 31 March 2015, the Group recorded current assets of approximately RMB329.3 million comprised mainly of cash and cash equivalents of approximately RMB121.3 million and trade and bills receivable of approximately RMB126.9 million. The Group's current liabilities comprised mainly of trade payables of approximately RMB38.3 million and receipts in advance, other payables and accruals of approximately RMB29.1 million.

Subsequent settlement of trade receivables and trade payables

Set out below are the subsequent settlements of the Group's trade receivables and trade payables as at 31 December 2014:

	Balance as at 31 December 2014	**Subsequent settlement up to 30 June 2015**	**Percentage settled**
	RMB million	*RMB million*	*%*
Trade receivables	136.4	101.0	74.05
Trade payables	53.5	46.5	86.97

Set out below are the subsequent settlements of the Group's trade receivables and trade payables as at 31 March 2015:

	Balance as at 31 March 2015	**Subsequent settlement up to 30 June 2015**	**Percentage settled**
	RMB million	*RMB million*	*%*
Trade receivables	123.9	34.2	27.57
Trade payables	38.3	18.6	48.63

Trade and bills receivables

The following table sets out the Group's trade receivables as at 31 December 2012, 2013 and 2014 and 31 March 2015:

	Audited As at 31 December						Unaudited As at 31 March	
	2012 *RMB*		2013 *RMB*		2014 *RMB*		2015 *RMB*	
< 1 month	19,100,585	26.36%	59,390,346	41.03%	24,025,470	17.62%	25,969,711	20.96%
1 to 3 months	19,776,100	27.29%	39,354,363	27.19%	31,737,276	23.27%	45,375,932	36.61%
3 to 6 months	23,445,111	32.36%	28,883,052	19.96%	44,533,512	32.66%	28,763,731	23.21%
6 months to 1 year	10,111,640	13.95%	14,571,707	10.07%	34,594,967	25.37%	19,894,314	16.05%
Over 1 year	28,600	0.04%	2,539,532	1.75%	1,477,752	1.08%	3,925,302	3.17%
	72,462,036	100.00%	144,739,000	100.00%	136,368,977	100.00%	123,928,989	100.00%
Bills receivable	5,101,205		2,845,340		1,460,000		2,990,000	
	77,563,241		**147,584,340**		**137,828,977**		**126,918,989**	

	Audited As at 31 December						Unaudited As at 31 March	
	2012 *RMB*		2013 *RMB*		2014 *RMB*		2015 *RMB*	
Neither past due nor impaired	56,700,428	78.25%	132,201,619	91.34%	104,130,580	76.36%	107,463,522	86.71%
Less than 1 month past due	4,757,097	6.56%	3,393,706	2.34%	11,359,968	8.33%	4,183,038	3.38%
1 to 3 months past due	10,202,841	14.08%	4,249,737	2.94%	9,776,774	7.17%	5,936,065	4.79%
3 to 12 months past due	801,670	1.11%	4,640,138	3.21%	10,601,655	7.77%	5,582,193	4.5%
More than 1 year past due	–	–	253,800	0.18%	500,000	0.37%	764,171	0.62%
	72,462,036	100.00%	144,739,000	100.00%	136,368,977	100.00%	123,928,989	100%

	For the year ended 31 December		
	2012	**2013**	**2014**
	RMB	*RMB*	*RMB*
Revenue	146,939,781	271,275,660	303,903,121
Trade and bills receivables to revenue (%) (note)	*44.11%*	*41.5%*	*46.96%*

Note: trade and bills receivable to revenue = [(opening trade and bills receivable + ending trade and bills receivable)/2]/revenue. Such percentage for the three months ended 31 March 2015 is not presented in the above table for the reason that using a quarterly revenue as the denominator would create a distorted figure and be misleading.

Trade and bills receivable of the Group amounted to approximately RMB77.6 million, RMB147.6 million and RMB137.8 million as at 31 December 2012, 2013 and 2014, respectively. The magnitude of increase of trade and bills receivables from approximately RMB77.6 million as at 31 December 2012 to approximately RMB147.6 million as at 31 December 2013 was generally in line with the increase in revenue of approximately 84.62% from RMB146.9 million for the year ended 31 December 2012 to RMB271.3 million for the year ended 31 December 2013. As at 31 December 2014, amid the Group recorded a modest growth in revenue from approximately RMB271.3 million for the year ended 31 December 2013 to approximately RMB303.9 million for the year ended 31 December 2014, the Group's trade and bills receivables decreased approximately 6.61% or RMB9,755,363 from approximately RMB147.6 million as at 31 December 2013 to approximately RMB137.8 million.

As at 31 December 2012, trade receivables with an aggregate carrying amount of approximately RMB15.8 million out of RMB72.5 million, representing approximately 21.75%, were past due but not impaired. Such trade receivables were related to a number of independent clients that have a good track record with the Group.

As at 31 December 2013, trade receivables with an aggregate carrying amount of approximately RMB12.5 million out of RMB144.7 million, representing approximately 8.66%, were past due but not impaired. Such trade receivables were related to a number of independent clients that have a good track record with the Group. The trade and bills receivables to sales ratio declined slightly by approximately 2.61% to approximately 41.5% for the year ended 31 December 2013.

As at 31 December 2014, trade receivables with an aggregate carrying amount of approximately RMB32.2 million out of RMB136.4 million, representing approximately 23.64%, were past due but not impaired. Such trade receivables were related to a number of independent clients that have a good track record with the Group. The trade and bills receivables to sales ratio increased slightly to approximately 46.96% as at 31 December 2014 as compared to approximately 41.5% recorded in the previous year.

As at 31 March 2015, trade receivables with an aggregate carrying amount of approximately RMB16.5 million out of RMB123.9 million, representing approximately 13.29%, were past due but not impaired.

Deposits and prepayments

The balance of deposits and prepayments decreased significantly from approximately RMB53.1 million as at 31 December 2012 to approximately RMB29.2 million as at 31 December 2013, which was mainly due to the fact that RMB25.0 million paid by the Group as refundable deposits and prepayments in December 2012 was refunded due to the termination of an agreement with one advertising agent during the year ended 31 December 2013, then increased significantly to approximately RMB101.7 million as at 31 December 2014 due to (i) a refundable deposits of RMB35 million in total paid to three independent third party advertising media or their agents to initiate the negotiations of advertising space contracts for the coming year; and (ii) a prepayments of approximately RMB62.3 million paid to eight independent third party advertising media or their agents for the purchase of advertising space that to be used in the coming one to two years. The Group's balance of deposits and prepayments as at 31 March 2015 decreased by approximately 9.52% from approximately RMB101.7 million as at 31 December 2014 to approximately RMB92.1 million.

RECENT DEVELOPMENT

Based on the management accounts the revenue of the Group increased by approximately 1.74% from approximately RMB145.5 million for the 6 months ended 30 June 2014 to approximately RMB148.0 million for the 6 months ended 30 June 2015. Gross profit of the Group increased by approximately 25.4% from approximately RMB30.2 million for the 6 months ended 30 June 2014 to approximately RMB37.9 million for the 6 months ended 30 June 2015. The increase is mainly driven by the expansion of the digital marketing business including the wireless marketing business under the Target Group and the EPR business of the Original Group.

Although the net profit of the Group for the three months ended 31 March 2015 decreased significantly comparing to the same period in 2014, the net profit of the Group recovered in the second quarter of 2015. Accordingly, the net profit of approximately RMB13.8 million for the 6 months ended 30 June 2015 represented only a slight decrease by approximately RMB0.89 million or approximately 6.1% comparing to the approximately RMB14.6 million for the same period in 2014. Should the intermediary consulting fees of approximately RMB1.57 million incurred by the Company in relation to the Transfer of Listing be eliminated, the net profit of the Group would have been higher for the 6 months ended 30 June 2015 than that for the same period in 2014.

The business of the Group has certain seasonality patterns where its performance is generally stronger in the second half of a year, which is in line with the industry practice of securing media resources in the first half of a year and a greater concentration of placing of advertisements in the second half of a year.

The Directors are of the view that while the Group experienced a fall in profit in 2014 comparing to 2013 and the first 6 months in 2015 comparing to the same period of 2014, in view of the: (i) enhanced revenue and gross profits generated by the Group for the 6 months ended 30 June 2015 compared to the same period last year, (ii) the net profit of the Group for the 6 months ended 30 June 2015, which would have increased compared to the same period last year if the intermediary consulting fees, which have only occurred as a result of the Transfer of Listing were excluded; and (iii) the seasonality of the business of the Group where usually perform better in the second half of a year, the prospects for the Group in 2015 are encouraging.

As mentioned in section titled "Cost of sales" above, the Group is currently undergoing a strategic transformation and is expanding its digital marketing business. During the two years ended 31 December 2014, the revenue from the digital marketing business of the Group was approximately RMB101.9 million and RMB176.1 million, respectively, representing 37.06%, and 57.20% of the Group's total revenue (before deducting cultural business development charge), respectively. For the 6 months ended 30 June 2015 the revenue from the digital marketing business of the Group was approximately RMB93.48 million, representing approximately 62.63% of the Group's total revenue (before deducting cultural business development charge).

Directors of the Company believe the major business driver of the Group's business is digital marketing business for the following reasons: (i) the strong historical performance of digital marketing business mentioned above; (ii) the growing demand of the clients towards using digital media, especially the wireless media such as smartphone apps. The Group is committed to concentrate on expanding this line of business while at the same time endeavouring to keep the original core business profitable and growing.

Historically, a significant portion of the Group's revenue was attributable to clients from automobile industry. For the three years ended 31 December 2014, approximately 95%, 76% and 83% of the total revenue of the Group (before deducting cultural business development charge) was generated from clients in the automobile industry. According to the statistics from China Association of China Manufactures, the growth of the automobile industry in PRC has recently been slowing down. Given that (i) the overall automobile industry in PRC is still growing although with lower growth rate; (ii) the revenue of the Group generated from automobile clients increased by approximately 6.3% from approximately RMB120.0 million for the six months ended 30 June 2014 to approximately RMB127.5 million for the six months ended 30 June 2015; and (iii) clients usually focus more on the effectiveness of the advertisements during periods of industry slowdown or downturn, which should increase the demand for the effect marketing business of the Group, the Directors consider the recent slowing down of growth of the PRC automobile market is not expected to have significant impact on the Group's business.

The Company noted that RMB has recently experienced certain depreciation. Given (i) the Group mainly operates in PRC with most of its transactions settled in RMB; and (ii) the Group has no foreign currency denominated debt, the Directors consider the recent RMB depreciation does not have significant impact on the Group.

The Directors confirm that subsequent to 31 March 2015 and up to the date of this announcement, there has been no material adverse change in the financial or trading position or prospects of the Group.

REGULATION ENVIRONMENT

Despite the recent anti-corruption measures impacting the automobile industry, the Group continued to record growth on both the total revenue and the revenue from automobile industry brands. The revenue of the Group (before deducting cultural business development charge) and revenue from automobile industry brands (before deducting cultural business development charges) increased from approximately RMB149 million and RMB142 million for the year ended 31 December 2012 to approximately RMB308 million and RMB257 million for the year ended 31 December 2014, respectively. Historically, more than half of the revenue of the Group was contributed by automobile industry brands. However, such reliance on automobiles industry has been decreased from approximately 95% for the year ended 31 December 2012 to approximately 83% for the year ended 31 December 2014. The Company believes that the anti-corruption measures will not have a material financial and operational impact on the Group and its new wireless marketing business.

It is expected that more stringent advertising regulations will be enacted in the PRC. To ensure the quality of the services of the Group and the compliance with the relevant laws and regulations in PRC, the Company has set up stringent quality control procedures and issued internal compliance guidelines and appointed a designated member of staff who is familiar with the Advertising Law of the PRC and possesses valid advertisement review qualifications (廣告審查員資格證書) to review and approve advertising contents. The Company believes that the more stringent advertising regulations enacted in the PRC recently will not have material financial and operational impact on the Group and its new wireless marketing business.

To the best of the knowledge of the Company, there are not any unfavourable trends or developments which may have a material adverse impact on the Group's business and financial performance subsequent to 31 December 2014 and up to the date of this announcement.

THE DRAFT LAW

On 19 January 2015, MOFCOM issued the Draft Law for general public comment which has ended in February 2015. While when and whether the proposal will be adopted is still unknown, it is clear that once passed, the new law will have a significant impact on foreign investment in China.

Uniform corporate law

If adopted, the Draft Law would consolidate and repeal the current three foreign investment enterprise laws: PRC Wholly Foreign-Owned Enterprise Law, PRC Sino-Foreign Equity Joint Venture Law and PRC Sino-Foreign Cooperative Joint Venture Law.

The Draft Law proposes to eliminate the approval regime with respect to foreign investment enterprises. Under the Draft Law, foreign investment enterprises will be subject to the general Chinese corporate law, in terms of incorporation, corporate governance, liquidation and other general corporate matters.

The Draft Law also incorporated the "actual control" concept in determining whether an entity is a foreign investor. One the one hand, if a PRC incorporated company is under the control of a foreign investor, such PRC incorporated entity will be treated as a foreign investor for the purpose of the Draft Law irrespective of the fact that it is incorporated in PRC or its immediate owner is registered in PRC. On the other hand, if a foreign investor is under control of a Chinese investor, the investment of such foreign investor in China may be treated as investment of a Chinese investor for the purpose of the Draft Law. Chinese investors mean PRC citizens, the Chinese government and its departments, and domestic enterprises under the control of the PRC citizens, Chinese government or its departments.

Negative list

The Draft Law adopts a negative list in regulating market entry of foreign investors. The State Council of PRC will publish a list of industry sectors where foreign investors are restricted or prohibited to conduct business. If the business sector is on the prohibited list, then foreign investors are not allowed to enter into that market; if the business sector is on the restricted list with proposed investment above certain amount, the foreign investor must obtain market entry approval.

Treatment for VIE structure

The VIE Structure is a structure where a foreign owned entity effectively controls a Chinese owned entity through an elaborate series of contracts. Upon the Draft Law become effective, the VIE structure would likely no longer exist and no longer be viable in many instances. The explanatory note to the Draft Law suggests a few possible solutions to deal with existing VIE structure: (i) the parties may acknowledge that the relevant foreign owned entity is under the actual control of a Chinese investors and the VIE structure can remain in place, (ii) the parties may ask MOFCOM to determine who has actual control of the relevant foreign owned entity, and if MOFCOM determines the relevant foreign owned entity is controlled by Chinese investors, the VIE structure can remain in place, and (iii) the relevant foreign owned entity shall apply to MOFCOM for access permission and MOFCOM will make a decision after comprehensively considering the actual controller of the foreign owned entity and other factors.

The aforesaid can be categorised into 3 systems: (i) Reporting; (ii) Confirmation; and (iii) Entry Permission. Under the Reporting system, an entity is only required to report to the MOFCOM that it is under the control of Chinese investors and thus, its existing VIE structure can be preserved. Under the Confirmation system, an entity shall have the confirmation from the MOFCOM as under the control of Chinese investors for it to preserve its VIE structure. For the Reporting and Confirmation systems, (a) application shall be made to the MOFCOM and the provincial authority will have no jurisdiction over the matters; (b) they are only applicable to the situation that the entity is under the control of Chinese investors; and (c) they are only related to whether the entity is under the control of Chinese investors and application for entry permission is not required. Under the Entry Permission system, foreign owned entity must make an application for entry permission and the MOFCOM will take into account the factors such as who is the actual controller in forming its decision.

However, the above three possible solutions are set out in the explanatory notes to the Draft Law to solicit public opinions on the treatment of existing VIE structures and have not been formally adopted and may be subject to revisions and amendments taking into account of the results of public consultation. As the date of this announcement, there is no definite timeline when the new Draft Law will come into effect.

Potential impact on the Group

As described above, pursuant to the possible solutions proposed in the explanatory note to the Draft Law, the existing VIE structures that are in force prior to the Draft Law become effective can be preserved if the relevant foreign owned entity is under the actual control of a Chinese investor.

According to the PRC Legal Adviser, for the purpose of the Company's existing VIE structure, the relevant foreign owned entity means Shanghai SumZone Enterprise which is implementing effective control over SMU through the Structure Contracts.

For the purpose of the Draft Law, Shanghai SumZone Enterprise is under the actual control of a Chinese investor for the following reasons:

– According to provision 18 of the Draft Law, control of a corporation shall mean any of the following: (1) directly or indirectly holding more than 50% of the shares, equity interests, entitlements to assets, voting rights or other similar rights of such corporation or entity; (2) directly or indirectly holding shares, equity interests, entitlements to assets voting rights or other similar rights and interests of such corporation or entity, although less than 50%, one of the following circumstances applies: (a) the right to directly or indirectly appoint the board of directors or more than half of the members of similar decision-making bodies of the corporation or entity; or (b) the ability to ensure that his/her/its nominees obtain half of the seats of the board of directors or similar decision making bodies of the corporation or entity; or (c) his/her/its voting rights are able to exert a material influence on the shareholders' meetings or board of directors, or similar decision-making bodies of the corporation or entity; or (3) through contracts or trusts the ability to exert decisive influence on the business operations, finance, human resources or technologies, etc of the corporation or entity;

– As at the date of this announcement, Mr. Fang Bin, being a PRC citizen, holds the entire issued share capital of Lapta International Limited which in turn, holds 45.58% of the issued share capital of the Company;

– As Mr. Fang Bin is the single largest shareholder of the Company and historically his voting represented at least 75% of the voted shares in all the shareholders' meetings of the Company since the shares of the Company were listed on the GEM on 27 April 2012, Mr. Fang Bin is able to exert a material influence on the shareholders' meetings of the Company;

– As Shanghai SumZone Enterprise is a wholly owned subsidiary of the Company and a wholly foreign owned enterprise, Mr. Fang Bin through the Company indirectly holds 45.58% of the interest in Shanghai SumZone Enterprise; and

– As Mr. Fang Bin is indirectly interested in less than 50% of the interests in the Company and Shanghai SumZone Enterprise and is able to exert a material influence on the shareholders' meetings of the Company and thus on Shanghai SumZone Enterprise, paragraph 2 (c) of provision 18 of the Draft Law applies and the PRC Legal Adviser is of the view that the Company and Shanghai SumZone Enterprise are under the actual control of a Chinese investor.

As a Chinese investor has the actual control over Shanghai SumZone Enterprise defined under Draft Law, the PRC Legal Adviser is of the view that the Company's VIE structure can be preserved after the relevant PRC foreign investment laws in relation to the Draft Law coming into force.

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

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

(ii) he will appoint a PRC citizen as his successor or heir upon his death and such appointment will be made as soon as practicable and such successor or heir will be required to make the same or similar undertaking; and

(iii) as long as his PRC nationality will be material in determining whether Shanghai SumZone Enterprise is under actual control of a Chinese investor, he will maintain his PRC nationality and not acquire any other nationalities.

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

Based on Mr. Fang Bin's undertaking and the legal opinion by the PRC Legal Adviser mentioned above, the Directors are of the view and Anglo Chinese Corporate Finance, Limited, as the financial adviser to the Company in relation to the Transfer of Listing, concurs that (i) Shanghai SumZone Enterprise is under the actual control of a Chinese investor as defined under the Draft Law; (ii) the existing VIE structure of the Group will be permitted to continue (when it comes into force in its current form); (iii) the Group can maintain control over and receive all economic benefits derived from the operating entity; and (iv) there will be no material impact on the Group in the event that Mr. Fang Bin ceases to control Shanghai SumZone Enterprise under the Draft Law (when it comes into force in its current form) after the Transfer of Listing.

The existing VIE structure adopted by the Group

The existing VIE structure adopted by the Group is necessary under the current laws of the PRC and for the operation of the Group. As advised by the PRC Legal Adviser, according to the Catalogue of Industries for Guiding Foreign Investment (外商投資產業指導目錄) which was promulgated on 10 March 2015 and became effective from 10 April 2015, among the business activities of SMU, the operation of www.cnnauto.com involves activities in relation to value-added telecommunications service and falls under the restricted category under the Catalogue of Industries for Guiding Foreign Investment, while the operation of the SMU Publications, the Group's relevant advertising business relating to content design and production as well as the PR (including EPR) involve activities in relation to publication of books, newspapers and periodicals and fall under the prohibited category under the Catalogue of Industries for Guiding Foreign Investment. Accordingly, the Structured Contracts, which include the exclusive consulting and service agreement, the irrevocable powers of attorney, the exclusive business operating agreement, the exclusive option agreement and the share pledge agreement, were entered into on 1 June 2011, under which all the material business activities of SMU are conducted in accordance with the instructions by and under the supervision of Shanghai SumZone Enterprise, a wholly-owned foreign entity incorporated in the PRC and an indirect wholly-owned subsidiary of the Company, and all economic benefits and risks arising from the business of SMU are transferred to the Group and thus the financial results of SMU have been consolidated into the Group's financial statements as a wholly-owned subsidiary of the Company. Reference is made to pages 103 to 104 of the Prospectus in relation to the potential business to maintain control over and receive economic benefits from SMU.

As confirmed by the PRC Legal Adviser, the analysis on the potential impact of the Draft Law does not affect the legality of the existing VIE Structure adopted by the Company through the Structured Contracts as at the date of this announcement, which complies with the PRC laws currently in force.

Since early September 2011, the Group has commenced the business transfer process relating to the business activities of SMU which are not subject to prohibition or restriction on foreign investment under the PRC laws. As at the date of this announcement, save for five trademarks transfer application are still in progress, the Group has transferred all the unrestricted and non-prohibited businesses of SMU to SumZone Advertising and SumZone Marketing. The Group has submitted all the required documents in relation to the five trademarks transfer applications to the relevant authority and expects such transfer will be completed by the end of 2015.

Set out below are the revenue of the Group generated from the prohibited business under the PRC foreign investment laws:

	Year ended 31 December		
	2014	2013	2012
	RMB	*RMB*	*RMB*
Prohibited business			
Public relation services income	**81,157,838**	58,390,552	24,953,455
Total revenue (before deducting cultural business development charge)	**307,852,551**	275,054,406	149,137,964
Percentage of prohibited business in revenue (before deducting cultural business development charge) of the Group	**26%**	21%	17%
Other prohibited business			
Income from issue and distribution of the Group's publication	**63,889**	61,878	91,395
Total other income and gains	**7,908,322**	3,835,379	2,722,498
Percentage of prohibited business in other income and gains of the Group	**1%**	2%	3%

As shown in the table above, for the three years ended 31 December 2014, the prohibited business contributed approximately 17%, 21% and 26% of the revenue (before deducting cultural business development charge) of the Group, respectively. The income from issue and distribution of the Group's publication is included in the other income and gains and does not form part of the revenue (before deducting cultural business development charge) of the Group. For the three years ended 31 December 2014, the prohibited business contributed approximately 3%, 2% and 1% of the other income and gains of the Group, respectively. No revenue of the Group was generated from the restricted business under the PRC foreign investment laws for the three years ended 31 December 2014.

In the unlikely event that the Company's Shanghai SumZone Enterprise is not treated as under the actual control of Chinese investor under the Draft Law, whether the existing VIE structure can be retained is not stipulated in the Draft Law and it is possible that the VIE structure cannot be retained and the prohibited and restricted businesses under the VIE structure cannot be continued. Only the prohibited and restricted businesses of the Company described above will be affected if the VIE structure cannot be continued.

For illustration purpose only, assuming the revenue and the cost of sales of the Group of approximately RMB304 million and RMB221 million for the year ended 31 December 2014 both decrease by 26% and all other expenses of approximately RMB27 million remain the same, the profit before tax of the Group would have been approximately RMB34 million and the net profit of the Group (assuming 25% tax rate) would have been approximately RMB26 million for the year ended 31 December 2014. As the Group was still profitable for the year ended 31 December 2014 under the basis of these assumptions, the Directors and Anglo Chinese Corporate Finance, Limited are of the view that the Company's business is sustainable in the event that the VIE structure has to be unwound and the prohibited and restricted business under the VIE structure is to be discontinued.

FURTHER DETAILS OF THE STRUCTURED CONTRACTS

As certain business activities of the Group carried out under SMU (a domestic company established in the PRC with limited liability and is directly wholly owned by Mr. Fang Bin) are subject to prohibition or restriction on foreign investment under the PRC laws, the Group could not have direct equity holding in SMU but maintained its effective control over the financial and operational policies of SMU through the Structured Contracts which effectively transfer the economic benefits and pass the risks associated with SMU to the Company. Details of the Structured Contracts were set out in the section "History, Reorganisation and Corporate Structure — Structured Contracts" in the Prospectus. Risks factors in relation to such Structured Contracts were set out in the section "Risk Factors — Risks associated with the Structured Contracts" in the Prospectus. Set out below are the further details of the Structured Contracts.

Exclusive option agreement

The Structured Contracts include the Exclusive Option Agreement, pursuant to which Mr. Fang Bin, being the sole equity holder of SMU, granted an irrevocable option to Century Linker, the wholly-owned subsidiary of the Group, to acquire from him all or any of his equity interest in SMU at nil consideration or at nominal price if permissible under the PRC law and regulations, on the condition that such acquisition should comply with the PRC laws and regulations. Therefore, the VIE structure shall be unwound once permitted under the PRC laws in the future such that SMU shall become a wholly-owned subsidiary of the Company. Mr. Fang Bin has further undertaken that he will return all the consideration received for his transfer of equity interest in SMU to the Company.

The Company confirms that it shall unwind the Structured Contracts by exercising the irrevocable option granted to Century Linker pursuant to the Exclusive Option Agreement to the extent that the Company is able to do so under the prevailing PRC laws.

Irrevocable power of attorney

The Structured Contracts include an irrevocable power of attorney executed by Mr. Fang Bin, which enables Shanghai SumZone Enterprise to exercise all the powers of the shareholder of SMU through the chairman of its board of directors. Pursuant to the Power of Attorney, Mr. Fang Bin, being the sole shareholder of SMU, shall in the interest of and, or as instructed by Shanghai SumZone Enterprise exercise his rights (including but not limited to rights of voting, dividend, sale or transfer of all or part of his interests in SMU, distribution of surplus assets in liquidation, and designation or appointment of director(s)); and in the event of his ceasing to be the chairman of Shanghai SumZone Enterprise, Mr. Fang Bin shall designate and authorise his successor nominated by Shanghai SumZone Enterprise as the chairman of Shanghai SumZone Enterprise to assume all his shareholder's rights and obligations arising from his interest in SMU pursuant to the power of attorney. Furthermore, Mr. Fang Bin or the nominated chairman if Mr. Fang Bin ceases to be the chairman of Shanghai SumZone Enterprise shall transfer all distributible dividends, capital dividend and other asset receivable by him at nil consideration to Shanghai SumZone Enterprise as soon as practicable but in any event no later than three days upon receipt of the same by Mr. Fang Bin or the nominated chairman (as the case may be).

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

For the avoidance of doubt, (i) during Mr. Fang Bin's office as the chairman of Shanghai SumZone Enterprise, his rights and obligations under the Power of Attorney will be exercised by Mr. Song Yijun in his capacity as the general manager of Shanghai SumZone Enterprise and in the event Mr. Song Yijun ceasing to be general manager of Shanghai SumZone Enterprise, Mr. Song Yijun's successor nominated by Shanghai SumZone Enterprise as the general manager of Shanghai SumZone Enterprise would assume all such shareholder's rights and obligations; and (ii) in the event Mr. Fang Bin ceasing to be the chairman of Shanghai SumZone Enterprise, the letter of assignment will lapse and Mr. Fang Bin's successor nominated by Shanghai SumZone Enterprise as the chairman of Shanghai SumZone Enterprise would assume all the shareholder's rights and obligations under the Power of Attorney.

Dispute resolution clauses

Pursuant to the Structured Contracts, any dispute arising from the interpretation and implementation of the Structured Contracts between the parties should first be resolved through negotiation, failing which any party may submit the said dispute to the Arbitration Commission with a view to resolving the dispute through arbitration in accordance with the arbitration rules of the commission. The results of the arbitration shall be final and binding on all relevant parties.

Based on the applicant's application for the arbitration, the results of the arbitration shall include remedies over SMU's shares or assets and restriction or prohibition on transfer of assets or any conducts of SMU to damage the interests of the Company. Pending formation of the arbitral tribunal or in appropriate cases, the applicant is entitled to make an application to the Arbitration Commission for the preservation of monetary assets, following which the Arbitration Commission shall apply to the People's courts of competent jurisdictions which have the right to make relevant adjudications. Regarding filing for bankruptcy of SMU, the applicant shall submit the application to the People's courts. Should SMU be deemed bankrupt, the liquidator appointed shall have the right to manage and seize SMU's assets.

As confirmed by the PRC Legal Adviser, the abovementioned dispute resolution provisions set forth in the Structured Contracts are in compliance with the PRC laws, legally valid and binding on the relevant signatories.

Compliance of the Structured Contracts with the PRC Laws

The PRC Legal Adviser confirmed that (i) the use of the Structured Contracts to operate the business of SMU and the terms of the Structured Contracts comply with the PRC laws, rules and regulations applicable to the business of SMU; and (ii) the Structured Contracts would not be deemed as concealing illegal intentions with a lawful form and void under the PRC contract law.

Mr. Fang Bin's Undertaking

As confirmed by Mr. Fang Bin, he is not married and should there be future marriage or divorce, the assets of SMU shall be determined as assets prior to marriage and there does not exist any risk of such assets being divided and shared.

During the period which Mr. Fang Bin remains the shareholder of SMU and in case of death, the successors and devisees of Mr. Fang Bin shall continue to fulfill his obligations under the Structured Contracts.

Further, being an executive Director, Mr. Fang Bin has undertaken to abstain from voting on any resolutions in relation to the Structured Contracts or all other relevant matters.

RISKS IN RELATION TO THE STRUCTURED CONTRACTS

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

Maintaining the Structured Contracts and ensuring compliance with relevant PRC laws and regulations may result in the diversion of management attention and the incurrence of operating and production costs which could adversely affect the business, financial condition or results of operations of the Group.

In addition, as a result of the Structured Contracts the economic benefits and the risks associated with SMU are passed on to the Group as if SMU was a wholly owned subsidiary. Should SMU incur any operational losses, such losses will be consolidated into the financial results of the Group and the Group may need to provide financial assistance to SMU as necessary.

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

The Company cannot guarantee that the interpretation of the Structured Contracts by the PRC Legal Adviser is in line with the interpretation of the PRC governmental authorities and that the Structured Contracts will not be considered by such PRC governmental authorities to be in violation of the PRC laws or regulations. In addition, there can be no assurance that the General Administration of Press and Publication of the PRC or other PRC governmental authorities will not in future interpret or issue laws or regulations that will result in the Structured Contracts being deemed to be in violation of the then prevailing PRC laws.

In the event that the Structured Contracts are deemed to be in violation of existing or future laws or regulations, the PRC governmental authorities will have discretion in actions taken against such violation, including but not limited to:

(i) discontinuing or restricting our operations in the PRC;

(ii) requiring the Group to restructure the relevant ownership structure or operations;

(iii) imposing economic penalties, such as levying fines and confiscating our income; and

(iv) taking other regulatory or enforcement actions that could adversely affect the financial condition and business of the Group.

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

Substantial uncertainties exist in interpretation of the Draft Law

While the MOFCOM solicited comments on the Draft Law earlier this year, there are substantial uncertainties with respect to its interpretation. The Draft Law has not taken a position on the treatment of the existing companies with a VIE structure, although a few possible options were suggested at the comment solicitation stage. Even though Mr. Fang Bin, being a PRC citizen, has control over Shanghai SumZone Enterprise under the definition of control under the Draft Law as advised by the PRC Legal Adviser, it is uncertain as to whether the MOFCOM will adopt the same interpretation when the Draft Law comes into force. There is a possibility that the Group's VIE structure is not interpreted and treated as a domestic investment under the Draft Law by the MOFCOM.

Furthermore, if the Group is required to make an application for entry permission under the Draft Law, it is uncertain as to whether the Group can continue to operate its business through VIE structure pending obtaining such entry permission. On the other hand, the Group faces uncertainties as to whether the entry permission can be obtained timely, or at all, and whether further actions are required to be taken for the application of entry permission when the Draft Law comes into force. Hence, the existence of uncertainties as to the interpretation of the Draft Law means it cannot be assured that the Group can retain its VIE structure upon enactment of the Draft Law. In the event that the Group's VIE structure cannot be retained, the flow of economic benefits from SMU to the Group may be terminated, affecting adversely the business and financial condition of the Group.

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

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

The controlling shareholder, Mr. Fang may have potential conflicts of interests with us which may affect our business

SMU is wholly owned by Mr. Fang Bin who is our executive Director. Accordingly, there may be conflicts of interest between the duties to SMU and us. We cannot assure you that when such conflicts arise, Mr. Fang will act in our best interests or that such conflicts will be resolved in our favour.

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

The Structured Contracts were entered into on 1st June, 2011 pursuant to which all material business activities of SMU are instructed and supervised by Shanghai SumZone Enterprise and all economic benefits and risks arising from the business of SMU are transferred to our Group. These arrangements and transactions of the Structured Contracts are related party transactions which must be conducted on an arm's length basis under applicable PRC tax rules. In addition, under PRC laws and regulations, arrangements and transactions among related parties may generally be subject to audit or scrutiny by the PRC tax authorities within ten years after the taxable year when the arrangements or transactions are conducted. As a result, the determination of service fees and payments under the Structured Contracts may be challenged and deemed not in compliance with such tax rules. The VIE could face material and adverse tax consequences if the PRC tax authorities determine that the Structured Contracts were not entered into on an arm's length basis.

As at the date of this announcement, the Company confirmed that it has not encountered any interference or encumbrance from any governing bodies in operating their business through SMU under the Structured Contracts. The Company has not purchased any insurance to cover the risks relating to the Structured Contracts.

ASSET MANAGEMENT AGREEMENT

Reference is made to the announcement of the Company dated 12 September 2014. On 13 May 2014, SumZone Advertising, an indirect wholly owned subsidiary of the Company, entered into an asset management agreement, pursuant to which it entrusted surplus cash generated from the ordinary and usual course of business of the Group amounting to RMB30 million in a fixed income investment plan. Such asset management agreement was terminated on 18 December 2014 and no new asset management agreement has been entered into by the Company as at the date of this announcement. For the year ended 31 December 2014, SumZone Advertising had recovered all the entrusted assets of RMB30 million and the interest of RMB1.26 million under such asset management agreement.

EXCLUSIVE MANAGEMENT AGREEMENT

Reference is made to the announcement of the Company dated 31 December 2014. On 31 December 2014, SMU entered into an exclusive management agreement with Shanghai Far Eastern Economic Pictorial (上海《遠東經濟畫報》雜誌社) to operate the business of one of its publications. The scope of management includes printing business, publishing and advertising business, re-financing business, brand promoting and maintenance business, launching of related products of the periodicals and related matters. The Company hereby wishes to clarify that the "re-financing business" referred to in such announcement should be "investment and financing business", the scope of which includes conducting mergers and acquisitions, restructuring, investments, cooperation and marketing activities for this publication at the discretion of SMU.

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

The Company discloses below the biographical information of each current Director and senior management:

Executive Directors

Mr. Fang Bin

Mr. Fang Bin, aged 44, graduated from Nanjing Institute of Politics (南京政治學院) with a major in economics and management and is the chairman and general manager of the Company responsible for formulating overall business development strategies and management policies for the Group.

With over 20 years of managerial experience in the media and advertising industry, Mr. Fang has extensive experience in business management and operation of advertising and publishing businesses, in particular, in relation to the development of marketing and communications strategies and integration of media resources.

Before founding the Group, Mr. Fang was the chief operation officer of the advertising department of Modern Market Economic Weekly (現代市場經濟週刊) between 1993 and 1995, where he was responsible for the development of customer relationship and business with various large to medium state-owned enterprises clients of relevant departments of the magazine and in charge of the special column in relation to corporate image. From August

1995 to January 1996, he worked as the general manager of Shanghai Shenhai Advertisement Co. Ltd. (上海申海廣告有限公司) and was responsible for the overall daily operation of the company. Between February 1996 and December 1998, he became an officer of the special issue department in relation to the "Journal on famous people along the coast (沿海經濟名人專刊)", a special issue of Market Economic Times (市場經濟時報), where he was responsible for leading the day-to-day operation of the journal. From January 1999 to February 2002, Mr. Fang became the chief operating officer of AutoWeekly (汽車週刊) of Jiefang Daily (解放日報), where he was responsible for leading the day-to-day operation of the magazine. He was mainly responsible for operation of advertising business and event marketing activities, organisation and planning of special issues. He was also involved in the planning of publication and operation strategies.

Mr. Fang founded Shanghai SumZone Media Investment Management Company Limited in 2003 and became the chairman and general manager. Since then, he has been leading the Group to develop integrated marketing communications services on automobile brands, including the establishment and acquisition of new media platforms, which formed an important part of the Group's integrated marketing communications services for brand owners. Under Mr. Fang's leadership, in August 2004, the Group took over the operation of Auto Report which was founded in August 2002. Since 2004, Mr. Fang has led the Group's operation of automobile media, including Auto 007, an automobile newspaper. As the Group extended its integrated marketing communications services to home fashion brands, the Group founded another magazine, I home, in 2009 under Mr. Fang's leadership.

Mr. Fang is a prominent person in the media and advertising industry in Shanghai. In June 2005, Mr. Fang was appointed as a deputy secretary general by the Shanghai Consumer Rights Protection Committee (上海市消費者權益保護委員會). In September 2006, Mr. Fang was appointed as a secretary general by the AJAS of the Shanghai Journalist Association (上海新聞工作者協會).

Mr. Fang has entered into a service contract with the Company as the executive Director for an initial term of three years commencing from 27 April 2012 until terminated by not less than six months' written notice served by either party on the other and in certain circumstances, terms and conditions as stipulated in the relevant service contracts. Pursuant to the Articles of Association, Mr. Fang is subject to retirement and re-election at the AGM. Under the said service contract, Mr. Fang is entitled to a basic annual remuneration (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) of RMB720,000 per year which was determined by the Board taking into account his experience, workload and the time devoted to the Group.

Save as disclosed above, Mr. Fang does not hold any directorship in other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years or any other position with the Company and other members of the Group or other major appointments and professional qualifications.

Mr. Fang wholly owns Lapta International Limited and is its sole director. Lapta International Limited is incorporated in the British Virgin Islands and holds 45.58% of the issued shares of the Company. Mr. Fang is the controlling shareholder of the Company.

Save as disclosed above, Mr. Fang does not have any relationship with other Directors, senior management, substantial or controlling shareholders of the Company and has no interests in the shares of the Company which are required to be disclosed pursuant to Part XV of the SFO.

Mr. Song Yijun

Mr. Song Yijun, aged 42, graduated from Shanghai Jiao Tong University with a bachelor degree in biological and medical engineering and equipment. He further obtained a master degree in business administration from Fudan University in 2008.

Mr. Song has over 19 years of experience in strategic operation and marketing management. He joined us in March 2011 and is currently the deputy general manager of the Group. He is in charge of business operation and planning, and the development and furtherance of business strategies.

Before joining the Company, Mr. Song was the general manager and deputy general manager of various companies of Haier Electrical Appliances Co., Ltd. between 1995 and 2000, where he was responsible for the operation management regarding the subsidiaries of the Haier group and local market operation. Mr. Song was the general manager of various companies from 2001 to 2005, including Qingdao Yishang Trading Company Limited (青島億商貿易有限公司), Foshan Haishenglong Electrical Company Limited (佛山市海盛隆電器有限公司), and Oulida Electrical Company Limited (佛山市歐利達電器有限公司), where he was responsible for operation management and business expansion.

Mr. Song subsequently worked in Shanghai Xinhua Media Co. Ltd. (上海新華傳媒股份有限公司) for almost 6 years between June 2005 to February 2011, during which he was the general manager of the sales department from June 2005 to June 2006, responsible for development of sales system and operation, planning and management of sales activities of the chain stores, and promotion and media marketing of brands; general manager of the wholesale department from July 2006 to March 2009, responsible for the day-to-day operation of the wholesale department; deputy chief officer and chief operation officer of the strategic and development department from April 2009 to March 2010, responsible for preparing market analysis, analysis on target control and operation, integration of resources, sales management and brand operation. He was also the deputy chief officer of the strategic management department from April 2010 to February 2011, where he assisted the board of directors and the team of the chief executive officer to formulate overall strategic plans.

Mr. Song has entered into a service contract with the Company as the executive Director for an initial term of three years commencing from 27 April 2012 until terminated by not less than six months' written notice served by either party on the other and in certain circumstances, terms and conditions as stipulated in the relevant service contracts. Pursuant to the Articles of Association, Mr. Song is subject to retirement and re-election at the AGM. Under the said service contract, Mr. Song is entitled to a basic annual remuneration (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) of RMB420,000 per year which was determined by the Board taking into account his experience, workload and the time devoted to the Group.

Save as disclosed above, Mr. Song does not hold any directorship in other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years or any other position with the Company and other members of the Group or other major appointments and professional qualifications.

Mr. Song does not have any relationship with other Directors, senior management, substantial or controlling shareholders of the Company and he has no interests in the shares of the Company which are required to be disclosed pursuant to Part XV of the SFO.

Mr. Huang Wei

Mr. Huang Wei, aged 39, the general manager of Shanghai Ju Liu Information Technology Company Limited (hereinafter as "Shanghai Ju Liu"), a subsidiary of the Company, was appointed as an executive Director on 20 January 2015 and is responsible for expanding the segment of digital marketing business of the Group and integration of the business system development of Shanghai Ju Liu. He obtained a bachelor's degree in journalism from Fudan University in July 1998. He was the deputy general manager of Shanghai Jiefang Media Investment Company Limited (上海解放傳媒投資有限公司), director and deputy general manager of Shanghai Jiefang Huayun Cultural Communication Company Limited (上海放華運文化傳播有限公司) and director of Shanghai Jiefang-FocusMedia Advertising Communication Company Limited (上海解放分眾廣告傳播有限公司) from January 2006 to 2009. During that period, Mr. Huang Wei was also the director and general manager of Shanghai National Business Daily Media Company Limited (上海每日經濟傳媒有限公司). Mr. Huang was the chief editor of China Mobile 12580 Live Broadcast Magazine (中國移動12580生活播報) from March 2010 to February 2011. He has been the director of Shanghai Ju Liu since 2011.

Mr. Huang has entered into a director's service agreement with the Company for a term of three years commencing on 20 January 2015 subject to rotation and re-election at AGM in accordance with the Articles of Association. Mr. Huang is entitled to a director's fee of RMB420,000 per annum which is determined with reference to his experience, duties, responsibilities within the Company and the prevailing market conditions. Mr. Huang is entitled to discretionary bonus determined by the Board.

Save as disclosed above, Mr. Huang does not hold any directorship in other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years or any other position with the Company and other members of the Group or other major appointments and professional qualifications.

Mr. Huang beneficially owns the entire issued share capital of Always Bright Enterprises Limited (永光企業有限公司), which in turn holds 46,810,194 shares of the Company. For the purposes of the SFO, Mr. Huang is deemed to be interested in all the shares of the Company held by Always Bright Enterprises Limited.

Save as disclosed above, Mr. Huang does not have any relationship with other Directors, senior management, substantial or controlling shareholders of the Company and he has no interests in the shares of the Company which are required to be disclosed pursuant to Part XV of the SFO.

Mr. Patrick Zheng

Mr. Patrick Zheng, aged 44, was appointed as an executive Director and the chief strategic officer of the Company on 20 January 2015 and is mainly responsible for expanding the merger and acquisition business and matters related to capital market operation. He obtained a bachelor's degree in International Trade from Shenzhen University in 1991. In 1994, Mr. Zheng obtained a master degree in Business Administration from The Bernard M. Baruch College of The City University of New York (CUNY).

Mr. Zheng has accumulated over 20 years of experience in the financial and investment sectors. Since 1994, he has entered into Chase Manhattan Bank New York, the US and engaged in banking and financial positions. During 1994 to 2001, Mr. Zheng worked at the investment banking division of Chase Manhattan Bank New York, the United States of America and served at several positions, including as the deputy president for the leveraged finance division of the headquarter in New York. He possesses extensive market experience in acquisition and merger, syndicated facility, issuance of high yield bonds and private equity investment and management.

In 2002, Mr. Zheng established a hedge fund in New York with a partner and he migrated to Hong Kong afterwards. Mr. Zheng had worked as the managing director of Ortus Capital Management Ltd. Focusing on foreign exchange and macro strategies, Ortus Capital Management Ltd. is the world's leading macro strategic foreign exchange hedge fund in terms of the scale and results.

Since 2010, Mr. Zheng has also served as the Chief Advisor in investment and merger and acquisition for a number of fund management companies in PRC and involved in raising sizable funds and the market-oriented operation of projects. He has accumulated extensive experience especially in the field of the capital merger and acquisition operation of the mainland media.

Mr. Zheng has entered into a director's service agreement with the Company for a term of three years commencing on 20 January 2015 subject to rotation and re-election at AGM in accordance with the Articles of Association. The proposed Mr. Zheng is entitled to a director's fee of RMB420,000 per annum which is determined with reference to his experience, duties, responsibilities within the Company and the prevailing market conditions. Mr. Zheng is entitled to discretionary bonus determined by the Board.

Save as disclosed above, Mr. Zheng does not hold any directorship in other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years or any other position with the Company and other members of the Group or other major appointments and professional qualifications.

Mr. Zheng does not have any relationship with other Directors, senior management, substantial or controlling shareholders of the Company and he has no interests in the shares of the Company which are required to be disclosed pursuant to Part XV of the SFO.

Non-Executive Director

Mr. Fan Youyuan

Mr. Fan Youyuan, aged 54, was appointed as a Director on 25 May 2011 and redesignated as a non-executive Director on 10 April 2012. Mr. Fan has entered into a service agreement in 2012 with the Company for a term of 3 years. Mr. Fan graduated from Fudan University with a bachelor's degree in Philosophy in 1983. He further obtained a master in business administration (international programme) from the University of Hong Kong in 2004.

Mr. Fan has over 28 years of experience in media and advertising industries in the PRC. He joined Jiefang Daily (解放日報) as an editor in January 1985. From May 1996 to 2007, Mr. Fan held various positions in Jiefang Press Group, including general manager of Shanghai Jiefang Advertising Limited (上海解放廣告有限公司), and supervisor of the advertising department of the Jiefang Daily (解放日報). He was also the officer of the advertising department, research department and business development department of Jiefang Press Group (解放日報報業集團), and the deputy general manager of Shanghai Jiefang Media Investment Company Limited (上海解放傳媒投資有限公司). During this period, Mr. Fan was responsible for overall operation and management of advertisements of Jiefang Press Group (解放日報報業集團). From May 2005 to August 2007, Mr. Fan was the director of the Jiefang Press Group (解放日報報業集團) where he managed the day-to-day business operation. He held senior positions in various entities of the group. In 2007, Mr. Fan became a director and the chief executive of Shanghai Xinhua Media Co. Ltd. (上海新華傳媒股份有限公司) (600825.SH) until August 2009.

From 2002 to 2003, Mr. Fan was selected as an Outstanding Operator and Manager of the National Newspaper Industry of the Year (年度全國報業先進經營管理工作者) by the General Administration of Press and Publication of the PRC (中華人民共和國新聞出版總署) and the Newspaper Association of the PRC (中國報業協會) and an Outstanding Operator and Manager of the Shanghai Newspaper Industry of the Year (年度上海市報業先進經營管理工作者) by Shanghai Press & Publication (上海市新聞出版局) and Shanghai Municipal Newspaper Association (上海市報紙行業協會).

Mr. Fan is entitled to a director's fee of HK$150,000 per annum which is determined with reference to his experience, duties, responsibilities within the Company and the prevailing market conditions. Mr. Fan is entitled to discretionary bonus determined by the Board.

Save as disclosed above, Mr. Fan does not hold any directorship in other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years or any other position with the Company and other members of the Group or other major appointments and professional qualifications.

As at the date of this announcement, Mr. Fan wholly owns Whales Capital Holdings Limited ("Whales Capital") through his wholly owned company, Taocent International Holding Limited ("Taocent International"), and Whales Capital holds 7.90% of the issued shares of the Company. Mr. Fan is a director of Taocent International and Whales Capital.

Save as disclosed above, Mr. Fan does not have any relationship with other Directors, senior management, substantial or controlling shareholders of the Company and he has no interests in the shares of the Company which are required to be disclosed pursuant to Part XV of the SFO.

Independent Non-Executive Directors

Mr. Zhou Ruijin

Mr. Zhou Ruijin, aged 75, was appointed as an independent non-executive Director on 10 April 2012. Mr. Zhou has entered into a service agreement in 2012 with the Company for a term of 3 years. Mr. Zhou has nearly 40 years of experience in the media industry in the PRC. Mr. Zhou graduated from Fudan University in journalism in 1962. Upon graduation, he served as a journalist, editor and commentator of Jiefang Daily (解放日報). From 1979, he was the deputy officer, officer, member of the edit committee, assistant to editor-in-chief and deputy editor-in-chief of the commentary department of Jiefang Daily (解放日報). Mr. Zhou became the deputy editor-in-chief of People's Daily (人民日報) in 1993.

Mr. Zhou was a member of the standing committee of the Shanghai Journalism Association (上海市新聞學會) and the part-time professor of the Department of Journalism of Fudan University, the Department of Journalism and Human Sciences of Shanghai University of Technology and the Beijing Broadcasting Institute. In 1991, Mr. Zhou was in charge of writing around four commentary articles titled "Reform and Liberalization Need New Thinkings"(《改革開放要有新思路》), in the name of "Huangfu Ping", which had positive influence on the society.

In 1987, Mr. Zhou was selected as the senior editor by the National Journalism Senior Professional Duties Qualification Selection Committee (全國新聞高級專業職務資格評審委員會). In 1992, Mr. Zhou was selected by the State Council as an expert scholar with outstanding contribution being entitled to special subsidy from the government.

In January 2001, Mr. Zhou was elected as the president of Shanghai Association of Productivity Science (上海生產力學會) and deputy president of the 13th Chinese Association of Productivity Science (全國生產力學會). Between June 2000 and December 2009, Mr. Zhou was an independent director of China Eastern Airlines Corporation Limited (中國東方航空股份有限公司) (600115.SH).

Mr. Zhou is entitled to a director's fee of HK$150,000 per annum which is determined with reference to his experience, duties, responsibilities within the Company and the prevailing market conditions. Mr. Zhou is entitled to discretionary bonus determined by the Board.

Save as disclosed above, Mr. Zhou does not hold any directorship in other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years or any other position with the Company and other members of the Group or other major appointments and professional qualifications.

Mr. Zhou does not have any relationship with other Directors, senior management, substantial or controlling shareholders of the Company and he has no interests in the shares of the Company which are required to be disclosed pursuant to Part XV of the SFO.

Mr. Lin Zhiming

Mr. Lin Zhiming, aged 56, was appointed as an independent non-executive Director on 10 April 2012. Mr. Lin has entered into a service agreement in 2012 with the Company for a term of 3 years.

Mr. Lin has more than 22 years of experience in marketing and corporate image building and communications. Mr. Lin completed the study of Library Science at College of Liberal Arts Shanghai University (上海大學文學院) (formerly known as the branch school of Fudan University (復旦大學分校)) in 1983. He is currently the deputy director of Sunage Sports Communications Research Institute, Shanghai University (上海大學三傑體育傳播研究所) responsible for spearheading research and development programmes in the operational model of sports club (體育俱樂部) and comparative analyses in the metropolitan mass sports development (城市大眾體育發展). He is also a visiting professor of School of Film and Television Arts and Technology, Shanghai University (上海大學影視藝術技術學院) and a tutor in sports communications for masters degree students at the graduate school of the university.

Since 2005, Mr. Lin has been the chief executive officer of Shanghai Sunage Advertising Company Limited (上海三傑廣告有限公司) where he is primarily in charge of strategic planning and execution of sports events and related projects.

Between 1992 and 2004, Mr. Lin was the general manager of Shanghai Idea CIS Design and Consulting Company (上海艾迪企業形象設計顧問公司) where he was responsible for assisting clients in corporate image design and planning, providing them with research and advisory services in, amongst other things, PR communications strategies as well as the daily operations and administration of the company.

Mr. Lin is entitled to a director's fee of HK$150,000 per annum which is determined with reference to his experience, duties, responsibilities within the Company and the prevailing market conditions. Mr. Lin is entitled to discretionary bonus determined by the Board.

Save as disclosed above, Mr. Lin does not hold any directorship in other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years or any other position with the Company and other members of the Group or other major appointments and professional qualifications.

Mr. Lin does not have any relationship with other Directors, senior management, substantial or controlling shareholders of the Company and he has no interests in the shares of the Company which are required to be disclosed pursuant to Part XV of the SFO.

Ms. Hsu Wai Man, Helen

Ms. Hsu Wai Man, Helen, aged 45, was appointed as an independent non-executive Director on 10 April 2012. Ms. Hsu has entered into a service agreement in 2012 with the Company for a term of 3 years. Ms. Hsu graduated from The Chinese University of Hong Kong with a bachelor's degree in business administration in 1992.

As a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of the American Institute of Certified Public Accountants, Ms. Hsu has over 20 years of experience in accounting. She joined Ernst & Young in July 1992 and became a partner of Ernst & Young in 2005 until she left in February 2011.

Ms. Hsu was appointed as an independent non-executive director of China Forestry Holdings Co. Ltd., a company listed on the Stock Exchange, on 5 July 2011. Ms. Hsu was further appointed as an independent non-executive director of Perfect Shape (PRC) Holdings Limited, a company listed on the Stock Exchange, on 5 December 2011. She was also appointed as an independent non-executive director of Richly Field China Development Limited (stock code: 313) and Fujian Nuoqi Co., Ltd (stock code: 1353) on 21 November 2013 and 9 June 2013 respectively. She was appointed as an independent director of SGOCO Group, Ltd (a company listed on the Nasdaq Stock Market) (stock code: SGOC) on 26 April 2013.

Ms. Hsu is entitled to a director's fee of HK$150,000 per annum which is determined with reference to his experience, duties, responsibilities within the Company and the prevailing market conditions. Ms. Hsu is entitled to discretionary bonus determined by the Board.

Save as disclosed above, Ms. Hsu does not hold any directorship in other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years or any other position with the Company and other members of the Group or other major appointments and professional qualifications.

Ms. Hsu does not have any relationship with other Directors, senior management, substantial or controlling shareholders of the Company and he has no interests in the shares of the Company which are required to be disclosed pursuant to Part XV of the SFO.

Save as disclosed above, the Board is not aware of any information relating to the Directors that ought to be disclosed pursuant to the requirements under Rule 13.51(2)(h) to (v) of the Main Board Listing Rules, nor is there any other matter that ought to be brought to the attention of the Shareholders in relation to the Directors' engagement.

Senior Management

Ms. He Weiqi

Ms. He Weiqi, aged 44, attended Wuhan University of Technology in business administration via online and long distance learning courses and graduated in 2008. She joined the Group in April 2007 as a deputy General Manager. She served as an executive director of the Company from 2011 and resigned on 20 January 2015. Ms. He has over 20 years of managerial experience in finance. Before joining the Group, Ms. He worked in Shanghai Shenyan Advertising Co. Ltd (上海申燕廣告有限公司), the wholly-own subsidiary of Shanghai Machine Tool Works Trading Co. Ltd (上海機床工具貿易集團有限公司) as the finance officer between November 1992 to July 2001, monitoring day-to-day financial matters and was responsible for cost control and financial matters. Between July, 2001 and April, 2007, Ms. He became the general manager of Shanghai Aojing Printing Company Limited (上海奧敬印務有限公司), where she focused on day-to-day management and business operation.

Ms. He is currently the general manager of SumZone Advertising and SumZone Marketing responsible for the business operation and management of SumZone Advertising and SumZone Marketing.

Mr. Yu Dawei

Mr. Yu Dawei, aged 35, completed a degree course in Chinese language and literature in 2001. He joined the Group in May 2003. Mr. Yu has solid practical experience in relation to media operation in the media industry, and is familiar with management of media operation and management of editorial work of magazines. Before joining the Group, Mr. Yu was the editor and the deputy officer of the editorial department of Auto Report Magazine between July 2001 and May 2003, where he was responsible for editing various columns, liaising with authors of various special columns and maintenance of day-to-day public relations. Mr. Yu is currently the chief officer of our automobile business responsible for establishing and managing customer relationship of our automobile business.

Ms. Sun Tian

Ms. Sun Tian, aged 34, graduated from Shanghai Normal University and obtained a degree in law in 2004. Upon graduation, she joined the Group in July 2004. She has held various positions, including administrative and human resource manager, assistant to general manager and project manager. Currently, Ms. Sun is the chief officer of our advertising business responsible for customer relationship of our advertising business and the organisation of placing advertisement. Ms. Sun has accumulated solid on-job experience in relation to advertising operation and management, and is familiar with the procedures in relation to media release, advertising agency and integration and marketing of brands. Ms. Sun also has solid experience in general operation management.

Ms. He Ni

Ms. He Ni, aged 35, studied Chinese (漢語言文學專業) at the Southwest University (西南大學) in 2002. Before joining the Group Ms. He was the officer of Shanghai Rushun Trading Co. Ltd. (上海如順貿易有限公司) between February 2003 and March 2008, where she was responsible for client billing, product inspection, logistics, receivables and other relevant general office administrative and management matters. She joined the Group in April 2007 and has held various positions, including assistant to chief operation officer, officer of the general office and chief officer of digital marketing. She is familiar with the marketing industry business and has fruitful experience in marketing business and management. Ms. He is currently the chief officer of event marketing department and has accumulated considerable of experience in event marketing. She is responsible for the business development, management and operation for the Group's event marketing business.

Save for Ms. He Weiqi, none of the senior management had been a director of any listed company in the last three years.

WAIVER FROM STRICT COMPLIANCE WITH THE MAIN BOARD LISTING RULES

Rule 8.12 of the Main Board Listing Rules provides that an issuer applying for a primary listing on the Stock Exchange must have a sufficient management presence in Hong Kong, which normally means that at least two of its executive Directors must be ordinary resident in Hong Kong.

Given that the business and operation of the Group are primarily located, managed and conducted in the PRC, the Group does not have any material operation in Hong Kong and that none of the executive Directors are ordinarily resident in Hong Kong, the Company currently does not and will not, in the foreseeable future, have a management presence in Hong Kong. Accordingly, the Company has applied to the Stock Exchange for a waiver from strict compliance with the requirements under Rule 8.12 of the Main Board Listing Rules. The Stock Exchange has granted the requested waiver to the Company from strict compliance with the requirements under Rule 8.12 of the Main Board Listing Rules on condition that the Company would adopt the following arrangements to maintain regular communication with the Stock Exchange:

(a) the Company has appointed two authorised representatives pursuant to Rule 3.05 of the Main Board Listing Rules, who will act as the Company's principal channel of communication with the Stock Exchange. The two authorised representatives appointed are Mr. Song Yijun, an executive Director, and Mr. Tam Tak Kei, Raymond, the company secretary of the Company. Each of the authorised representatives will be available to meet with the Stock Exchange in Hong Kong upon reasonable short notice and will be readily contactable by telephone, facsimile and email. Each of the two authorised representatives is authorised to communicate on behalf of the Company with the Stock Exchange;

(b) each of the authorised representatives has means to contact all members of the Board (including the independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact any of the Directors on any matters. To enhance the communication between the Stock Exchange, the authorised representatives and the Directors, the following policies will be implemented by the Company: (i) each Director will have to provide his/her mobile and office phone numbers, fax numbers and email addresses, if applicable, to the authorised representatives; (ii) in the event that a Director expects to travel, he/she will have to provide a valid phone number or means of communication to the authorised representatives; and (iii) each Director and authorised representative will provide his/her respective mobile and office phone numbers, fax numbers and email addresses, if applicable, to the Stock Exchange;

(c) if the circumstances require, meetings of the Board can be convened and held in such manner as permitted under the Articles of Association at reasonable short notice to discuss and address any issue with which the Stock Exchange is concerned in a timely manner;

(d) meetings between the Stock Exchange and the Directors can be arranged through the authorised representatives or directly with the Directors within a reasonable time frame. The Company will inform the Stock Exchange promptly of any change in the authorised representatives;

(e) Directors who are not ordinary residents in Hong Kong have confirmed that they possess or can apply for valid travel documents to visit Hong Kong and meet with the Stock Exchange upon reasonable short notice; and

(f) Anglo Chinese Corporate Finance, Limited will continue to be appointed by the Company as the compliance adviser to provide the Company with professional advice on continuing obligations under the Listing Rules, and to act in addition to the two authorised representatives of the Company, as the Company's additional channel of communication with the Exchange for the period commencing on the listing date of the Company on the Main Board of the Stock Exchange and ending on the date on which the Company complies with Rule 13.46 of the Listing Rules in respect of the Company's financial results for the first full financial year commencing after listing date of the Company on the Main Board of the Stock Exchange.

DEFINITIONS

Unless the context otherwise requires, terms used in this announcement shall have the meanings below:

"AGM"	annual general meeting of the Company
"Arbitration Commission"	the China International Economic and Trade Arbitration Commission
"Articles of Association"	the memorandum and articles of association of the Company
"associate(s)"	has the meanings ascribed to it under the Main Board Listing Rules
"Board"	the board of Directors
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"Century Linker"	Century Linker (Hong Kong) Limited (聯合(香港)有限公司), a company incorporated under the laws of Hong Kong on 18 January 2011 and an indirect wholly owned subsidiary of the Company
"Company"	Branding China Group Limited, a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on GEM
"connected person(s)"	has the meanings ascribed to it under the Main Board Listing Rules
"Director(s)"	director(s) of the Company

"Draft Law"	a draft of the PRC Foreign Investment Law issued by MOFCOM on 19 January 2015 for general public comment which has ended in February 2015
"EPR"	electronic public relations
"Exclusive Option Agreement"	the exclusive option agreement entered into by Century Linker, Mr. Fang Bin and SMU on 1 June 2011
"GEM"	the Growth Enterprise Market of the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM
"Grand Rapids Mobile"	Grand Rapids Mobile International Holdings Ltd. (巨流無線國際控股有限公司), a company incorporated in the British Virgin Islands with limited liability and a wholly owned subsidiary of the Company and is the holding company of the Target Group
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"HKSCC"	Hong Kong Securities Clearing Company Limited
"Ju Liu Information"	上海巨流信息科技有限公司 (Shanghai Ju Liu Information Technology Company Limited), a company established in the PRC with limited liability and a wholly owned subsidiary of Shanghai You Xiong
"Ju Liu Software"	上海巨流軟件有限公司 (Shanghai Ju Liu Software Company Limited), a company established in the PRC with limited liability, which is owned as to 99% by Shanghai You Xiong and 1% by Ju Liu Information
"Hong Kong"	Hong Kong Special Administrative Region of the People's Republic of China
"Main Board"	the stock market operated by the Stock Exchange prior to the establishment of GEM (excluding the options market) which stock market continues to be operated by the Stock Exchange in parallel with GEM. For the avoidance of doubt, the Main Board excludes GEM
"Main Board Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"MOFCOM"	The Ministry of Commerce of the PRC

"Original Group"	The Group companies other than the Target Group
"Power of Attorney"	the irrevocable power of attorney executed by Mr. Fang Bin on 1 June 2011
"PR"	public relations
"PRC"	the People's Republic of China, and for the purpose of this announcement only, excluding Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan
"PRC Legal Adviser"	Jingtian & Gongcheng
"Prospectus"	the prospectus of the Company dated 17 April 2012
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Shanghai SumZone Enterprise"	上海三眾企業管理諮詢有限公司 (Shanghai SumZone Enterprise Management Consultancy Company Limited), a wholly foreign-owned enterprise established in the PRC with limited liability on 1 June 2011, a direct wholly owned subsidiary of Century Linker and one of the subsidiaries of the Company in the PRC
"Shanghai You Xiong"	上海有熊企業管理諮詢有限公司 (Shanghai You Xiong Enterprises Management Consultancy Company Limited), a company established in the PRC with limited liability and a wholly owned subsidiary of Grand Rapids Mobile
"Share(s)"	ordinary share(s) of HK$0.01 each of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Share Option Scheme"	the share option scheme adopted pursuant to the written resolution passed by the Shareholders on 10 April 2012
"SMU"	上海三眾華納傳媒投資管理有限公司 (Shanghai SumZone Media Investment Management Company Limited), a domestic enterprise established in the PRC with limited liability on 16 July 2003 and directly wholly owned by Mr. Fang and effectively controlled by and consolidated under the Group by the entering into the Structured Contracts
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

"Structured Contracts"	a series of structured contracts that were designed to provide Shanghai SumZone Enterprise with effective control over the financial and operational policies of SMU and (to the extent permitted by PRC laws and regulations) the right to acquire the equity interests in SMU by Century Linker, and were entered into on 1 June 2011, details of which are set out in the paragraph "Structured Contracts" in the section "History, Reorganisation and Corporate Structure" in the Prospectus
"SumZone Advertising"	上海三眾廣告有限公司 (Shanghai SumZone Advertising Company Limited*), a company established in the PRC with limited liability on 26 August 2011, a direct wholly owned subsidiary of Shanghai SumZone Enterprise and one of the subsidiaries of the Company in the PRC
"SumZone Marketing"	上海三眾營銷策劃有限公司 (Shanghai SumZone Marketing Company Limited), a domestic enterprise established in the PRC with limited liability on 26 August 2011, a direct wholly owned subsidiary of Shanghai SumZone Enterprise and one of the subsidiaries of the Company in the PRC
"Target Group"	Grand Rapids Mobile and its subsidiaries
"Transfer of Listing"	the transfer of listing of the Shares from GEM to the Main Board
"VIE structure"	variable interest entities structure where a foreign owned entity effectively controls a Chinese owned entity through an elaborate series of contracts

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

Shanghai, the PRC, 26 August 2015

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

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Main Board Listing Rules and the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the "Latest Company Announcements" page of the GEM website at http://www.hkgem.com for at least 7 days from the date of its posting. This announcement will also be posted on the "Listed Company Information" page of the Stock Exchange website at http://www.hkexnews.hk and on the Company's website at www.brandingchinagroup.com.