北青传媒
BEIJING MEDIA

HK Stock Code: 1000

2011 ANNUAL REPORT

Beijing Media Corporation Limited

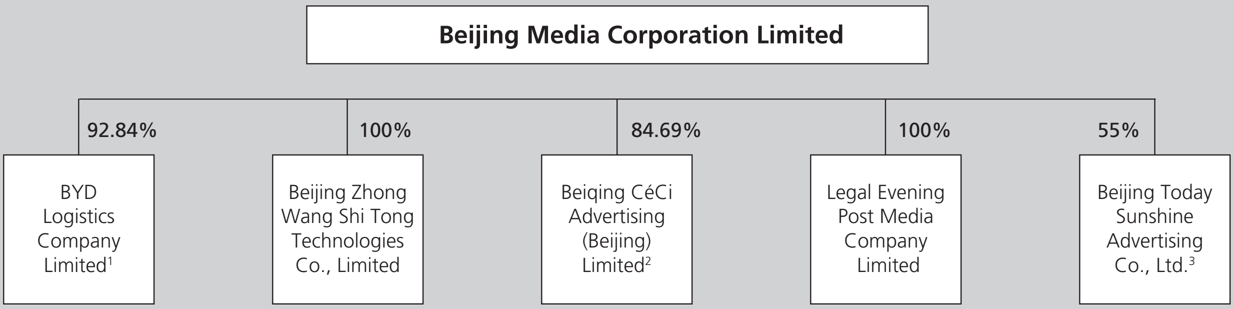
A joint stock company incorporated
in the People's Republic of China with limited liability

CONTENTS

COMPANY PROFILE

Beijing Media Corporation Limited (the Company, together with its subsidiaries collectively the Group), is one of the leading media companies in the PRC. The Company's main advertising medium is Beijing Youth Daily. Other core businesses of the Group include the production of newspapers, printing and trading of print-related materials. The Company was listed on the Main Board of the Hong Kong Stock Exchange on 22 December 2004.

CORPORATE STRUCTURE



Notes: 1. The Company acquired the 42.34% equity interest in BYD Logistics held by the state-owned and non-state-owned shareholders of BYD Logistics upon the approval at the general meeting of the Shareholders on 18 November 2011, at a consideration of approximately RMB29,665 thousand. BYD Logistics completed the changes in registration with the industrial and commercial administration authorities on 30 November 2011 and became a 92.84%-owned subsidiary of the Company;

2. The Company injected an additional capital of RMB55,000 thousand into Beiqing CéCi upon the approval of the Board on 21 April 2011. Beiqing CéCi completed the changes in registration with the industrial and commercial administration authorities on 30 June 2011. After the capital injection, Beiqing CéCi is owned as to 84.69% and 15.31% by the Company and JoongAng m&b Limited of Korea respectively;

3. The Company acquired the 55% equity interest in Today Sunshine held by the Parent upon the approval of the Board on 24 August 2011, at a consideration of RMB18,880 thousand. Today Sunshine completed the changes in registration with the industrial and commercial administration authorities on 10 October 2011 and became a 55%-owned subsidiary of the Company.

COMPANY WEBSITE:

www.bjmedia.com.cn

STOCK INFORMATION

- Stock Code: 1000
- Board Lot: 500 shares
- Number of Shares Issued (as at 31 December 2011): 197,310,000
- Market Capitalisation (as at 31 December 2011): HK$848.433 million
- Financial Year End: 31 December
- Bloomberg's Stock Machine Search Code: 1000 HK Equity
- Reuters Stock Machine Search Code: 1000. HK

EXECUTIVE DIRECTORS
Zhang Yanping *(Chairman)*
Zhang Yabin *(Vice Chairman)*
Sun Wei *(President)*

NON-EXECUTIVE DIRECTORS
Li Shiheng *(Vice Chairman)*[1]
Liu Han
Wu Peihua
Xu Xun
Li Yigeng

INDEPENDENT NON-EXECUTIVE DIRECTORS
Tsang Hing Lun
Wu Changqi
Liao Li

COMPANY SECRETARY
Shang Da[2]
Yu Leung Fai

AUDIT COMMITTEE
Tsang Hing Lun *(Chairman)*
Wu Changqi
Liu Han

REMUNERATION COMMITTEE
Wu Changqi *(Chairman)*
Tsang Hing Lun
Liao Li

NOMINATION COMMITTEE[3]
Zhang Yanping *(Chairman)*
Wu Changqi
Liao Li

AUTHORISED REPRESENTATIVES
Sun Wei
Zhang Yanping

ALTERNATIVE AUTHORISED REPRESENTATIVES
Shang Da
Yu Leung Fai

REGISTERED OFFICE
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PRINCIPAL PLACE OF BUSINESS IN HONG KONG
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LEGAL ADVISER
(as for Hong Kong Law)
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17/F, Edinburgh Tower,
The Landmark,
15 Queen's Road Central, Central,
Hong Kong

AUDITORS[4]
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9/F, Block A, Fu Hua Mansion,
No. 8 Chaoyangmen Beidajie,
Dongcheng District,
Beijing, the PRC

HONG KONG SHARE REGISTRAR
Computershare Hong Kong Investor Services Limited
46/F, Hopewell Centre,
183 Queen's Road East,
Wanchai, Hong Kong

Notes:

1. Mr. Li Shiheng was appointed as a vice Chairman of the Board upon the approval of the Board on 13 December 2011. Please refer to the announcement of the Company dated 13 December 2011 for details.

2. Mr. Shang Da was appointed as a company secretary of the Company upon the approval of the Board on 19 March 2012. Please refer to the announcement of the Company dated 19 March 2012 for details.

3. Mr. Zhang Yanping, Mr. Wu Changqi and Mr. Liao Li were appointed as members of the Nomination Committee upon the approval of the Board on 19 March 2012.

4. The resolution of ceasing to re-appoint SHINEWING (HK) CPA Limited as the international auditor of the Company for the year 2011 and appointing ShineWing Certified Public Accountants Co., Ltd. as the auditor of the Company for the year 2011 were passed at the annual general meeting held on 13 May 2011.

DEAR SHAREHOLDERS,

On behalf of the Group, I am pleased to present the report on results of the Group for the year 2011.

The Group is principally engaged in sales of advertising space, production of newspapers, printing and trading of print-related materials. The Group's principal advertising media is Beijing Youth Daily.

Total operating revenue of the Group for 2011 was RMB757,574 thousand (2010: RMB769,497 thousand), representing a decrease of 1.55% as compared with 2010. Net profit attributable to shareholders of the Company was RMB119,894 thousand (2010: RMB99,715 thousand), representing an increase of 20.24% as compared with 2010. Earnings per share was RMB0.61 (2010: RMB0.51). The Board recommends the distribution of a final dividend of RMB0.60 per share (2010: RMB0.50 per share) to shareholders.

Despite the unfavourable environment due to the further strengthened Chinese government's macro control on real estate market, restrictive policies on vehicle purchase promulgated by Beijing Municipal Government and impacts from emerging media, the Company still captured a wealth of opportunities by capitalising on its dominance as a mainstream media in 2011. According to the ranking published by the Newspaper and Periodical Sub-Committee under the China Association of Advertising (中國廣告協會報刊分會) with respect to value for placement of advertisement in newspapers and periodicals of the PRC 2010-2011, Beijing Youth Daily ranked No.6 amongst the top 30 metropolitan newspapers in the PRC and for three consecutive years No.1 in Beijing. According to market observation data provided by third parties, the placement volume of advertisement in print media in Beijing grew by 23% in 2011, significantly slower than 27% for the corresponding period last year due to the negative impacts brought by emerging media. Beijing Youth Daily secured its leading position among the major metropolitan newspapers in Beijing with its advertising market share of 30.03% in 2011, and Beijing Media had a comparative advantage over other print media in Beijing in terms of its real estate advertising market share of 45.37% and automobile advertising market share of 39.13%. While the Company's revenue from automobile advertising suffered from the stringent restrictive policy on automobile purchase implemented in Beijing in 2011, the placement of real estate advertising witnessed a year-on-year growth as a whole. Meanwhile, the Company's revenue from advertising on luxury products achieved a growth of 51.85% as compared with 2010, and its revenue from tourism advertising also recorded a small but steady growth despite the unfavourable international tourism market in 2011. Although the decline in revenue from automobile advertising was partially offset by the increase in revenue from advertising on other industries, the total revenue still witnessed a decrease.

In the first half of 2011, Beijing Media called up wedding couples from its readers who support environmental protection to eagerly take part in activities to show their love and care and the bliss they enjoyed by participating the public charity event organized by China Communist Youth League Beijing Committee. A special edition of Witnesses (《百版證婚》) published on 28 April 2011 got the strong feedback of society. Earlier in 2011, the rollout of Sunshine (《尚色》), a new magazine specially targeting high-end readership of luxurious brand consumers, marked another milestone for Beijing Media in expanding its advertising sales business on luxury products. These series of events fostered the enhancement of the Group's influence on the society.

On marketing front, brand promotion exhibitions are held in Shanghai each year following the Group's first advertising promotion exhibition in Shanghai in 2009, as a bridge to connect its customers. The promotion exhibition for 2011 held in No. 3 the Bund attracted more than 200 customers and advertising professionals, showcasing the Group's influence and resources and laying a solid foundation for promotion in the industry in 2012.

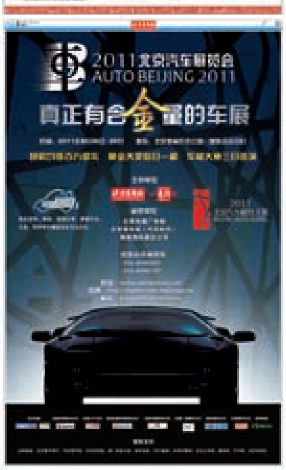
In 2011, certain subsidiaries of the Company developed on the right track with better performance, a number of which recorded growths both in operating revenue and profit. During the reporting period, the CéCi magazine achieved a significant growth in operating revenue, among which revenue from advertising sales increased by approximately 25% year-on-year. BYD Logistics also recorded a steady growth both in operating revenue and profit. The LED business of BQTM was successfully expanded to 11 airports of major cities in the PRC. Distribution of the Civil Aviation Administration of China News (Inflight Edition) (《中國民航報TOP時空》) has been extended to airport terminals of 33 cities across the PRC and artery routes of major airlines, becoming one of the leading premium free newspaper in flight. Meanwhile, the handheld in-flight entertainment terminal based on tablet computer technology commenced trial operation in domestic air routes. Late in 2011, BQTM also obtained investment of RMB150 million from a domestically leading venture capital fund.

Looking ahead, Beijing Media will aggressively diversify its business models to address the increasingly intensified competitions from print media and the existing and emerging media, and strive to optimize its industry advertising portfolio and business structure based on rational judgment on market environment. Also the Company will assist its subsidiaries to accomplish business goals to facilitate their growth. We believe that in 2012, the macro policies should be more positive for our upcoming investment and business expansions. The Group will seize the opportunities in the ongoing cultural system reform and the restructuring of non-political newspapers and periodicals to push ahead with capital operations, aiming to profit from more growth drivers through full-scope operations. With a stronghold on its existing advertising business, the Group will strengthen internal incentive policies with definite rewards and penalties under a clear accountability mechanism. Capital operations will be conducted on an active and prudent basis, allowing the Group to tap into new income streams under a better business structure through investment, merger and acquisition. Aiming at a further development, the Group will bolster its ongoing relationship with Beijing Youth Daily Agency, in order to stand out from its peers as a leading cross-media group in the PRC.

The Group's performance in 2011 is heavily dependent on the concerted efforts of our management and staff in each business units. The insight to market opportunities and the quality of the management team and the staff are the keys to our success. On behalf of the Company's shareholders and other members of the board of directors, I would like to take this opportunity to express my sincere gratitude to the management and staff of each of business units within the Group.

Zhang Yanping
Chairman

19 March 2012
Beijing, the People's Republic of China



BUSINESS REVIEW

The Group is principally engaged in three core businesses: (1) advertising sales, this part of business contributed the largest portion of the turnover of the Group; (2) printing, the turnover of this part of business includes revenue mainly generated from the printing of publications arranged by BYD Logistics; and (3) trading of print-related materials, this part of business involves the supply and trading of, among other things, newsprint, ink, lubricants, films, PS boards and rubber sheets to customers, including commercial printers.

Total operating revenue of the Group for 2011 was RMB757,574 thousand (2010: RMB769,497 thousand), representing a decrease of 1.55% as compared with 2010. Net profit attributable to shareholders of the Company for 2011 was RMB119,894 thousand (2010: RMB99,715 thousand), representing an increase of 20.24% as compared with 2010.

Although the placement volume of advertisement in print media in Beijing grew in 2011, the growth rate of 23% in 2011 has slowed down significantly compared with 27% of 2010 as a result of the strengthened Chinese government's macro control over real estate market, restrictive policies on vehicle purchase promulgated by Beijing Municipal Government and impacts from new media. Beijing Youth Daily secured its comparative advantage in advertising market share (2011: 30.03%) among the major metropolitan newspapers in Beijing, and Beijing Media was still ahead of other print media in Beijing in terms of placement volume of real estate advertising (market share in 2011: 45.37%) and automobile advertising (market share in 2011: 39.13%). However, the Company's revenue from automobile advertising suffered from the stringent restrictive policy on automobile purchase implemented in Beijing in 2011. As for real estate industry, despite a series of restrictive policies on real estate purchase being strictly implemented in Beijing, the placement of real estate advertising witnessed a year-on-year growth as a whole. Thus, the increase in revenue from real estate advertising offset the drop in revenue from automobile advertising to a certain extent. Meanwhile, the placement of advertisement in Beijing Youth Daily from the high-end luxury products sector targeting high-income groups also accounted for a high market share with 37.3% in 2011 and 28.7% in 2010 in the print media market of Beijing, leading to a growth in revenue of 51.85% in 2011 as compared with 2010. The Company's revenue from tourism advertising, in small but steady paces, grew by 2.89% year-on-year despite the unfavourable international tourism market in 2011. The Group has made great efforts in various aspects, thus reducing the adverse impacts brought by the decrease in revenue from automobile advertisement to a maximized extent. Revenue from advertising sales of the Group for 2011 was RMB450,331 thousand (2010: RMB474,269 thousand), representing a decrease of 5.05% as compared with 2010.

BUSINESS REVIEW *(Continued)*

Heqing Media, a subsidiary of the Company established in Hebei Province, is principally engaged in publication of Hebei Youth Daily (《河北青年報》) and sale of its advertising space. During 2011, Heqing Media recorded an overall improvement in its operation. For retail market, full coverage has been achieved for Shijiazhuang area, and brought substantial increase in sales volume at newspaper stands and mobile distributors. Hebei Youth Daily (《河北青年報》) devoted much effort in improving the layout image and content. In 2011, it organized events such as "Celebration of the Fifth Anniversary of Repositioning" (改版五周年慶祝活動), "Heqing Auto Show" (河青車展), "A Walk for Qingdou Civilization" (青豆文明行), "Qingdou Farm" (青豆農場), "Running At Night for Health" (夜跑越健康), "Small Hands in Big Ones" (大手牽小手) and "Flowering Competition in My Balcony Garden" (我的陽台花園養花大賽), leading to more exposure as well as increasing brand influence and appeal for group purchase business in Shijiazhuang. With respect to operations, Heqing Media has expanded its niches and improved its services on ongoing basis and also strengthened its management. In 2011, operating revenue of Heqing Media increased by 13.62% as compared with 2010. Of which, operating revenue from advertising sales increased by 15.51% and operating revenue from distribution business increased by 2.30%.

On 5 November 2011, the Company entered into the Capital Increase Agreement with Hebei Media Group and Beiyang Media, pursuant to which the Company invested into Beiyang Media, a company controlled by Hebei Media Group, by way of injection of its 60% equity interest in Heqing Media valued at RMB48,000 thousand. Upon completion of the capital increase, the Company held 1.5% equity interest in Beiyang Media in which Hebei Media Group held controlling interests. As Beiyang Media is going to conduct in-depth capital operation, it is expected that the 1.5% equity interest held by the Company will realize a substantial increase in value. Heqing Media completed its changes in the registration with the industrial and commercial administration authorities on 22 December 2011 and afterwards it is no longer a subsidiary of the Company. The entering into the Capital Increase Agreement is also a success of the Company in promoting its cross-region development and capital operation strategic model as one of its "Three Crosses" strategies.

BYD Logistics recorded a growth both in operating revenue and profit. Its operating revenue increased by 7.59% as compared with the previous year, together with a steady growth in profit.

To further integrate the Group's resources, as approved by the general meeting of the Shareholders on 18 November 2011, the Company acquired 42.34% equity interest in BYD Logistics in aggregation from state-owned and non stated-owned shareholders of BYD Logistics at consideration of approximately RMB29,665 thousand. BYD Logistics completed its changes in registration with the industrial and commercial administration authorities and became a 92.84%-owned subsidiary of the Company on 30 November 2011.


TOP时空
黄金乱象：投资暗流涌动


河北青年报
温家宝:要给人民群众一个真诚负责任的交代
国防部昨正面证实
中国航母
正在改建中

BUSINESS REVIEW *(Continued)*

To facilitate its strategic development in outdoor advertising market and forge a cross-media conglomeration, as approved by the Board on 24 August 2011, the Company acquired 55% equity interest in Today Sunshine from its parent at consideration of RMB18,880 thousand. Today Sunshine completed its changes in registration with the industrial and commercial administration authorities and became a 55%-owned subsidiary of the Company on 10 October 2011. Today Sunshine recorded profit of RMB4,166 thousand in 2011. After the acquisition, the Group will further promote the sound development of Today Sunshine.

Beiqing CéCi, a subsidiary of the Company, focused on providing advertising agency service for CéCi (《CéCi姐妹科學》) magazine, a premium women's magazine for fashion mavens distributed across major cities of China including Hong Kong. Through three years' operation, CéCi, being the favourite magazine of urban white-collar with a sound track record in sales since its inception, achieved a year-on-year growth of 25% in revenue from advertising sales in 2011. As approved by the Board on 21 April 2011, the Company injected additional capital of RMB55,000 thousand to Beiqing CéCi. Beiqing CéCi completed its changes in registration and became an 84.69%-owned subsidiary of the Company on 30 June 2011. In 2011, CéCi (《CéCi姐妹科學》) again invited Ms. Zhang Jingchu, one of the most popular actresses in China, to visit Korea as the new Ambassador of the Korean Culture and Tourism (韓國文化觀光宣傳大使) of the year. After that, she will also take part in the promotional activities of 2012 Exchange Year of Korea and China (二零一二韓中交流年) and the exchange activities commemorating the 20th anniversary of the establishment of diplomatic relations between China and Korea. To advocate the concept of new fashion, CéCi (《CéCi姐妹科學》) as a fashion pioneer took the lead to initiate the Asian New Youth Growth Programme (亞洲新青年成長計劃) on 28 July 2011 to call for public attention to the nurturing of youth talents in the fashion industry of the PRC, which fulfilled its responsibility for the industry and built up a good public image. As a public welfare event continuously focusing on Asian youth growth over years, the programme is to establish a stage for the aspiring youths in Asia to realize their dreams through providing training and supports for their growth.

In 2011, the LED business of BQTM was successfully expanded to 11 airports of major cities in the PRC. Distribution of the Civil Aviation Administration of China News (Inflight Edition) (《中國民航報TOP時空》) has been extended to airport terminals of 33 cities across the PRC and artery routes of major airlines, becoming one of the leading premium free newspaper in flight. Meanwhile, the handheld in-flight entertainment terminal based on tablet computer technology commenced trial operation in domestic air routes. In 2011, BQTM also obtained investment of RMB150 million from a domestically leading venture capital fund. BQTM completed its changes in registration with the industrial and commercial administration authorities on 29 December 2011 and afterwards it is owned as to 37.09% by the Company and no longer a subsidiary of the Company.

All of the initiatives above enabled the Group to diversify investment portfolio and set up extensive media platforms with comprehensive audience group, covering newspapers, magazines, internet and aviation and outdoor broadcast. Meanwhile, the Group managed to provide all-round sophisticated media marketing platforms for advertisers to place advertisements, which enabled advertisers to maximize return by selecting diversified cross-channel, cross-media and cross-region advertising portfolios.

INDUSTRY REVIEW

In 2011, Beijing Media continued to pursue the leading position in the industry with competitive advantages in key advertising placement sectors such as real estate, automobile, etc.. The Group further strengthened its cooperation with companies in real estate, automobile and tourism sectors through adoption of new technologies and new measures in advertising and marketing to proactively seek a new business model, enhancement of the placement of advertisements in relevant sectors through brand promotional campaigns and organization of seminars and exhibitions. By adopting these new technologies and initiatives, Beijing Media reinforced its brand strength in key advertising placement sectors such as automobile and real estate. Through strengthened management of the fashion magazine Sunshine (《尚色》), the Group expanded its competitive advantages into high-end luxury products sector. In addition, other businesses of the Group also gained sound momentum in development.

In 2012, the Group will continue to put emphasis on its core business, namely newspaper advertising sales, and to make efforts to develop multi-media business, consolidate the Group's resources and optimize corporate structure, with an aim to place a sound foundation for future operations.

ADVERTISING BUSINESS

Revenue from advertising sales of the Group for 2011 was RMB450,331 thousand, accounting for 59.44% of the total operating revenue (2010: RMB474,269 thousand, accounting for 61.63% of the total operating revenue), and representing a decrease of 5.05% as compared with 2010.

The Group attached great importance to innovation through exploring new models of advertising operations, based on brand promotional campaigns, the Group effectively boosted the placement of advertisement in relevant sectors and tapped into the new sector of exhibition industry by organizing automobile exhibitions, travel fairs and real estate seminars and exhibitions. In 2011, Beijing Media secured its brand advantages in key advertising placement sectors such as automobiles and real estate, and successfully staged the first session of Beijing International Travel Fair.

In 2011, the Group called up wedding couples from its readers who support environmental protection to eagerly take part in activities to show their love and care and the bliss they enjoyed by participating the public charity event organized by China Communist Youth League Beijing Committee. A special edition of Witnesses (《百版證婚》) published on 28 April 2011 got the strong feedback of society. Earlier in 2011, the rollout of Sunshine (《尚色》), a new magazine specially targeting high-end readership of luxurious brand consumers, marked another milestone for Beijing Youth Daily in expanding its advertising sales business on luxury products. These series of events fostered the enhancement of the Group's influence on the society.

In terms of marketing tactics, the Group further emphasized the importance of delivering customer-oriented services, proactively developed new customers and cultivated new selling points for its business. The Group prepared tailor-made marketing plans for customers with no advertisement placed, setting up an integrated communication platform for marketing. In 2011, the Company organized a string of customised events including "Beiqing Summer Education Trade Show" (北青夏季教育平面展), "Beiqing Education Industry Series Seminars" (北青教育行業系列研討會) and "Beijing Youth Daily • 2011 Branded Education Institutions Annual Exhibition" (北京青年報 • 2011品牌教育機構年度大展).

PRINTING BUSINESS AND TRADING OF PRINT-RELATED MATERIALS

The Group is engaged in the printing and the trading of print-related materials businesses through its subsidiary BYD Logistics. Operating revenue of the Group from the printing and the trading of print-related materials businesses for 2011 was RMB50,969 thousand and RMB234,860 thousand (2010: RMB56,080 thousand and RMB219,337 thousand), respectively, representing a decrease of 9.11% and an increase of 7.08% as compared with 2010, respectively.

In 2011, the Company acquired additional equity interest in BYD Logistics to expand its digital printing and trading of print-related materials businesses.

EVENTS ORGANIZED DURING THE YEAR

In 2011, the Company hosted again the 2011 Beijing Automobile Exhibition, and successfully hosted the first session of Beijing International Travel Fair.

The 2011 Beijing Automobile Exhibition, hosted by BYDA and Beijing Media and undertaken by Beijing Youth Daily – Auto Time magazine, advertising department and media department of Beijing Media and YASN Inc., was held at National Conference Centre of Olympic Park from 26 August 2011 to 29 August 2011. With a scale comparable to previous years, the exhibition called up 30 automobile makers and attracted over 100,000 visitors, and more than 1,000 cars were sold on site as ever. At the exhibition space of 20,000 sq.m., the new models covered more than 100 major brands in automobile market. Addressing new policies including lot-drawing plate issuance, the exhibition offered more incentives through the marketing campaign of "Buy One Get More & Millionaire Jackpot" (購車即有禮，百萬大獎幸運抽). Beijing Automobile Exhibition is well positioned itself as a platform for auto makers to launch new models in Beijing. The increasing number of new cars and stricter participation standards enabled Beijing Automobile Exhibition which our Group is devoted to step forward to a higher level, namely Grade B auto exhibition. It also organized a series of humanistic and public charity events similar to those held during the previous exhibitions, such as Beijing car model roundup, children painting competition, gold bar lottery, auto exhibition microblogging and other interactive activities. The 2011 Beijing Automobile Exhibition has become a platform for car manufacturers, distributors and the general public in Beijing to interact and exchange information and ideas.

EVENTS ORGANIZED DURING THE YEAR *(Continued)*

Tourism has become another consumption hot spot following housing and automobile. Capturing the trend and leveraging on its strength in the extensive high-end readership of Beijing Youth Daily, the Group joined the efforts of Beijing Exhibition Centre to roll out the Beijing International Travel Fair directly targeting consumers in 2011.

PROSPECTS AND FUTURE PLANS

In 2012, the Group will seize the opportunities in development of cultural industries and restructuring of non-political newspapers and periodicals in the PRC to push ahead with capital operations, aiming at a new leap in expanding its niche.

In 2012, Beijing Media will step up its urban outdoor advertising business through Today Sunshine, with a priority to cross-channel and cross-media outdoor advertising operations based on Beijing with nationwide influential. While seeking breakthroughs in new media sectors such as internet and mobile internet, the Group expects to make full use of professional and market-oriented investment mechanism including specialized investment funds.

In 2012, the Group will, through Beiqing CéCi, continue to forge a brand new platform for its trendy magazine media. Following the successful release and distribution of the magazine, position in mainstream print media will be sought for the magazine, so as to seek the better development of the trendy magazine media sector.

While maintaining its existing core businesses in 2012, the Group intends to further diversify its media business through acquisitions and cooperation. Aiming at further development of its business, the Group will bolster its ongoing relationship with Beijing Youth Daily Agency, in order to stand out from its peers as a leading cross-media group in the PRC.

FINANCIAL POSITION AND OPERATIONAL RESULTS

1. Total Operating Revenue

Total operating revenue of the Group for 2011 was RMB757,574 thousand (2010: RMB769,497 thousand), representing a decrease of 1.55% as compared with 2010. Of which, revenue from advertising sales was RMB450,331 thousand (2010: RMB474,269 thousand), representing a decrease of 5.05% as compared with 2010; revenue from printing was RMB50,969 thousand (2010: RMB56,080 thousand), representing a decrease of 9.11% as compared with 2010; and revenue from trading of print-related materials was RMB234,860 thousand (2010: RMB219,337 thousand), representing an increase of 7.08% as compared with 2010.

2. Operating Cost and Sales Tax and Surcharges

Operating cost of the Group for 2011 was RMB646,829 thousand (2010: RMB625,888 thousand), representing an increase of 3.35% as compared with 2010. Of which, cost of advertising sales was RMB349,580 thousand (2010: RMB340,495 thousand), representing an increase of 2.67% as compared with 2010; cost of printing was RMB47,458 thousand (2010: RMB53,033 thousand), representing a decrease of 10.51% as compared with 2010; and cost of trading of print-related materials was RMB220,069 thousand (2010: RMB206,449 thousand), representing an increase of 6.60% as compared with 2010. Sales tax and surcharges was RMB35,945 thousand (2010: RMB36,611 thousand), representing a decrease of 1.82% as compared with 2010.

3. Gross Profit

Gross profit of the Group for 2011 was RMB110,745 thousand (2010: RMB143,609 thousand), representing a decrease of 22.88% as compared with 2010; gross profit margin was 14.62% (2010: 18.66%).

4. Selling Expenses

Selling Expenses of the Group for 2011 was RMB28,873 thousand (2010: RMB19,339 thousand), representing an increase of 49.30% as compared with 2010.

FINANCIAL POSITION AND OPERATIONAL RESULTS *(Continued)*

5. **Administrative Expenses**

Administrative expenses of the Group for 2011 was RMB50,465 thousand (2010: RMB47,393 thousand), representing an increase of 6.48% as compared with 2010.

6. **Financial Expenses**

Financial expenses of the Group for 2011 was RMB-30,524 thousand (2010: RMB-28,698 thousand), representing an increase of 6.36% in absolute value as compared with 2010. Of which, interest income was RMB27,408 thousand (2010: RMB26,367 thousand), representing an increase of 3.95% as compared with 2010; and foreign exchange gain was RMB3,810 thousand (2010: RMB2,690 thousand), representing an increase of 41.64% as compared with 2010.

7. **Share of Profit (Loss) of Jointly Controlled Entities and Associates**

Share of the profit of jointly controlled entities and associates of the Group for 2011 was RMB9,476 thousand (2010: RMB1,850 thousand), representing an increase of 412.22% as compared with 2010.

8. **Operating Profit**

Operating profit of the Group for 2011 was RMB125,500 thousand (2010: RMB86,144 thousand), representing an increase of 45.69% as compared with 2010.

9. **Income Tax Expenses**

Income tax expenses of the Group for 2011 was RMB5,705 thousand (2010: RMB2,882 thousand), representing an increase of 97.95% as compared with 2010. The taxation authority in the PRC has granted the Company an income tax exemption of five years effective from 1 January 2009 to 31 December 2013.

10. **Net Profit and Net Profit Attributable to Shareholders of the Company**

Net profit of the Group for 2011 was RMB122,713 thousand (2010: RMB100,298 thousand), representing an increase of 22.35% as compared with 2010. Of which, net profit attributable to shareholders of the Company was RMB119,894 thousand (2010: RMB99,715 thousand), representing an increase of 20.24% as compared with 2010.

11. **Final Dividend**

The Board recommends the distribution of a final dividend of RMB0.60 per share (2010: RMB0.50 per share).

12. **Net Current Assets**

As at 31 December 2011, net current assets of the Group was RMB1,105,855 thousand (31 December 2010: RMB1,172,253 thousand). Current assets mainly comprised of bank balances and cash of RMB995,593 thousand (31 December 2010: RMB1,180,332 thousand), financial assets held for trading of RMB31 thousand (31 December 2010: RMB744 thousand), accounts receivable of RMB125,698 thousand (31 December 2010: RMB135,748 thousand), prepayments of RMB16,789 thousand (31 December 2010: RMB41,815 thousand), interest receivable of RMB10,517 thousand (31 December 2010: RMB7,666 thousand), other receivables of RMB59,551 thousand (31 December 2010: RMB35,418 thousand), inventories of RMB49,928 thousand (31 December 2010: RMB66,847 thousand), and other current assets of RMB80,600 thousand (31 December 2010: RMB8,600 thousand). Current liabilities mainly comprised of notes payable of RMB36,599 thousand (31 December 2010: RMB50,222 thousand), accounts payable of RMB63,315 thousand (31 December 2010: RMB87,077 thousand), receipts in advance of RMB19,045 thousand (31 December 2010: RMB37,966 thousand), employee benefit payables of RMB6,098 thousand (31 December 2010: RMB8,679 thousand), tax payables of RMB4,013 thousand (31 December 2010: RMB2,806 thousand), interest payable of nil (31 December 2010: RMB89 thousand), dividend payable of RMB398 thousand (31 December 2010: RMB2,087 thousand), other payables of RMB91,201 thousand (31 December 2010: RMB103,731 thousand), non-current liabilities due within one year of RMB3,670 thousand (31 December 2010: RMB3,660 thousand), and other current liabilities of RMB8,513 thousand (31 December 2010: RMB8,600 thousand).

FINANCIAL RESOURCES AND LIQUIDITY

As at 31 December 2011, current assets of the Group was RMB1,338,707 thousand (31 December 2010: RMB1,477,170 thousand), including bank balances and cash of RMB995,593 thousand (31 December 2010: RMB1,180,332 thousand). Non-current assets of the Group was RMB328,756 thousand (31 December 2010: RMB266,256 thousand).

As at 31 December 2011, current liabilities of the Group was RMB232,852 thousand (31 December 2010: RMB304,917 thousand) and non-current liabilities was RMB4,962 thousand (31 December 2010: RMB7,513 thousand).

As at 31 December 2011, shareholders' equity of the Group was RMB1,429,649 thousand (31 December 2010: RMB1,430,996 thousand).

As at 31 December 2011, equity-to-borrowing ratio (defined as a percentage of net interest-bearing borrowings over equity attributable to shareholders of the Company) of the Group was 0.53% (31 December 2010: 0.79%).

GEARING RATIO

As at 31 December 2011, gearing ratio of the Group was 16.63% (31 December 2010: 21.83%) (the gearing ratio is derived from dividing the Group's total liabilities by its total equity).

BANK BORROWINGS, OVERDRAFTS AND OTHER BORROWINGS

As at 31 December 2011, bank loans of the Group was RMB7,340 thousand (31 December 2010: RMB11,000 thousand); such bank loans bear interest ranging from 6.16% to 7.32% p.a. (2010: from 5.94% to 6.16% p.a.).

FINANCE COST

Finance cost of the Group for 2011 was RMB677 thousand (2010: RMB293 thousand).

FIVE-YEAR RESULTS HIGHLIGHTS

	For the year ended 31 December				
	2011 ***RMB'000***	**2010** *RMB'000* (Restated)	**2009** *RMB'000* (Restated)	**2008** *RMB'000* (Restated)	**2007** *RMB'000* (Restated)
Total operating revenue	**757,574**	769,497	842,300	1,099,243	851,177
Net profit	**122,713**	100,298	149,233	38,791	12,991
Net profit attributable to shareholders of the Company	**119,894**	99,715	150,664	41,039	12,249
Earnings per share – basic and diluted (RMB)	**0.61**	0.51	0.76	0.20	0.06

	As at 31 December				
	2011 ***RMB'000***	**2010** *RMB'000* (Restated)	**2009** *RMB'000* (Restated)	**2008** *RMB'000* (Restated)	**2007** *RMB'000* (Restated)
Total assets	**1,667,463**	1,743,426	1,750,615	1,715,922	1,607,578
Total liabilities	**237,814**	312,430	349,577	415,639	303,856
Equity attributable to shareholders of the Company	**1,397,115**	1,394,296	1,363,993	1,252,791	1,255,100
Shareholders' equity per share as at the end of the year (RMB)	**7.08**	7.07	6.96	6.40	6.96

Note: as the Group has adopted PRC Accounting Standards from 2011, the above financial information for the previous years up to and including 2010 was restated in accordance with PRC Accounting Standards.

USE OF PROCEEDS FROM THE LISTING

The Company raised a total net proceeds of HK$889,086 thousand from the global offering in 2004. The following table sets forth a breakdown of the proposed use of proceeds as disclosed in the prospectus and as recently modified in the announcement of the Company and the actual use of proceeds as at 31 December 2011:

Proposed use of proceeds	**Amounts proposed** *HK$*	**Amounts used** *HK$*
Developing a number of topic-focused magazines on personal wealth management, lifestyle and cultural activities	Approximately 23.59 million	Approximately 23.59 million
Investing in and acquisition of other media businesses (including but not limited to traditional media and emerging media businesses) and related businesses (including but not limited to the additional investment in the existing businesses of the Group)	Approximately 735.496 million	Approximately 578.3198 million
General working capital of the Group	Approximately 130 million	Approximately 80 million

Note: The proceeds that would have been intended for the development of weekend newspapers had not been utilized as the Company has not identified any weekend newspapers with profitable prospect and positioning of which is consistent with that of Beijing Media as a whole. In addition, as the Chinese government has not yet released fully its control over the television broadcasting industry at this stage and there are a number of restrictions on the existing State policies, industry access thresholds and other barriers, the Company is unable to implement its strategic deployment and to align its substantive investments, leaving the unutilized proceeds that would have been intended for investment in the television broadcasting industry in Beijing. Furthermore, the Company does not intend to invest in weekend newspapers and television broadcasting industry in Beijing in the near future. Based on the factors abovementioned, the Board has approved the change in use of unutilized net proceeds from the global offering at the board meeting of the Company held on 24 June 2011 and it has changed the use of the unutilized proceeds totaling approximately HK$425.496 million to the following purposes:

1) as to approximately HK$375.496 million, for the purpose of investing in and acquisition of other media businesses (including but not limited to traditional media and emerging media businesses) and related businesses (including but not limited to the additional investment in the existing businesses of the Group);

2) as to approximately HK$50 million, for use as general working capital of the Group.

On 30 June 2011, the Company completed its capital increase into Beiqing CéCi in the amount of RMB55 million (approximately HK$66.159 million) by utilizing proceeds; on the same date, the internal resource, amounting to a total of RMB80 million (approximately HK$92.725 million), previously used for the investment in BQTM was replaced by the proceeds. On 10 October 2011, the Company completed the acquisition of 55% equity interest in Today Sunshine in the amount of RMB18.88 million (approximately HK$23.0376 million) by utilizing proceeds. On 30 November 2011, the Company completed the acquisition of 42.34% equity interest in BYD Logistics in the amount of RMB29.66 million (approximately HK$36.3982 million) by utilizing proceeds. As at 31 December 2011, approximately HK$207.1762 million of the proceeds of the Company had not been utilized.

In order to capture more business opportunities arising from emerging media businesses and other related media businesses and to utilize the net proceeds of the Group in a more effective way, during 2011, the Company strived to seek opportunities to fulfil the objectives as set forth above. The Company believes that the remaining proceeds will be utilized as aforesaid purposes for business development under mature conditions in 2012.

CAPITAL STRUCTURE

	Number of Shares	% of total share capital
Holders of Domestic Shares		
–Beijing Youth Daily Agency	124,839,974	63.27%
–Beijing Zhijin Science and Technology Investment Co., Ltd.	7,367,000	3.73%
–China Telecommunication Broadcast Satellite Corp.	4,263,117	2.16%
–Beijing Development Area Ltd.	2,986,109	1.52%
–Sino Television Co., Ltd.	2,952,800	1.50%
	142,409,000	72.18%
H Shares in issue *(Note)*	54,901,000	27.82%
Total share capital	197,310,000	100%

Note: Including 19,533,000 H Shares in issue held by MIH Print Media Holdings Limited, representing 9.90% of the total share capital of the Company.

CAPITAL EXPENDITURE

Capital expenditures (including expenditures on office equipment, intangible assets and investment properties) of the Group for 2011 was RMB3,907 thousand (2010: RMB10,021 thousand). Capital expenditures of the Group for 2011 mainly comprised expenditure consistent with business strategies.

CONTINGENT LIABILITIES AND PLEDGE OF ASSETS

The secured loans were the bank loans granted by Huaxia Bank to the subsidiary of the Company, Today Sunshine. The bank loans were secured by the self-owned office buildings and were guaranteed by the Parent. As at 31 December 2011, the outstanding balance of the loan was RMB7,340 thousand.

It is anticipated by the management team that no material liabilities will arise from the above guarantees provided in the normal course of business of the Company.

MATERIAL INVESTMENTS

As approved by the Board on 21 April 2011, the Company injected additional capital of RMB55,000 thousand to Beiqing CéCi:

Save as disclosed above, there was no other material investment made by the Company in 2011.

MATERIAL ACQUISITIONS AND DISPOSALS OF ASSETS

As approved by the general meeting of the Shareholders on 18 November 2011, the Company acquired 42.34% equity interest in BYD Logistics in aggregation from state-owned and non stated-owned shareholders of BYD Logistics at consideration of approximately RMB29,665 thousand.

As approved by the Board on 5 November 2011, the Company acquired 1.5% equity interest in Beiyang Media by swap of 60% equity interest in Heqing Media held by the Company, which was valued at RMB48,000 thousand.

As approved by the Board on 24 August 2011, the Company acquired 55% equity interest in Today Sunshine from BYDA at consideration of RMB18,880 thousand.

Save as disclosed above, there was no other material acquisition or disposal of assets made by the Company in 2011.

FOREIGN EXCHANGE RISKS

Renminbi is the functional currency of the Company. The Company's operations conducted in the PRC are mainly settled in Renminbi. However, certain account payables are settled in foreign currency (mainly Hong Kong dollars). Therefore, the Company is exposed to fluctuations in foreign exchange rate to a certain extent. Operating cash flow or liquidity of the Group is not subject to any exchange rate fluctuations.

EXECUTIVE DIRECTORS

Mr. Zhang Yanping, 54, is the chairman and an executive Director. Mr. Zhang is currently the president of the BYDA. He graduated in 1988 from the Renmin University of China with a bachelor's degree in journalism and achieved an MBA degree from the School of Economics and Management of Tsinghua University in 2006. Mr. Zhang performed his military service with Division No. 4 of Beijing Garrison Command from December 1976 to June 1980. He then joined Beijing People's Radio as a trainee from June 1980 to April 1981. Mr. Zhang joined BYDA in November 1981 and has gained nearly 31 years of experience in the media business and has acted in a number of positions such as a reporter, director, editing committee member, deputy chief editor, executive deputy chief editor and chief editor of BYDA. Mr. Zhang was appointed as a Director on 16 May 2001.

Mr. Zhang Yabin, 55, is the vice chairman and an executive Director. Mr. Zhang is currently the chief editor of BYDA. Mr. Zhang graduated in 1982 from the Peking University with a bachelor's degree in journalism and graduated in 2005 from Cheung Kong Graduate School of Business with a master's degree in EMBA. Mr. Zhang was a reporter and an editor of the political and legal department of Beijing Daily News Press from February 1982 to June 1992. Mr. Zhang became the deputy director of the chief editorial department of Beijing Daily News Press from July 1992 and then became the director of the external relationship department of Beijing Daily News Press from March 1996. In April 1999, Mr. Zhang started to serve as the chief editor of Morning Post Press. Mr. Zhang joined BYDA in April 2002 as the chief editor. Mr. Zhang was appointed as a Director on 30 December 2002.

Mr. Sun Wei, 58, is the president and an executive Director. Mr. Sun graduated in 1994 from the Party School of the Central Committee of C.P.C. in economics and administration and studied in a course leading to a postgraduate degree in journalism in Renmin University of China from 1996 to 1998. Mr. Sun joined BYDA in October 1983 and has gained experience as a reporter, editor, deputy director, director, editing committee member and deputy chief editor. Mr. Sun was the executive deputy chief editor of BYDA. Mr. Sun is currently the vice president of Beijing Youth Fictionist Association and the committee member of China Association for International Friendly Contact. Mr. Sun was appointed as a Director on 23 August 2004.

NON-EXECUTIVE DIRECTORS

Mr. Li Shiheng, 52, is a vice chairman and non-executive Director. Mr. Li currently serves as the deputy secretary to the Party Committee and secretary to the Disciplinary Inspection Commission of BYDA. Mr. Li graduated from the Party School of the Central Committee of C.P.C. in 1997, majoring in politics and law. Mr. Li obtained his EMBA degree from Guanghua School of Management, Peking University in July 2007. Mr. Li served as the officer and deputy secretary of the member committee of the education department of Fengtai District of Beijing City from 1986 to 1990. From 1990 to 1993, Mr. Li served as the youth director and deputy secretary of Fengtai Communist Youth League of Beijing. From 1993 to 1998, Mr. Li served as the deputy director of city department and director of middle school department of China Communist Youth League Beijing Committee. Mr. Li has been serving as the deputy secretary to the Party Committee, secretary to the Disciplinary Inspection Commission and executive deputy president and director of operational management committee of BYDA since 1998. Mr. Li was appointed as a non-executive Director of the Company on 7 June 2010.

Mr. Liu Han, 53, is a non-executive Director. Mr. Liu is currently a member of the Party Committee of BYDA. He graduated in 1982 from Capital Normal Academy in Chinese literature and was awarded an EMBA in 2004 by China Europe International Business School. Mr. Liu became a teacher at Fengtai district, Beijing from September 1982 to December 1985. Mr. Liu served as an officer of Beijing Fengtai Bureau of Education from December 1985 to June 1986. In July 1986, Mr. Liu joined BYDA as reporter, and subsequently, director of the editorial department, also serving as the editor-in-chief, assistant to the president and the vice president of Middle School Times. Mr. Liu was appointed as a Director on 16 May 2001.

NON-EXECUTIVE DIRECTORS *(Continued)*

Ms. Wu Peihua, 51, is a member of the Party Committee of BYDA and the president of Legal Evening Post Agency. Ms. Wu graduated from Department of Chinese Language and Literature of Peking University majoring in journalism and obtained a bachelor's degree in literature in 1982. Ms. Wu obtained a master's degree in education from Tokyo Gakugei University in 1994. Ms. Wu joined BYDA since 1982, serving as a reporter, editor, director, deputy chief editor and executive deputy chief editor. Ms. Wu has also served as the president of Legal Evening Post Agency since 2005. Ms. Wu was appointed as a non-executive Director of the Company on 7 June 2010.

Mr. Xu Xun, 56, is a non-executive Director. Mr. Xu graduated in 1998 from the Postgraduate School of the Chinese Academy of Social Sciences with a master's degree in finance. Mr. Xu served as an editor and reporter of Capital Economic Information Daily from 1990 to 1993. He was the general manager of Beijing Hua Ren Advertising Company Limited in 1993. Mr. Xu acted as the deputy general manager of Chinese Securities Daily from November 1994 to February 2000. Thereafter, Mr. Xu worked in Beijing Zhijin Science and Technology Investment Co., Ltd. as the deputy general manager from March 2000 to March 2002. Mr. Xu worked with Beijing Management Department of Yongjin Group as head from March 2002 to 2006, and is now the vice president of Yongjin Group and the general manager of Beijing Zhijin Science and Technology Investment Co., Ltd.. Mr. Xu was appointed as the director of Qianjin Pharmaceuticals Company Limited (Stock Code: 600479), a listed company of A shares in August 2010. Mr. Xu was appointed as a Director of the Company on 16 May 2001.

Mr. Li Yigeng, 49, is a non-executive Director. Mr. Li graduated from Foreign Languages School of East China Normal University in 1988. Mr. Li also obtained his MBA degree from Rutgers, the State University of New Jersey in 1999. Mr. Li served as translator at Diplomatic Services Bureau of Ministry of Foreign Affairs of the People's Republic of China from 1988 to 1994 and also worked for Claydon Gescher Associates, a company engaged in consulting services for the sectors of media and telecommunication from 1994 to 1999. During the period from 2000 to 2008, Mr. Li served as the vice president of Greater China Region of MIH Holdings Limited and was responsible for the business development in China. Mr. Li spent two years serving at the headquarters of MIH Group in South Africa from 2000 to 2001, subsequently, Mr. Li served at China representative office of MIH Group and took the charge of the premium TV and print media operations from 2002 to 2008. Mr. Li has served as the president of Greater China Region of MIH Print Media Holdings Limited since 2008. Mr. Li was appointed as a non-executive Director of the Company on 16 June 2009.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Tsang Hing Lun, 63, is an independent non-executive Director. Mr. Tsang is the chief executive officer of Influential Consultants Ltd.. He is also fellows of Hong Kong Institute of Directors, the Association of Certified Accountants and the Hong Kong Institute of Certified Public Accountants. Mr. Tsang graduated from the Chinese University of Hong Kong with a bachelor's degree in business administration (1st Class Hons.) in 1973. Mr. Tsang had held positions of the senior management with several reputable listed companies of Hong Kong and Singapore. Mr. Tsang joined the Hang Seng Bank Group in 1973. He had served in the group for 17 years and was promoted to the assistant general manager. He joined the UOB Group in Singapore in 1990 as managing vice president. Mr. Tsang acted as an operation officer of the Hong Kong Stock Exchange in 1993, the executive director of China Champ Group in 1994, and as an alternative chief executive and deputy general manager of the China Construction Bank, Hong Kong Branch from 1995 to 1998. Mr. Tsang is now an independent non-executive director of Sino-Ocean Land Holdings Limited, Sinotrans Shipping Limited and China Rongsheng Heavy Industries Group Holdings Ltd., all of which are companies listed on the Hong Kong Stock Exchange. Mr. Tsang is also an independent non-executive director of China GrenTech Corporation Limited, a company listed on NASDAQ Stock Market. Mr. Tsang was appointed as an independent non-executive Director on 12 November 2004.

INDEPENDENT NON-EXECUTIVE DIRECTORS *(Continued)*

Mr. Wu Changqi, 57, is an independent non-executive Director. He graduated in 1982 from Shandong University with a bachelor's degree in economics. Mr. Wu obtained an MBA degree and a doctoral degree in applied economics from Katholieke Universiteit Leuven in Belgium in 1986 and 1990, respectively. Mr. Wu acted as a lecturer and an assistant professor in economics of the Hong Kong University of Science and Technology respectively in 1991 and 1997. Mr. Wu has been the professor and PHD supervisor in strategic management of the Guanghua School of Management of Peking University since 2001. He acted as head of the Department of Strategic Management of the Guanghua School of Management of Peking University from 2001 to 2010, the director of the EMBA Centre of the Guanghua School of Management of Peking University from 2002 to 2010 and the associate dean of the Guanghua School of Management of Peking University from 2003 to 2010. He has been director of Guanghua Cisco Leadership Institute of Peking University and director of Development Strategy Institute of the State High-Tech Development Zones of Peking University. Mr. Wu was appointed as an independent non-executive Director on 23 August 2004.

Mr. Liao Li, 46, is an independent non-executive Director. He is currently the associate dean and the professor in finance of the School of Economics and Management of Tsinghua University. Mr. Liao graduated in 1989 from the Department of Electrical Engineering of Tsinghua University with a bachelor's degree in mechanical engineering and automation. He obtained a doctoral degree in technical economics from the School of Economics and Management of Tsinghua University in 1996. In 1999, Mr. Liao graduated from the Sloan School of Management of Massachusetts Institute of Technology with an MBA degree. Mr. Liao was a lecturer of the School of Economics and Management of Tsinghua University from 1995 to 1997. Starting from 2001, Mr. Liao acted as the associate dean and the deputy professor in finance of the School of Economics and Management of Tsinghua University and became a professor in 2004. Mr. Liao was appointed as an independent non-executive Director on 23 August 2004.

SUPERVISORS

Mr. Tian Kewu, 42, is the chairman of the Supervisory Committee. He is currently a member of the Party Committee and executive deputy chief editor of BYDA. He graduated from China Youth Political Academy in 1991 with bachelor's degree in political education, and was awarded a master's degree in law in 2003 from Peking University after three years' research. In July 1991, Mr. Tian joined China Communist Youth League Beijing Committee, and served as an officer, administration officer, deputy director and director of the research office and was promoted to the head of the Propaganda Department of the China Communist Youth League Beijing Committee since May 2001. Mr. Tian has been the executive deputy chief editor of BYDA since June 2005.

Mr. He Daguang, 54, graduated from Shaanxi Institute of Finance and Economy in 1983 specialising in financial management for industrial enterprises. From 1983 to 2001, Mr. He had, amongst other positions, served as a deputy head of a division, head of a division, deputy chief accountant, acting chief accountant and executive director of China International Water and Electric Corporation. Mr. He served as the PRC chief financial officer of Phoenix Satellite Television Company Limited from 2001 to November 2006, and has been the vice president of Phoenix Satellite Television Company Limited since December 2006.

Mr. Zhou Fumin, 41, graduated from the Department of Materials Science and Engineering of Tsinghua University in 1995 with a bachelor's degree in engineering and graduated from School of Law of Tsinghua University in 1998 with a master's degree in civil and commercial law. Mr. Zhou has been the vice president of Yunnan International Trust Co. Ltd. He is currently the vice president of Yongjin Group.

SUPERVISORS *(Continued)*

Ms. Yan Mengmeng, 48, is a director of the laser phototypesetting centre of the Company. Ms. Yan was awarded a postgraduate certificate in business management from the Capital University of Economics and Business. From June 1983 to June 1991, Ms. Yan worked as a secretary of the Office of the China Electronic Press Association and became a secretary of the Office of the Exhibition and Design Association under the China Electronic Press Association. Starting from June 1991, Ms. Yan joined BYDA as a coordinator of the laser phototypesetting office and was promoted to deputy director and then director of the laser phototypesetting office of BYDA in June 1992 and March 1993 respectively. Ms. Yan was transferred from BYDA to the Company as the head of laser phototypesetting centre in May 2001.

Mr. Zhang Chuanshui, 60, Mr. Zhang worked at No. 6 sub-factory in Li Ming Farm at Yunnan Province from May 1969 to October 1978. Mr. Zhang worked at the engineering team of Beijing Measuring Instruments Limited from November 1978 to 1985. From 1986 to April 1993, Mr. Zhang served as the chief of finance of Beijing Hardware Tools Research Center. From May 1993 to September 2006, Mr. Zhang served as the deputy manager in the planning and finance department of Beijing Economic-Technological Investment & Development Corporation. Mr. Zhang is now retired.

SENIOR MANAGEMENT

Ms. He Xiaona, 49, is the executive vice president of the Company. Ms. He graduated from Beijing Union University with a bachelor's degree of history in 1986 and graduated from Tsinghua University with a bachelor's degree majoring in publish in 2003. Ms. He joined BYDA in 1989 and served as editor of research department, editor and deputy chief of reading office, chief of film department, chief of editorial department of Y Weekend, chief of economy and livelihood department, chief of editorial department of life magazine, office manager, assistant to the president and deputy president of BYDA. Ms. He was appointed as an executive vice president of the Company in July 2008.

Mr. He Pingping, 57, is the executive vice president of the Company. Mr. He graduated in 1987 from the Capital Normal Academy in politics and education. Mr. He was a head of Youth League Committee of Beijing Cotton Textile Dyeing Company Limited from October 1983 to January 1985. Starting from March 1987, Mr. He has been the vice president and president of the Propaganda Department of the China Communist Youth League Beijing Committee. From January 1990 to February 1991, Mr. He served as the vice director of the Beijing Youth Service Center. Mr. He then became the deputy chief editor and vice president of Beijing Youth Audio-visual Press in February 1991 before joining BYDA as deputy chief editor from March 1993 to June 2005. Mr. He then served as the chief director of Y Weekend in March 2006. Mr. He was an executive Director of the Company between 16 May 2001 and 7 June 2010. Mr. He was appointed as the executive vice president of the Company on 7 June 2010.

Mr. Du Min, 44, is the executive vice president of the Company. Mr. Du graduated in 1991 from Renmin University of China with a bachelor's degree in law. Mr. Du studied a master course of journalism at Renmin University of China from 1993 to 1995 and is currently a part-time professor at Hunan Institute of Science and Technology. Mr. Du had held a number of different positions such as editor, reporter and department head of China Business Times from July 1991 to July 1995. Mr. Du became the vice president and the deputy chief editor of China Business starting from August 1995. In September 1998, Mr. Du joined the America International Data Group's branch in China as a vice president. Mr. Du then served as the vice president of Shanghai Meining Computer Software Company Limited from July 2000 to September 2002 before acting as the general manager of the Company in December 2002. Mr. Du was an executive Director of the Company between 30 December 2002 and 7 June 2010. Mr. Du is now the executive vice president of the Company.

SENIOR MANAGEMENT *(Continued)*

Mr. Duan Gang, 44, is the vice president of the Company. Mr. Duan graduated from the Guanghua School of Management and obtained a senior MBA degree in 2006. Mr. Duan joined BYDA in July 1988 and several key positions in BYDA, including but not limited to, the editor of the feature news department, deputy director of the editorial department of Guangdong-Hong Kong Entrepreneur Journal, editor of the news editorial department, editor of the chief editorial office, deputy director of the news reporting department, deputy director of the chief editorial office, director of domestic news department, director of the editorial department of Fortune Weekly, director of the economic news editorial department, editor-in-chief of financial section and general manager of BYD Logistics. Mr. Duan was appointed as vice president of the Company on 13 December 2011.

Mr. Peng Liang, 39, is the chief financial officer of the Company. Mr. Peng was graduated from the Capital University of Economics and Business and obtained a master's degree in accounting in 1999. Mr Peng also obtained the qualification certificates of the PRC registered accountant, the PRC registered tax agent and the PRC certified asset appraiser. Mr. Peng served as the manager of the financial department of a subsidiary of Datang Telecom Technology Co. Ltd. Mr. Peng joined BYDA in 2004, and became the director of the financial department of BYDA in October 2005. Mr. Peng was appointed as the chief financial officer of the Company on 13 December 2011.

Mr. Shang Da, 50, is the vice president of the Company, joint company secretary and the secretary to the Board. Mr. Shang graduated from Capital University of Economics and Business with a bachelor degree in professional trade and economics in 1987. Mr. Shang joined BYDA in 1999 and served as the secretary to the Board since 28 May 2001. Mr. Shang was appointed as vice president of the Company on 13 December 2011 and joint company secretary on 19 March 2012.

The Board is pleased to present the annual report and audited consolidated financial statements for the year ended 31 December 2011.

ISSUE AND LISTING OF SHARES

The Company's H Shares were listed on the Main Board of the Hong Kong Stock Exchange on 22 December 2004. Under the Hong Kong public offering and international placing, 54,901,000 shares (including 7,161,000 over-allotment shares) were issued at an offer price of HK$18.95 per share.

The highest and lowest trading prices of the Company's H Shares were HK$6.50 and HK$3.95 respectively for the year ended 31 December 2011. The trading volume and closing price on 31 December 2011 were 49,000 H Shares and HK$4.30, respectively.

ACCOUNTS

Financial position of the Group as at 31 December 2011 are set out in pages 53 to 54 of the consolidated balance sheet.

Results of the Group for the year ended 31 December 2011 are set out in page 55 of the consolidated income statement.

Cash flows of the Group for the year ended 31 December 2011 are set out in pages 56 to 57 of consolidated cash flow statement.

Changes in equity of the Group for the year ended 31 December 2011 are set out in page 58 of the consolidated statement of changes in shareholders' equity.

The Board proposed a final dividend of RMB0.60 per ordinary share to the shareholders on the register of members on Tuesday, 22 May 2012, amounting to RMB118,386 thousand.

PRINCIPAL ACTIVITIES

The Group is principally engaged in the sales of advertising space, production of newspapers, printing and trading of print-related materials. Details of the activities of the Company's principal subsidiaries are set out in note VII.1 to the financial statements.

RESULTS AND DIVIDEND

Total operating revenue of the Group for the year of 2011 was approximately RMB757,574 thousand. Total profit was approximately RMB128,418 thousand. Net profit attributable to shareholders of the Company was approximately RMB119,894 thousand. Pursuant to the prospectus of the Company issued on 13 December 2004, the Directors may determine with discretion whether to declare any dividend and to determine with discretion the amount, if any. The Company held its annual Board meeting on Monday, 19 March 2012 to propose a resolution recommending distribution of final dividend of RMB0.60 per share (tax inclusive) in an aggregate amount of approximately RMB118,386 thousand for the year ended 31 December 2011. If the profit distribution proposal is approved by the shareholders in the annual general meeting of 2011 by way of an ordinary resolution, the final dividend will be paid to the shareholders whose names appear on the register of members of the Company on Tuesday, 22 May 2012.

RESULTS AND DIVIDEND *(Continued)*

According to the Law on Corporate Income Tax of the People's Republic of China which came into effect on 1 January 2008 and its implementing rules and other relevant rules, the Company is required to withhold corporate income tax at the rate of 10% before distributing the final dividend to non-resident enterprise shareholders as appearing on the H Shares register of members of the Company. Any shares registered in the name of the non-individual registered shareholders, including HKSCC Nominees Limited, other nominees, trustees or other groups and organizations will be treated as being held by non-resident enterprise shareholders and therefore their dividends receivables will be subject to the withholding of the corporate income tax. Pursuant to Notice on the Issues on Levy of Individual Income Tax after the Abolishment of Guo Shui Fa [1993] No. 045 Document (the "Notice") issued by the State Administration of Tax on 28 June 2011, the dividend to be distributed by the PRC non-foreign invested enterprises whose shares have been issued in Hong Kong to the overseas resident individual shareholders is subject to individual income tax with a tax rate of 10% in general. However, the tax rates for respective overseas resident individual shareholders may vary depending on the relevant tax agreements between the countries where they are residing and Mainland China.

MAJOR SUPPLIERS AND CUSTOMERS

For the year ended 31 December 2011, the amount of the total purchase by the Group from its five largest suppliers was RMB221,584 thousand (2010: RMB274,523 thousand), accounting for 41.31% of its total purchase for the year (2010: 44.74%); and the amount of the purchase from the largest supplier was RMB76,014 thousand (2010: RMB78,553 thousand), accounting for 14.17% of its total purchase for the year (2010: 12.80%).

For the year ended 31 December 2011, the amount of the total sales by the Group to its five largest customers was RMB135,707 thousand (2010: RMB112,871 thousand), accounting for 17.91% of its total sales for the year (2010: 14.67%); and the amount of sales to the largest customer was RMB31,135 thousand (2010: RMB32,406 thousand), accounting for 4.11% of its total sales for the year (2010: 4.21%).

As far as the Directors are aware, none of the Directors, their associates or shareholders who are interested in more than 5% of the Group's share capital has any interest in the Group's five largest suppliers or customers.

SUBSIDIARIES, JOINTLY-CONTROLLED ENTITIES AND ASSOCIATES

As at 31 December 2011, the subsidiaries of the Company include BYD Logistics, ZWST, Beiqing CéCi, LEP Media and Today Sunshine.

For details of principal subsidiaries, jointly-controlled entities and associates of the Company, please refer to note VII.1 and VIII.9 to the financial statements in this annual report.

PROFIT DISTRIBUTION

For details of profit distribution, please refer to note VIII.32 to the financial statements in this annual report.

SHAREHOLDERS' EQUITY

The changes in shareholders' equity during the year are set out in page 58 of the consolidated statement of changes in equity in this annual report.

FIXED ASSETS

The movements in fixed assets during the year are set out in note VIII.11 to the financial statements in this annual report.

SHARE CAPITAL, SHARE CAPITAL STRUCTURE AND NUMBER OF SHAREHOLDERS

As at 31 December 2011, the total number of shares issued by the Company was 197,310,000 shares. The shareholders of the Company include BYDA, Beijing Zhijin Science and Technology Investment Company Limited, China Telecommunication Broadcast Satellite Corporation, Beijing Development Area Limited, Sino Television Company Limited and public shareholders of H Shares, holding 124,839,974 domestic shares, 7,367,000 domestic shares, 4,263,117 domestic shares, 2,986,109 domestic shares, 2,952,800 domestic shares and 54,901,000 H Shares respectively, representing 63.27%, 3.73%, 2.16%, 1.52%, 1.50% and 27.82%, of the Company's entire share capital.

SHARE CAPITAL, SHARE CAPITAL STRUCTURE AND NUMBER OF SHAREHOLDERS *(Continued)*

Class of shares	Number of issued shares	Percentage	Number of shareholders*
Domestic shares	142,409,000	72.18%	5
H Shares	54,901,000	27.82%	403
Total	197,310,000	100%	408

* The above percentage figures are based on the records in the Company's register of members as at 31 December 2011.

Changes in Company's share capital for the year are set out in note VIII.22 to the financial statements.

PUBLIC FLOAT

Based on the public information that is available to the Company and to the knowledge of the Directors, up to the date of this report, the public float of the Company's shares maintained above the prescribed level of 25% of the Company's issued shares as required under Rule 8.08 of the Listing Rules.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES

As at 31 December 2011, shareholders holding 5% or more of the issued share capital of the Company, as recorded in the register of shareholders' interest in shares required to be maintained by the Company pursuant to Section 336 of the Securities and Futures Ordinance ("SFO"), are set forth below:

Name	Class of Shares	Nature of interest	Number of shares held	% of class share capital	% of total share capital
BYDA	Domestic	N/A	124,839,974	87.66	63.27
Beijing Zhijin Science and Technology Investment Company Limited	Domestic	N/A	7,367,000	5.17	3.73
MIH (BVI) Limited	H	Long	19,533,000	35.58	9.90
MIH Holdings Limited	H	Long	19,533,000	35.58	9.90
MIH Investments (PTY) Limited	H	Long	19,533,000	35.58	9.90
MIH Print Media Holdings Limited	H	Long	19,533,000	35.58	9.90
MIH QQ (BVI) Limited	H	Long	19,533,000	35.58	9.90
Naspers Limited	H	Long	19,533,000	35.58	9.90
Beijing Beida Founder Group Corporation	H	Long	4,939,000	8.99	2.50
Beijing University	H	Long	4,939,000	8.99	2.50
Beijing University Founder Investment Co., Ltd.	H	Long	4,939,000	8.99	2.50
Beijing University New Technology Corporation	H	Long	4,939,000	8.99	2.50
CITICITI Ltd.	H	Long	4,939,000	8.99	2.50
Founder Investment (HK) Ltd.	H	Long	4,939,000	8.99	2.50
Yue Shan International Limited	H	Long	4,939,000	8.99	2.50
Xia Jie	H	Long	4,939,000	8.99	2.50
Cao Yawen	H	Long	4,939,000	8.99	2.50

Note: Information disclosed above is based on the data published on the website of the Hong Kong Stock Exchange (www.hkex.com.hk).

Save as disclosed above, to the knowledge of the Directors, Supervisors and chief executives of the Company, as at 31 December 2011, there was no other person with interests or short positions in shares or underlying shares of the Company which would fall to be recorded in the register of the Company required to be kept under section 336 of the SFO.

ULTIMATE CONTROLLING SHAREHOLDER

BYDA is the ultimate controlling shareholder of the Company. As at 31 December 2011, BYDA is interested in 63.27% of the Company's equity.

DIRECTORS

Details of the names of Directors and their respective information are set out in the section headed "Corporate Governance Report" of this annual report.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Each of the Directors and Supervisors has entered into a service contract with the Company for a term of up to three years.

None of the Directors or Supervisors has entered into any service contract with the Company which cannot be terminated by the Company within one year without payment of compensation (other than statutory compensation).

DIRECTORS' AND SUPERVISORS' INTEREST IN CONTRACTS

Neither the Company nor any of its subsidiaries has entered into any contract of significance to the business of the Company in which any Director or Supervisor had material interests as at the balance sheet date or at any time during the year.

MANAGEMENT CONTRACT

During the reporting period, the Company has not entered into nor there was any contract which was related to the overall business of the Company or the material part of the business management.

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S RIGHT IN THE SUBSCRIPTION OF SHARES OR DEBENTURES

During the reporting period, none of the Directors, Supervisors and chief executive of the Company or their spouses or children under the age of 18, had been granted any right by the Company to subscribe shares or debentures of the Company or any of its associated corporations, or had exercised any such right to subscribe for shares or debentures above.

EMOLUMENTS OF DIRECTORS AND SUPERVISORS

Details of the emoluments of Directors and Supervisors are set out in note VIII.31 to the financial statements.

During the reporting period, none of Directors or Supervisors of the Company waived to receive the remuneration from the Company.

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 31 December 2011, none of Directors, Supervisors or chief executive of the Company has any interest or short position in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered into the register referred to therein, or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Hong Kong Stock Exchange.

PURCHASE, SALE AND REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2011, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company.

CHANGE OF MEMBERS OF THE BOARD AND THE SUPERVISORY COMMITTEE

There was no change in the members of the Board and the supervisory committee in 2011.

AUDIT COMMITTEE

The Company has set up an audit committee to review, supervise and adjust the financial reporting process and internal controls of the Group in accordance with the requirements of the Listing Rules. The audit committee comprises two independent non-executive Directors and one non-executive Director.

The audit committee and the management team have reviewed the accounting principles and practices adopted by the Group. In addition, the audit committee has discussed with the Directors on matters concerning the internal controls and financial reporting of the Company, including reviewing of the audited consolidated financial statements of the Group for the year of 2011 without dissenting opinions.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the PRC laws or the Articles of Association of the Company, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

BANK LOANS, OVERDRAFTS AND OTHER BORROWINGS

Details of the borrowings of the Company and its subsidiaries are set out in note VIII.21 to the financial statements in this annual report.

CONNECTED TRANSACTIONS

Connected transactions of the Group during the reporting period are set out as follows:

Transactions – Non-exempt Connected Transactions

1. ***Non-competition Agreement***

   The Company entered into a non-competition agreement with the BYDA on 8 December 2004, pursuant to which BYDA agreed and procured its subsidiaries and associates not to engage, invest, involve, participate in or own any business which would compete with the business of the Company and granted the Company a pre-emptive right and an option to acquire from the BYDA the retained business and certain future business.

   For the year ended 31 December 2011, except for the acquisition made by the Company of a 55% equity interest in Today Sunshine held by BYDA on 24 August 2011, no decision was made by the Directors (including the independent non-executive Directors) to exercise the option and/or pre-emptive right.

2. ***Today Sunshine Equity Transfer Agreement***

   The Company and BYDA entered into the Today Sunshine Equity Transfer Agreement on 24 August 2011, whereby the Company agreed to acquire a 55% equity interest in Today Sunshine from BYDA at a cash consideration in the amount of RMB18,880 thousand. Upon completion of the Equity Transfer Agreement, Today Sunshine will be owned as to 55% and 45% by the Company and the independent third parties respectively. Details are set out in the announcement issued by the Company on 24 August 2011. The changes in registration with the industrial and commercial administration authorities regarding the equity transfer was completed on 10 October 2011. Today Sunshine became a subsidiary of the Company on the same day.

   BYDA is the controlling shareholder of the Company and is therefore a connected person of the Company under the Hong Kong Listing Rules.

   The Company is of the view that the acquisition under the Today Sunshine Equity Transfer Agreement will (i) enhance the outdoor advertising business of the Group; (ii) facilitate the business operations and growth of the Company; and (iii) generate higher returns to the Group in the future, should Today Sunshine become more profitable.

CONNECTED TRANSACTIONS *(Continued)*

Transactions – Non-exempt Connected Transactions *(Continued)*

3. ***BYD Logistics Equity Transfer Agreement***

The Company and Today Sunshine entered into the BYD Logistics Equity Transfer Agreement on 14 September 2011, pursuant to which the Company agreed to acquire the 3% equity interest in BYD Logistics held by Today Sunshine at a cash consideration of RMB2,101,800; the Company also acquired a total of 39.34% equity interest in BYD Logistics from other shareholders of BYD Logistics. Upon the completion of the acquisition, BYD Logistics will become a 92.84% owned subsidiary of the Company. BYD Logistics has completed its changes in registration with the industrial and commercial administration authorities on 30 November 2011. Details are set out in the announcements of Company dated 29 July 2011, 14 September 2011 and 30 September 2011, respectively.

Today Sunshine was a non-wholly owned subsidiary of BYDA (the controlling shareholder of the Company) on the date of signing of the BYD Logistics Equity Transfer Agreements, and therefore was a connected person of the Company under the Listing Rules.

Today Sunshine became a subsidiary of the Company on 10 October 2011 and ceased to be a non-wholly owned subsidiary of BYDA. Today Sunshine is therefore no longer a connected person of the Company and the transactions between it and the Group do not fall within connected transactions under the Listing Rules.

The Company is of the view that the acquisition under the BYD Logistics Equity Transfer Agreement together with the acquisitions of equity interest by the Company from other shareholders of BYD Logistics will (i) enhance the control of the Group on the BYD Logistics; and (ii) generate higher returns to the Group in future, should the BYD Logistics become more profitable in future.

Transactions – Continuing Connected Transactions Exempted from the Approval of Independent Shareholders

4. ***Lessor's Agreement***

On 15 October 2009, the Company and BYDA renewed the lessor's agreement for a term of 3 years from 1 January 2010 to 31 December 2012. Pursuant to the agreement, BYDA leased from the Company floors 8, 19 and 23 of the Beijing Youth Daily Agency Building amounting to a total floor area of 2,340 square meters at a rent of RMB4.5 per square meter per day. Upon expiry of the lessor's agreement, BYDA has the right to extend the tenancy of the office premises by giving a two months' written notice to the Company before the expiry date. The details are set out in the Company's announcement dated 15 October 2009.

BYDA is the controlling shareholder of the Company, and therefore is a connected person of the Company under the Listing Rules.

During the reporting period, the annual cap for income of the Company under the tenancy agreement was RMB3,843,450, and the actual income was RMB3,843,450.

5. ***Lessee's Agreement***

On 15 October 2009, the Company and BYDA renewed the lessee's agreement for a term of 3 years from 1 January 2010 to 31 December 2012. Pursuant to the agreement, the Company leased from BYDA the whole of 7th floor of the Beijing Youth Daily Agency Building with a total floor area of 830 square meters at a rent of RMB4.5 per square meter per day. Upon expiry of the lessee's agreement, the Company has the right to extend the tenancy of the office premises by giving a two months' written notice to BYDA before the expiry date. The details are set out in the Company's announcement dated 15 October 2009.

BYDA is the controlling shareholder of the Company, and therefore is a connected person of the Company under the Listing Rules.

CONNECTED TRANSACTIONS *(Continued)*

Transactions – Continuing Connected Transactions Exempted from the Approval of Independent Shareholders *(Continued)*

5. ***Lessee's Agreement*** *(Continued)*

   During the reporting period, the annual cap for expense of the Company under the lessee's agreement was RMB1,363,275, and the actual expense was RMB1,363,275.

6. ***Distribution Service Agreement***

   The Company and XHM renewed the Distribution Service Agreement on 24 December 2010, pursuant to which, XHM was engaged by the Company to distribute, transport and deliver direct mail advertisement of Beijing Youth Daily for a delivery fee of RMB0.08 per advertisement. The above mentioned pricing mechanism was similar to service fees for public post services in the PRC. The agreement came into effect on 1 January 2011 for a term of one year and expired on 31 December 2011. The details are set out in the Company's announcement dated 14 December 2010.

   XHM is a subsidiary of BYDA, the controlling shareholder of the Company, and therefore is a connected person of the Company under the Listing Rules.

   During the reporting period, the annual cap for delivery fee paid to XHM by the Company under the Distribution Service Agreement was RMB5,000,000, and the actual fee paid to XHM was RMB1,126,241.84.

   On 29 December 2011, the Company and XHM renewed the 2012 Distribution Service Agreement for a term of one year from 1 January 2012 to 31 December 2012, with other terms unchanged. The details are set out in the Company's announcement dated 29 December 2011.

7. ***Wrap-around Distribution Services Agreement***

   The Company and XHM renewed the Wrap-around Distribution Services Agreement on 14 December 2010. Under the terms of the services agreement, XHM was engaged by the Company to distribute its wrap-around advertisements to the subscribers of Beijing Youth Daily. The level of distribution fee will be determined according to market conditions, but in any event shall fall within the range of RMB0.08 and RMB0.20 per page of advertisement to be distributed.

   Under the Wrap-around Distribution Services Agreement, a distribution fee is payable by the Company to XHM on a monthly basis. The Company believes that the pricing under the Wrap-around Distribution Services Agreement is comparable to the fees charged by the PRC public postal services. The agreement came into effect on 1 January 2011 for a term of two years and will terminate on 31 December 2012. The details are set out in the Company's announcement dated 14 December 2010.

   XHM is a subsidiary of BYDA, the controlling shareholder of the Company, and therefore is a connected person of the Company under the Listing Rules.

   During the reporting period, the annual cap for distribution fee paid by the Company to XHM under the Wrap-around Distribution Services Agreement was RMB4,000,000, and the actual fee paid for distribution services was RMB2,759,604.

CONNECTED TRANSACTIONS *(Continued)*

Transactions – Continuing Connected Transactions Exempted from the Approval of Independent Shareholders *(Continued)*

8. ***Logistics Services Agreement***

On 14 December 2010, BYD Logistics, a subsidiary of the Company, renewed the Logistics Services Agreement with XHM Logistics, pursuant to which XHM Logistics provided logistics and storage services in respect of paper and printing materials to BYD Logistics. BYD Logistics had to pay logistics service and storage fee to XHM Logistics on a monthly basis. The logistics service fee was determined based on the actual amount of paper and printing materials, and the storage fee was RMB13 per sq.m. for each month. The agreement came into effect on 1 January 2011 for a term of one year and expired on 31 December 2011. The details are set out in the Company's announcements dated 14 December 2010.

XHM Logistics is an indirect subsidiary of BYDA, the controlling shareholder of the Company, and therefore is a connected person of the Company under the Listing Rules.

During the reporting period, the annual cap for the logistics service and storage fee paid by BYD Logistics to XHM Logistics under the Logistics Services Agreement was RMB2,000,000, and the actual logistics service and storage fee paid was RMB1,471,506.17.

On 29 December 2011, BYD Logistics and XHM Logistics renewed the 2012 Logistics Services Agreement, which came into effect on 1 January 2012, for a term of one year ending 31 December 2012, with other terms unchanged (except for the storage fee has changed to RMB15/sq. m. per month). The details are set out in the Company's announcement dated 29 December 2011.

9. ***Outdoor Advertisement Supporting Service Agreement***

On 24 November 2009, the Company and Today Sunshine entered into an Outdoor Advertisement Supporting Service Agreement, pursuant to which Today Sunshine provides the Company certain supporting services for all commercial advertisements on seven specific billboards (the "Billboards") from 24 November 2009 until 14 October 2012.

The service fee payable to Today Sunshine under the Outdoor Advertisement Supporting Service Agreement was determined after arm's-length negotiations between the Company and Today Sunshine and equals to 70% of the difference between the contract value of the advertising agreement signed between the Company and the advertiser, and the corresponding licence fee payable by the Company to the Beijing Municipal Administration Commission.

The Company settles the service fee to Today Sunshine in cash within 2 working days after the consideration under the advertising agreement is settled by the advertiser. The details are set out in the Company's announcement dated 24 November 2009.

Today Sunshine was a non-wholly owned subsidiary of BYDA (the controlling shareholder of the Company) on the date of signing of the contract, and therefore was a connected person of the Company under the Listing Rules.

Today Sunshine became a subsidiary of the Company on 10 October 2011 and ceased to be a non-wholly owned subsidiary of BYDA. Today Sunshine is therefore no longer a connected person of the Company and the transactions between it and the Group do not fall within connected transactions under the Listing Rules.

During the reporting period, the annual cap for the service fee paid by the Company to Today Sunshine under the Outdoor Advertisement Supporting Service Agreement was RMB6,000,000, and the actual fee paid for the service was RMB1,919,620.

CONNECTED TRANSACTIONS *(Continued)*

Transactions – Continuing Connected Transactions Exempted from the Approval of Independent Shareholders *(Continued)*

10. Beiqing Advertising Services Agreement

The Company entered into the Beiqing Advertising Services Agreement with Beiqing Advertising on 31 January 2011, pursuant to which Beiqing Advertising shall provide advertising planning and placing service to real estate advertisers of the Company which are placing advertisements on the Beijing Youth Daily, and therefore the Company shall pay a service fee to Beiqing Advertising.

The service fee payable to Beiqing Advertising under the Beiqing Advertising Services Agreement was determined after arm's-length negotiations between the Company and Beiqing Advertising with reference to the current advertising service fee of the Company. The Company shall pay Beiqing Advertising the service fee in cash after the corresponding real estate client has fully settled the advertising fee.

The Beiqing Advertising Services Agreement came into effect on 1 January 2011 for a term of two years ending 31 December 2012. Details are set out in the Company's announcement dated 31 January 2011.

Beiqing Advertising is a non-wholly owned subsidiary of BYDA, the controlling shareholder of the Company, and therefore is a connected person of the Company under the Listing Rules.

During the reporting period, the annual cap for the service fee paid by the Company to Beiqing Advertising under the Beiqing Advertising Services Agreement was RMB3,000,000, and the actual fee paid for the service was RMB1,074,098.94.

11. Heqing Media Advertising Business Agreement

On 25 April 2006, Heqing Media entered into an agreement with HYDA, which is a substantial shareholder of Heqing Media, for a term of 30 years. Under the agreement, Heqing Media had the sole and exclusive right to place advertisements in, and to distribute, Hebei Youth Daily and was entitled to retain all income derived from these activities. Heqing Media was responsible for the reimbursement of costs incurred by HYDA for preparing the editorial content of the Hebei Youth Daily as well as printing costs. The details are set out in the Company's announcement dated 14 February 2006.

On 20 January 2009, Heqing Media and HYDA reset the annual caps for transactions for the three years ending 31 December 2011. The details are set out in the announcement of the Company dated 20 January 2009.

HYDA was a substantial shareholder of the Company's subsidiary, Heqing Media, and therefore was a connected person of the Company under the Listing Rules.

Due to the fact that the Company signed a capital increase agreement on 5 November 2011 to inject the entire interest in Heqing Media held by the Company into Beiyang Media, and that the changes in registration with the industrial and commercial administration authorities was completed by Heqing Media on 22 December 2011, Heqing Media ceased to be a subsidiary of the Company on that day. HYDA therefore is no longer a connected person of the Company and the transactions between it and the Group do not fall within connected transactions under the Listing Rules.

During the reporting period, the annual cap for the reimbursement of editorial and printing costs paid by Heqing Media to HYDA under the Heqing Media Advertising Business Agreement was RMB9,200,000, and the actual fee paid for the costs was RMB8,074,740.99.

CONNECTED TRANSACTIONS *(Continued)*

Transactions – Non-exempted Continuing Connected Transactions

12. Today Sunshine Advertising Agreement and Beiqing Advertising Agreement

12.1 Today Sunshine Advertising Agreement

On 15 October 2009, the Company and Today Sunshine renewed the advertising agreement. Pursuant to the agreement, Today Sunshine is engaged by the Company to act as one of the advertising agents to arrange for placement of advertisements in the Beijing Youth Daily for the Company.

Pursuant to the Today Sunshine Advertising Agreement, the advertising fee charged by the Company is paid monthly by Today Sunshine before advertisements are published. The advertising fees charged by the Company were calculated and adjusted on the basis of the unit price agreed by the parties from time to time pursuant to the terms of the agreement, and by reference to the actual volume, size and pages of the advertisements to be published. Today Sunshine Advertising Agreement came into effect on 1 January 2010 for a term of three years and will expire on 31 December 2012. The details are set out in the Company's announcement dated 15 October 2009.

Today Sunshine was a non-wholly owned subsidiary of BYDA, the controlling shareholder of the Company, and therefore a connected person of the Company under the Listing Rules.

Today Sunshine became a subsidiary of the Company on 10 October 2011 and ceased to be a non-wholly owned subsidiary of BYDA. Today Sunshine is therefore no longer a connected person of the Company, and the transactions between it and the Group do not fall within connected transactions under the Listing Rules.

During the reporting period, the annual cap for advertising fees payable by Today Sunshine to the Company pursuant to the Today Sunshine Advertising Agreement was RMB1,000,000 and the actual advertising fees paid to the Company were RMB57,580.

12.2 Beiqing Advertising Agreement

On 15 October 2009, the Company and Beiqing Advertising renewed the advertising agreement. Pursuant to the agreement, Beiqing Advertising is engaged by the Company to act as one of the advertising agents to arrange for placement of advertisements in the Beijing Youth Daily for the Company. The advertising fees charged by the Company are calculated based on the unit price set out in the standard advertising price list issued to the relevant customers of the Company, subject to applicable discount. Payment of the advertising fees will be settled on the date of the booking of the relevant advertising space. Beiqing Advertising Agreement came into effect on 1 January 2010 for a term of three years and will expire on 31 December 2012. The details are set out in the Company's announcement dated 15 October 2009.

Beiqing Advertising is a subsidiary of BYDA, the controlling shareholder of the Company, and therefore a connected person of the Company under the Listing Rules.

During the reporting period, the annual cap for advertising fees payable by Beiqing Advertising to the Company under the Beiqing Advertising Agreement was RMB26,000,000, and the actual advertising fees paid to the Company were RMB17,105,270.16.

CONNECTED TRANSACTIONS *(Continued)*

Transactions – Non-exempted Continuing Connected Transactions *(Continued)*

13. *Beijing Media Advertising Business Agreement*

The Company and BYDA entered into an agreement in relation to transfer the right of operation of the advertising space and the option of business acquisition ("Beijing Media Advertising Business Agreement") and the supplementary agreements on 7 December 2004 and 9 April 2010, respectively. Pursuant to the agreements, BYDA agreed to grant exclusive rights to the Company to operate the advertising business in respect of the Beijing Youth Daily.

Under the Advertising Business Agreement, the Company was granted the exclusive rights to operate the advertising business in respect Beijing Youth Daily for a duration of 30 years from 1 October 2004 to 30 September 2033, which will automatically be renewable upon expiry. The rights granted include the right to sell all of the advertising space in Beijing Youth Daily, and the Company is entitled to all revenue derived from such sales. In consideration, the Company will (a) be responsible for the printing, including printing costs and the choice of newsprint, of Beijing Youth Daily; (b) pay BYDA a fee representing 16.5% of the total advertising revenue generated from Beijing Youth Daily or such figure or formula as agreed by parties in future and (c) allocate to BYDA with up to 360 pages per year of advertising space in Beijing Youth Daily for advertisements of public services or for marketing purposes (provided that the advertising space allocated will not exceed 9% of the total advertising space of the paper in each issuance), for which no extra fee will be paid by BYDA.

On 15 October 2009, the Company renewed the annual caps of the transactions for the three years ending 31 December 2012. The details are set out in the Company's announcement dated 15 October 2009.

BYDA is the controlling shareholder of the Company, therefore is a connected person of the Company under the Listing Rules.

During the reporting period, the annual cap for fees payable by the Company to BYDA under the Beiqing Media Advertising Business Agreement was RMB145,200,000, and the actual fees paid to BYDA were RMB58,246,646.18.

14. *Printing Framework Agreement*

On 15 October 2009, BYD Logistics (a subsidiary of the Company) and BYDA entered into a printing framework agreement, pursuant to which, BYD Logistics agreed to provide BYDA with printing services and printing materials (including printing papers) in respect of newspapers and magazines owned by BYDA (excluding Beijing Youth Daily) and other newspapers and magazines introduced by BYDA from time to time. The consideration of the transactions contemplated under the Printing Framework Agreement payable on a monthly basis will be determined based on the actual volume of the newsprint printed and the quality of the printing service and materials. The agreement came into effect on 1 January 2010 for a term of three years and will expire on 31 December 2012. The details are set out in the Company's announcement dated 15 October 2009.

BYDA is the controlling shareholder of the Company, and therefore is a connected person of the Company under the Listing Rules.

During the reporting period, the annual cap for printing fee paid by BYDA to BYD Logistics under the Printing Framework Agreement was RMB120,000,000, and the actual fee paid by BYDA was RMB10,044,374.48.

CONNECTED TRANSACTIONS *(Continued)*

Transactions – Non-exempted Continuing Connected Transactions *(Continued)*

15. Trans-media Advertising Services Agreement

On 9 August 2010, BQTM (a subsidiary of the Company) entered into the Trans-media Advertising Services Agreements with Trans-media, pursuant to which Trans-media shall i) act as an advertising agent of BQTM to sell commercial advertisements on the LED displays installed at Terminal 3 of the Beijing Capital International Airport under the business model of the advertising agent; and ii) provide certain supporting services to BQTM in relation to placement of the commercial advertisements on such LED displays under the business model of the advertising services), for a term starting from 9 August 2010 to 8 August 2012.

Under the business model of the advertising agent, Trans-media shall pay the advertising fee for the scheduled time slot to BQTM on normal commercial terms which are similar to those available to BQTM from independent third parties. The said advertising fee shall be determined from time to time by BQTM and Trans-media according to unit price, actual placement quantity of advertisement, size of advertisement and time slot of advertisement under the terms of the Advertising Services Agreements and its implementation agreements. Trans-media will settle the corresponding advertising fee with BQTM within 3 working days after all or part of the advertising fee is paid by the corresponding advertisers to Trans-media.

Under the business model of the advertising services, BQTM shall pay the corresponding advertising service fee to Trans-media on normal commercial terms which are similar to those available to independent third parties from BQTM and according to the prevailing sales agency policy of BQTM. BQTM will settle the corresponding service fee with Trans-media within 3 working days after all or part of the advertising fee is paid by the corresponding advertisers to BQTM.

According to the annual results announcement for the year ended 31 December 2010 as disclosed by the Company on 18 March 2011, BQTM (a subsidiary of the Company) was no longer an immaterial subsidiary of the Company. The continuing connected transactions between the Group and Trans-media (a substantial shareholder of BQTM and a person only connected at the subsidiary level) are required to comply with all the applicable reporting, annual review, announcement and independent shareholders' approval requirements pursuant to Listing Rules. Details are set out in the Company's announcement dated 12 April 2011.

Trans-media was a substantial shareholder of the BQTM (a subsidiary of the Company), therefore was a connected person of the Company under the Listing Rules.

Given that BQTM introduced an independent third party investor by signing a capital increase agreement on 23 December 2011, and completed the changes in registration for the capital increase agreement on 29 December 2011, BQTM ceased to be a subsidiary of the Company on that day. Trans-media is therefore no longer a connected person of the Company, the transactions between it and the Group do not fall within connected transactions under the Listing Rules.

During the reporting period, the annual cap for advertising fee payable by Trans-media to BQTM under the business model of the advertising agent of the Trans-media Advertising Services Agreement was RMB150,000,000, and the actual advertising fee paid to BQTM was RMB83,813,860. The annual cap for service fee payable by BQTM to Trans-media under the business model of the advertising services was RMB20,000,000, and the actual service fee paid to Trans-media was nil.

16. Top Exclusive Advertising Services Agreement

On 12 April 2011, Beiqing Top entered into the Top Exclusive Advertising Services Agreement with Trans-media, pursuant to which Trans-media shall act as the exclusive advertising services provider of Beiqing Top to provide certain supporting services for commercial advertisements which are not self-operated by Beiqing Top on the CAAC Newspaper-Top Media.

CONNECTED TRANSACTIONS *(Continued)*

Transactions – Non-exempted Continuing Connected Transactions *(Continued)*

16. Top Exclusive Advertising Services Agreement *(Continued)*

The consideration for the transactions under the Top Exclusive Advertising Services Agreement was determined after arm's-length negotiations between Beiqing Top and Trans-media by reference to the market practice in the advertising industry. Beiqing Top shall pay the advertising service fee to Trans-media on normal commercial terms which are similar to those available to independent third parties from Beiqing Top and according to the prevailing sales agency policy of Beiqing Top. Beiqing Top will settle the corresponding advertising service fee with Trans-media within 3 working days after all or part of the advertising fee is paid by the corresponding advertisers to Beiqing Top. Details are set out in the Company's announcement dated 12 April 2011.

The Top Exclusive Advertising Services Agreement is for a term commencing on 12 April 2011 and ending on 31 December 2013. Upon expiry, the Top Exclusive Advertising Services Agreement will be renewed automatically for one year upon mutual agreement between parties thereto, subject to the relevant requirements under the Listing Rules.

Trans-media is a substantial shareholder of BQTM (a subsidiary of the Company), and therefore is a connected person of the Company under the Listing Rules.

BQTM ceased to be a subsidiary of the Company on 29 December 2011. Trans-media is therefore no longer a connected person of the Company, and the transactions between it and the Group do not fall within connected transactions under the Listing Rules.

During the reporting period, the annual cap for advertising fee paid by BQTM to Trans-media under the Top Exclusive Advertising Services Agreement was RMB24,000,000, and the actual advertising fee paid to Trans-media was RMB452,000.

The Directors (including the independent non-executive Directors) of the Company have confirmed to the Board that they have reviewed the above continuing connected transactions under items 4 to 16, and confirmed that these transactions were: (A) entered into during the usual and ordinary course of business of the Group; (B) on normal commercial terms, or if there were no comparable transactions to determine whether such transactions were on normal commercial terms, on terms not less favourable than those to or from independent third parties; and (C) on agreements regulating transactions and on terms fair and reasonable and in the interests of the shareholders of the Company as a whole and has not exceeded the relevant cap amount for each transaction.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued its unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed by the Group above under Rule 14A.38 of the Listing Rules. A copy of the auditor's letter on connected transactions has been provided by the Company to Hong Kong Stock Exchange.

Save as disclosed above, there is no related party transaction or continuing related party transaction included in note IX to the financial statements constitute a connected transaction or continuing connected transaction under the Listing Rules. The Company has complied with Chapter 14A of the Listing Rules in respect of the disclosure of its connected transactions and continuing connected transactions.

MATERIAL LITIGATION

To the knowledge of the Board, as at 31 December 2011, the Company was not involved in any material litigation or arbitration and there was no legal action or claim made or threatened to be made against the Company.

RETIREMENT SCHEME

All the full time employees of the Group are covered by a government-managed retirement benefit scheme under which the employees are entitled to an annual pension equal to their basic salaries upon their retirements. The PRC government is responsible for the pension liability to these retired employees. The Group was required to make defined contributions to the pension scheme at the rate of 20% for the year ended 31 December 2011 (2010: 20%) of the employees' basic salaries, which is subject to certain cap as stipulated by relevant local authority. Under this scheme, the Group has no obligation for other retirement benefit beyond the annual contributions.

STAFF

As at 31 December 2011, the Group had a total of 264 staff (31 December 2010: 582), whose remuneration and benefits are determined by reference to market rates, national policies and individual performance. The decrease in the number of the staff as compared with 2010 was mainly due to the fact that Heqing Media, BQTM and Beiqing Top ceased to be subsidiaries of the Company.

REMUNERATION POLICY

The Company has set up the Remuneration Committee under the Board, which is responsible for formulating remuneration policy and making proposal regarding the emoluments of the Directors and senior management of the Company to the Board. The remuneration of the executive Directors of the Company was determined and realized according to the Directors' service contracts as approved at the general meeting and the operating results of the Company. The remuneration of non-executive Directors, independent non-executive Directors and Supervisors of the Company was determined and realized according to the service contracts of the non-executive Directors, independent non-executive Directors and Supervisors as approved at the general meeting.

Position-based salary system was adopted for general management staff. Salary was determined according to the relative importance of the positions, the duties assumed in the positions and other factors. Various salary models such as performance linked and piece rate wage model were adopted for other employees based on the categories to which they belong and their job nature.

The Company stringently controlled the overall salary management of the companies in which it holds controlling interest and its wholly-owned subsidiaries in accordance with the applicable policy requirements of the PRC government. It sought to maintain an appropriate balance between salary increase and the growth in economic benefits, in order to achieve a win-win situation among shareholders, management team and employees and facilitate the harmonious development of the enterprise.

According to the national and local labour and social welfare laws and regulations, the Company has made contribution to certain housing reserve and social insurance premiums for its employees on a monthly basis. Insurance premiums are paid for pension insurance, medical insurance, unemployment insurance, maternity insurance and work injury insurance.

AUDITORS

It was approved at the annual general meeting held on 13 May 2011 that SHINEWING (HK) CPA Limited was not reappointed as the international auditor of the Company for the year 2011. ShineWing Certified Public Accountants Co., Ltd. was appointed as the auditor of the Company for the year 2011, which shall audit the financial statements of the Company in accordance with the China Auditing Standards and take on the duties as international auditor under the Listing Rules. The audit committee of the Board of the Company was authorized to determine its remuneration.

The consolidated financial statements of the Company for the year of 2011 prepared in accordance with the PRC GAAP were audited by ShineWing Certified Public Accountants Co., Ltd, which has been appointed by the Company as its auditor since 2009.

TAXATION

According to the Law on Corporate Income Tax of the People's Republic of China which came into effect on 1 January 2008 and its implementing rules and other relevant rules, the Company is required to withhold corporate income tax at the rate of 10% before distributing the final dividend to non-resident enterprise shareholders as appearing on the H Shares register of members of the Company. Any shares registered in the name of the non-individual registered shareholders, including HKSCC Nominees Limited, other nominees, trustees or other groups and organizations will be treated as being held by non-resident enterprise shareholders and therefore their dividends receivables will be subject to the withholding of the corporate income tax. Pursuant to Notice on the Issues on Levy of Individual Income Tax after the Abolishment of Guo Shui Fa [1993] No. 045 Document (the "**Notice**") issued by the State Administration of Tax on 28 June 2011, the dividend to be distributed by the PRC non-foreign invested enterprises whose shares have been issued in Hong Kong to the overseas resident individual shareholders is subject to individual income tax with a tax rate of 10% in general. However, the tax rates for respective overseas resident individual shareholders may vary depending on the relevant tax agreements between the countries where they are residing and Mainland China.

By order of the Board
ZHANG Yanping
Chairman of the Board

19 March 2012
Beijing, the PRC

1 OVERVIEW OF CORPORATE GOVERNANCE

The Company always attaches a primary priority to the implementation of a well-established, sound and rational corporate governance framework. Currently, the Code on Corporate Governance Practices adopted by the Company includes but not limited to the following documents:

(1) Articles of Association of Beijing Media Corporation Limited;

(2) Internal Control Handbook of Beijing Media Corporation Limited, including but not limited to the following policies and procedures:

- Procedures of Disclosure and Inspection of Connected Transactions;
- Administrative Procedures on Internal Fraud;
- Administrative Procedures on Investors Relation.

The Board has reviewed the corporate governance documents adopted by the Company and believes that such documents complied with all code provisions set out in the Code on Corporate Governance Practices under Appendix 14 to the Listing Rules of Hong Kong Stock Exchange.

2 CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has been in full compliance with the code provisions set out in the Code on Corporate Governance Practices under Appendix 14 to the Listing Rules for the year ended 31 December 2011.

3 COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules and its amendments from time to time as its own code of conduct regarding securities transactions by its Directors and Supervisors. Having made sufficient enquiry of all Directors and Supervisors, all Directors and Supervisors confirmed they have complied with the required standards under the Model Code for the year ended 31 December 2011.

4 THE BOARD

Set forth below are the composition and selected information of the Board of Beijing Media:

Name	Sex	Age	Other positions in the Company	Term of directorship	Remunerated by the Company
Executive Directors					
Zhang Yanping	M	54	Chairman	7 June 2010 to the annual general meeting of the Company for 2012	Yes
Zhang Yabin	M	55	Vice Chairman	7 June 2010 to the annual general meeting of the Company for 2012	Yes
Sun Wei	M	58	President	7 June 2010 to the annual general meeting of the Company for 2012	Yes
Non-executive Directors					
Li Shiheng	M	52	Vice Chairman[1]	7 June 2010 to the annual general meeting of the Company for 2012	Yes
Liu Han	M	53		7 June 2010 to the annual general meeting of the Company for 2012	Yes
Wu Peihua	F	51		7 June 2010 to the annual general meeting of the Company for 2012	Yes
Xu Xun	M	56		7 June 2010 to the annual general meeting of the Company for 2012	Yes
Li Yigeng	M	49		7 June 2010 to the annual general meeting of the Company for 2012	No
Independent Non-Executive Directors					
Tsang Hing Lun	M	63		7 June 2010 to the annual general meeting of the Company for 2012	Yes
Wu Changqi	M	57		7 June 2010 to the annual general meeting of the Company for 2012	Yes
Liao Li	M	46		7 June 2010 to the annual general meeting of the Company for 2012	Yes

The Board is a standing decision-making body of the Company, responsible for steering and supervising the operations of the Company in an accountable and efficiency-oriented manner. All Directors are obliged to act in the best interests of the Company. All members of the Board acknowledged that they shall take jointly and severally responsibility to the Shareholders for the management, supervision and operations of the Company.

Note:

[1] Mr. Li Shiheng was appointed as Vice Chairman of the Board on 13 December 2011, details of which are set out in the announcement of the Company dated 13 December 2011.

4 **THE BOARD** *(Continued)*

The Company confirms that the Board is primarily responsible for making decisions for the purposes of:

- determination of the operational plan and investment proposals of the Company;
- formulation of the annual budget and budget implementation proposals of the Company;
- formulation of proposals of profit distribution and recovery of losses of the Company;
- formulation of proposals for the increasing or reducing of registered capital and issue of corporate bonds of the Company;
- formulation of proposals for the mergers, spin-off or winding-up of the Company;
- determination on the internal management structure of the Company;
- appointment and removal of the President and executive Vice President of the Company, appointment and removal of the Vice President and other senior management members (including the Chief Financial Officer) as nominated by the President, and determination of their respective remuneration;
- setting up the basic management systems of the Company;
- formulation of proposals for amendments to Articles of Association;
- formulation of proposals for material acquisitions or disposals of the Company.

The Company confirms that the management is primarily responsible for making decisions and performing daily management for the purposes of:

- formulation of proposal for the internal management structure of the Company;
- formulation of proposal for the basic management system of the Company;
- formulation of the basic regulations of the Company;
- recommendation on appointment or removal of other senior management members (including the Chief Financial Officer) of the Company;
- appointment or removal of chief officers other than those subject to the appointment and removal by the Board;
- formulation of proposal on the branch structure and determination on the branch place of the Company;
- appointment, replacement and recommendation on the shareholder's representative, director or supervisor to subsidiaries or associated companies of the Company.

4 THE BOARD *(Continued)*

A total of fourteen Board meetings were convened during 2011, and the attendance rate of individual directors at Board meetings is as follows:

	Attendance in person *(times)*	**Attendance by proxy** *(times)*
Executive Directors		
Zhang Yanping	14	–
Zhang Yabin	14	–
Sun Wei	14	–
Non-executive Directors		
Li Shiheng	12	2
Liu Han	13	1
Wu Peihua	14	–
Xu Xun	13	1
Li Yigeng	13	1
Independent Non-Executive Directors		
Tsang Hing Lun	14	–
Wu Changqi	12	2
Liao Li	13	1

Since the listing of the Company, the composition of the Board has at any time been in compliance with Rule 3.10(1) of the Listing Rules, which requires a minimum of 3 independent non-executive Directors on board, and with Rule 3.10(2) of the Listing Rules, which requires that at least one of the independent non-executive Directors must possess appropriate professional qualification or accounting or relevant financial management expertise.

The Company has received the annual confirmation from each of independent non-executive Directors confirming their compliance with the independence requirements set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

Members of the Board, Supervisory Committee and senior management do not have any financial, business, family or other material relationship with each other save for working relationship.

5 CHAIRMAN AND PRESIDENT

The posts of Chairman and President of Beijing Media are assumed by Mr. Zhang Yanping and Mr. Sun Wei, respectively.

The two posts are separate and distinct. The Chairman cannot assume the post of President of the Company simultaneously. Distinct written terms of reference have been adopted for these two posts. The Chairman shall be responsible for overseeing the operation of the Board, while the President shall oversee the business operations of the Company. The roles of the Chairman and President are set out in details in the Articles of Association.

6 NON-EXECUTIVE DIRECTORS

Pursuant to the Articles of Association, non-executive Directors of the Company are appointed for a term of three years.

Independent non-executive Directors are appointed for a term of three years which is renewable upon re-election. Independent non-executive Directors may not be removed without legitimate cause before expiry of their terms. Where an independent non-executive Director was removed from office before expiry of his term, the matter shall be disclosed by the Company as a special issue.

7 REMUNERATION COMMITTEE

The Board has set up a Remuneration Committee comprising three independent non-executive Directors. The Remuneration Committee was chaired by Mr. Wu Changqi with Mr. Tsang Hing Lun and Mr. Liao Li as members.

The Remuneration Committee consults the Chairman and/or President on the remuneration to other executive Directors and will seek assistance and/or advice from external professional advisors when considered necessary.

For details of the basis of remuneration to Directors, please refer to note VIII.31 to the financial statements.

Set forth below are the principal duties of the Remuneration Committee:

- to advise the Board on setting up formal and transparent procedures in respect of the determination of remuneration policy and structure for the Directors and senior management members of the Company;
- to determine the remuneration packages of all Directors and senior management members and advise the Board;
- to review and approve the performance-linked remuneration to the Directors with reference to the operating goals of the Company as approved by the Board from time to time;
- to review and approve compensation to the executive Directors and senior management members for loss or termination of offices or appointment;
- to review and approve the compensation arrangement in relation to the removal of Directors involving misconduct;
- to ensure that the Directors or any of their associates are not involved in the determination of their own remuneration.

7 **REMUNERATION COMMITTEE** *(Continued)*

A total of two meetings of the Remuneration Committee were convened during 2011, and the attendance rate of individual members at meetings of the Remuneration Committee is as follows:

Name	**Attendance in person** *(times)*	**Attendance by proxy** *(times)*
Wu Changqi	2	–
Tsang Hing Lun	2	–
Liao Li	2	–

The Remuneration Committee of the Company held a meeting on 30 January 2011. At the meeting, the year-end bonus for executive Directors was considered and passed.

The Remuneration Committee of the Company held a meeting on 13 December 2011. At the meeting, the remuneration for newly appointed Vice Presidents, Mr. Shang Da and Mr. Duan Gang and the Chief Financial Officer, Mr. Peng Liang was considered and passed.

8 **NOMINATION COMMITTEE**

On 19 March 2012, the Board approved to set up a Nomination Committee comprising one executive Director and two independent non-executive Directors. The Nomination Committee was chaired by Mr. Zhang Yanping, the chairman of the Board with Mr. Wu Changqi and Mr. Liao Li as members.

Set forth below are the principal duties of the Nomination Committee:

(a) to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least once a year and make recommendations regarding any proposed changes in the Board in line with the Company's corporate strategy;

(b) to identify individuals suitably qualified to become Directors, select and nominate candidates of Directors or make recommendations to the Board in this regard;

(c) to assess the independence of independent non-executive Directors; and

(d) to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors in particular the Chairman and the President.

9 **REMUNERATION OF THE AUDITORS**

The Company has appointed ShineWing Certified Public Accountants Co., Ltd. as the auditors for the year 2011. For the year ended 31 December 2011, audit fees amounted to RMB1,350 thousand.

ShineWing Certified Public Accountants Co., Ltd. has provided audit service for three consecutive years for the Company since 2009.

10 AUDIT COMMITTEE

The Board has set up an Audit Committee comprising three non-executive Directors, among which two are independent non-executive Directors. The Audit Committee was chaired by Mr. Tsang Hing Lun with Mr. Wu Changqi and Mr. Liu Han as members.

Set forth below are the principal duties of the Audit Committee:

- to review and inspect the independence of the external auditors and effectiveness of the auditing procedures;
- to formulate and implement policies in respect of the provision of non-audit services by the external auditors;
- to advise the Board on the appointment, re-appointment and removal of the external auditors, review and approve the remuneration and terms of engagement of the external auditors, and handle the resignation and removal of the auditors;
- to review the internal audit plans of the Company during the year;
- to supervise the quality of internal audit and financial disclosure of the Company and review the interim and annual financial statements before their submission to the Board;
- to supervise and advise on the appointment and removal of the head of the Company's internal audit function;
- to review and receive complaints on the effectiveness of the Company's internal control procedures;
- to inspect the integrity of the Company's financial statements, annual reports and interim reports and review material opinions in respect of financial reporting contained in the financial statements and reports.

The Audit Committee will seek assistance and/or advice from external professional advisors when considered necessary.

Set forth below are the work details of the Audit Committee during the year:

- reviewed and considered the results of the Group for the year of 2010;
- reviewed and considered the results of the Group for the first half of 2011;
- reviewed and evaluated the internal control systems of the Group;
- reviewed connected transactions.

10 AUDIT COMMITTEE *(Continued)*

A total of two meetings of the Audit Committee were convened during 2011, and the attendance rate of individual members at meetings of the Audit Committee is as follows:

Name	Attendance in person *(times)*	Attendance by proxy *(times)*
Tsang Hing Lun	2	–
Wu Changqi	1	1
Liu Han	1	1

The Company has been in full compliance with requirements of Rule 3.21 in the Listing Rules throughout the period from its listing on the Hong Kong Stock Exchange to 31 December 2011.

The Board is responsible for overseeing the preparation of financial statements for each financial period, so that the financial statements give a true and fair view of the operating position, results and cash flow of the Company during the period. In preparing the financial statements for the year ended 31 December 2011, the Board (1) selected and consistently applied appropriate accounting policies; (2) approved the adoption of all standards in line with the Accounting Standards for Business Enterprises in the PRC ("PRC Accounting Standards"); and (3) made appropriate judgments and assessments in a prudent manner and adopted an ongoing concern basis for preparation of financial statements. For the statement of reporting responsibility issued by ShineWing Certified Public Accountants Co., Ltd., the auditors of the Company, please refer to the auditors' report set out in the consolidated financial statements.

11 RIGHTS OF SHAREHOLDERS

The Board and senior management of the Company understand that they represent the interests of the shareholders as a whole. As such, they take important priority in safeguarding the value for shares, maintaining the steady level and sustained growth of the investment return and enhancing the competitiveness of the operations.

Pursuant to the Articles of Association, an extraordinary general meeting shall be convened within two months upon request in writing by Shareholders holding severally or jointly 10% or above of the outstanding shares of the Company carrying voting right, where shareholdings of the Shareholders shall be determined as on the date of submission of the relevant written request.

The relevant documents must state the purposes of the general meeting and be served to all Shareholders.

The Shareholders may raise questions to the Board and the Company shall provide sufficient contact information so as to enable the Shareholders to properly direct their enquiries. The Shareholders may raise their opinions directly at the general meeting.

12 INVESTOR RELATIONS

(1) **Material amendments to the Articles of Association**

Save as disclosed below, there was no material amendment to the Articles of Association for the year ended 31 December 2011.

(2) **Classes of shareholders and total shareholding**

Capital structure

	Number of shares	Percentage of total share capital *(%)*
Holders of Domestic Shares		
–BYDA	124,839,974	63.27%
–Beijing Zhijin Science and Technology Investment Co., Ltd.	7,367,000	3.73%
–China Telecommunication Broadcast Satellite Corp.	4,263,117	2.16%
–Beijing Development Area Ltd.	2,986,109	1.52%
–Sino Television Co., Ltd.	2,952,800	1.50%
	142,409,000	72.18%
H Shares in issue *(Note)*	54,901,000	27.82%
Total share capital	197,310,000	100%

Note: Including 19,533,000 H Shares in issue held by MIH Print Media Holdings Limited, representing 9.90% of the total share capital.

(3) **Annual General Meeting held on 13 May 2011**

The annual general meeting for 2010 ("2010 AGM") was held at 2:00 p.m. on 13 May 2011 at the meeting room of 21st floor, Beijing Youth Daily Agency Building, Chaoyang District, Beijing, the PRC.

The following ordinary resolutions were considered and passed in the 2010 AGM by way of poll:

- To consider and, if thought fit, to approve the report of the Board of the Company for the year ended 31 December 2010.
- To consider and, if thought fit, to approve the report of the Supervisory Committee of the Company for the year ended 31 December 2010.
- To consider and, if thought fit, to approve the audited consolidated financial statements of the Company for the year ended 31 December 2010.

12 **INVESTOR RELATIONS** *(Continued)*

(3) **Annual general meeting held on 13 May 2011** *(Continued)*

- To consider and, if thought fit, to approve the profit distribution proposal of the Company, namely, the proposal for distribution of a final dividend of RMB0.50 per share (tax inclusive) in an aggregate amount of RMB98,655,000 for the year ended 31 December 2010, and to authorise the Board to implement the aforesaid distribution.

- To consider and, if thought fit, to approve the capital expenditure budget of the Company for the year of 2011.

- To consider and, if thought fit, to approve to cease to re-appoint SHINEWING (HK) CPA Limited as the international auditors of the Company for the year 2011, to appoint ShineWing Certified Public Accountants Co., Ltd. as the auditors of the Company for the year 2011, auditing the Company's financial statements in accordance with the PRC Accounting Standards and undertaking the role of international auditors in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and to authorise the Audit Committee of the Board to determine its remuneration.

- To consider, if thought fit, to approve to pay each of the Supervisors the remuneration in the amount of RMB20,000 per year (tax inclusive), and to authorise the Chairman or any one executive Director to enter into a supplemental service contract with each of the Supervisors or such other documents on behalf of the Company.

- To consider and, if thought fit, to approve the advertising services agreement dated 9 August 2010 and any supplemental agreement thereto ("Advertising Services Agreements") entered between Beiqing Transmedia Advertising Limited and Beijing Trans-media Co., Ltd. and the proposed annual caps for the period from 9 August 2010 to 8 August 2012 for the transactions contemplated thereunder; and to authorise any one Director on behalf of the Company to execute all such documents, in such final form or with such amendments as that Director may deem appropriate, and to do all such acts or things, as he/she may in his/her absolute discretion consider necessary or desirable, to give effect to the Advertising Services Agreements and the transactions contemplated thereunder.

- To consider and, if thought fit, to approve the exclusive advertising services agreement dated 12 April 2011 ("Top Exclusive Advertising Services Agreement") entered between Beijing Beiqing Top Advertising Limited and Beijing Trans-media Co., Ltd. and the proposed annual caps for the period from 12 April 2011 to 31 December 2013 for the transactions contemplated thereunder; and to authorize any one Director on behalf of the Company to execute all such documents, in such final form or with such amendments as that Director may deem appropriate, and to do all such acts or things as he/she may in his/her absolute discretion consider necessary or desirable, to give effect to the Top Exclusive Advertising Services Agreement and the transactions contemplated thereunder.

12 **INVESTOR RELATIONS** *(Continued)*

(4) **Extraordinary General meeting held on 18 November 2011**

- To consider and, if thought fit, to approve the acquisition of equity interest in BYD Logistics Company Limited from its existing shareholders by the Company, and to authorize any one Director to enter into the relevant equity transfer agreements with the existing shareholders for the sale of shares and to take all such actions as he/she may consider necessary or desirable for the purpose of giving effect to the transactions under the relevant equity transfer agreements.

(5) **Important matters for Shareholders for the financial year of 2011**

The annual general meeting for the year of 2011 will be held at 2:00 p.m. on 15 May 2012 at the meeting room of 21st floor, Beijing Youth Daily Agency Building, Chaoyang District, Beijing, the PRC.

(6) **Market capitalization of public float**

The highest and lowest trading prices of the Company's H Shares during 2011 were HK$6.50 and HK$3.95 per share respectively. The trading volume and closing price as at 31 December 2011 were 49,000 shares and HK$4.30 per share respectively.

13 **INTERNAL CONTROL**

The Board is ultimately responsible for the internal control systems of the Company and has reviewed the efficiency of such systems through the Audit Committee during the year.

The Company has established a comprehensive internal control system, with a comparatively scientific internal structure and proper system design, and has set up scientific decision-making mechanism, implementation mechanism and supervision mechanism. The Company has continued to make efforts to establish and improve its internal control systems, enhance the control procedures and operating efficiencies and reduce operating risks.

The effective implementation of the internal system ensured the orderly operations and management of the Company and effective risk control, thereby safeguarding the safety and integrity of the Company's properties, filing properly of accounting records and ensuring each transaction is conducted under authorization of the management, so as to attain the Company's operating goals.

The President represents the highest authority of contact for all departments, reports to the Board in respect of all departmental operations and promotes proper decisions within the Company to cater for and to coordinate various requests of the departments. As such, any matter discovered by the staff which is of a material nature (e.g. discloseable matters) can be reported to the decision-making management of the Company in a prompt, accurate and efficient manner. On the other hand, decisions of the Company's management are also implemented and supervised in an accurate, prompt and consistent manner.

Our internal audit department conducts independent review on the sufficiency and effectiveness of the internal control system, and the review plan and risk evaluation are discussed and determined by the Audit Committee annually. Besides arranging annual works, the internal audit department conducts other special reviews as required. The Board and the Audit Committee actively supervise such report results presented by the internal audit department, as well as such remedy measures taken by various departments.

Accordingly, the Board takes the view that: The internal control system of the Company is complete, rational and effective, able to ensure the proper discharge of obligations by the Company and its Directors under the Listing Rules and applicable laws and regulations in Hong Kong, and is able to ensure that the Directors assess the financial positions and prospect of the Company and its subsidiaries in a proper manner.

13 INTERNAL CONTROL *(Continued)*

Building on our increasing practical experience and feedback from shareholders, with the aim of achieving sustainable development, we will persistently review and improve our corporate governance practices with reference to the domestic and international development trends, changes in internal and external risks and the Listing Rules.

The current session of the Supervisory Committee has supervised the work of the Board and the management in accordance with the resolutions passed in the annual general meeting, so as to maximize Shareholders' interests and achieve a steady and sustainable growth of the Company, and to safeguard the assets and financial position of the Company, to protect and enhance the interest of the Company and the Shareholders as a whole.

RESOLUTION APPROVED BY GENERAL MEETING HELD ON 13 MAY 2011

To consider, if thought fit, to approve to pay each of the supervisors of the Company the remuneration in the amount of RMB20,000 per year (tax inclusive), and to authorize the chairman of the board of directors or any one executive director of the Company to execute a supplemental service contract or such other documents on behalf of the Company.

1 CHANGES IN MEMBERS OF THE SUPERVISORY COMMITTEE IN 2011

There was no change in members of the Supervisory Committee in 2011.

2 INDEPENDENT OPINIONS OF THE SUPERVISORY COMMITTEE ON RELEVANT MATTERS OF THE COMPANY IN 2011

Over the past year, the Supervisory Committee continued its effort to improve the corporate governance structure, operational transparency as well as the level of compliance of the Company. It ensured that the management of the Company had endeavoured to establish a positive corporate image in the capital market. In addition, measures were implemented to safeguard the interests of investors, especially those small and medium investors.

(1) Financial Position of the Company

The Supervisory Committee reviewed the financial system, financial reports and internal audit of the Company. The Supervisory Committee considers that the contents of financial report, audited financial statements and the annual report are true and reliable, and the audit opinion from the Company's international accountant is objective and fair.

(2) Operation of the Company

The Supervisory Committee supervised the Company's operating activities. The Supervisory Committee takes the view that the Company has established a relatively comprehensive internal control system, and is committed to improve its internal control to manage various risks in the Company's operations. The Supervisory Committee is of view that the Company operates in compliance with the laws and regulations of the PRC, and Articles of Association and working procedures of the Company.

(3) Directors and Management of the Company

The Supervisory Committee supervised the performance of duties by the Directors and the management, as well as the enforcement of resolutions of the annual general meeting. The Supervisory Committee considers that the Directors and senior management have acted according to the resolutions of the annual general meeting and faithfully discharged their duties to achieve the operational targets. The Supervisory Committee is not aware of any violation of laws, regulations, the Articles of Association or impairment to the interests of shareholders by the Directors or other senior management in performing their duties.

2 **INDEPENDENT OPINIONS OF THE SUPERVISORY COMMITTEE ON RELEVANT MATTERS OF THE COMPANY IN 2011** *(Continued)*

(4) Use of Proceeds from Listing

The Supervisory Committee has reviewed the projects funded by the listing proceeds of the Company after its listing. The Supervisory Committee considers that, up to the latest practicable date, the extent of the use of listing proceeds has been reasonable by taking into account the market conditions and the ambit of the use of listing proceeds being consistent with prospectus of the Company dated 13 December 2004.

(5) Transactions of Merger & Acquisition or Disposal of Assets by the Company

The Supervisory Committee has reviewed the operating activities such as mergers and acquisitions and disposal of assets of the Company. The Supervisory Committee considers that transaction prices of the mergers and acquisitions as well as the disposals of assets of the Company were fair and reasonable, and is not aware of any insider dealings or acts detrimental to the interests of the shareholders, especially the independent shareholders.

(6) Fairness of Connected Transactions

The Supervisory Committee has supervised the connected transactions of the Company. The Supervisory Committee considers that terms on which the connected transactions were conducted were fair and reasonable, and is not aware of any acts detrimental to the interests of the Company or its shareholders.

As a whole, the current session of the Board established and implemented the Company's development strategy, actively incorporated the opinions and suggestions of the Supervisory Committee to safeguard the interest of the Company and its shareholders according to the business targets as decided at the annual general meeting. In the coming year, the Supervisory Committee will continue to discharge its obligations faithfully to maximize the interests of the Company and its shareholders.

Beijing Media Corporation Limited
Supervisory Committee

19 March 2012

"Articles of Association"	The articles of association of the Company as amended from time to time
"Audit Committee"	Audit Committee of the Board
"Beijing Women Union"	The Women Union of Beijing
"Beiqing Advertising"	Beijing Beiqing Advertising Limited, a subsidiary of BYDA
"Beiqing CéCi"	Beiqing CéCi Advertising (Beijing) Limited, a subsidiary of the Company
"Beiqing Top"	Beijing Beiqing Top Advertising Limited
"Beiyang Media"	Beiyang Publishing & Media Corporation Limited, a joint stock limited company incorporated under the laws of the PRC
"Board"	The board of Directors
"BQTM"	Beiqing Transmedia Advertising Limited
"BYD Logistics"	BYD Logistics Company Limited, a subsidiary of the Company
"Company", or "us" or "Beijing Media"	Beijing Media Corporation Limited
"Company Law"	The Company Law of the People's Republic of China
"Directors"	The directors of the Company
"Domestic Shares"	The ordinary shares of RMB1.00 per share in the capital of the Company
"Group"	The Company and its subsidiaries
"H Shares"	The foreign shares listed overseas of RMB1.00 per share in the ordinary share capital of the Company
"Hebei Media Group"	Hebei Publishing & Media Group Co., Ltd., the parent of Beiyang Media
"Heqing Media"	Hebei Heqing Media Company Limited
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	The Hong Kong Special Administrative Region of the PRC

"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"HYDA"	Hebei Youth Daily Agency, the substantial shareholder of Heqing Media
"LEP Media"	Legal Evening Post Media Company Limited, a subsidiary of the Company
"Listing Rules"	The Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
"Main Board"	The main board of the Hong Kong Stock Exchange
"Nomination Committee"	The nomination committee under the Board
"Parent" or "BYDA"	Beijing Youth Daily Agency, the controlling shareholder of the Company
"PRC" or "China"	The People's Republic of China, excluding Hong Kong, Macau Special Administration Region and Taiwan
"Remuneration Committee"	The remuneration committee under the Board
"RMB"	Renminbi, the lawful currency of the PRC
"Shareholder(s)"	the shareholder(s) of the Company
"Substantial Shareholder"	has the meaning as ascribed under the Listing Rules
"Supervisors"	The supervisors of the Company
"Supervisory Committee"	The supervisory committee of the Company
"Today Sunshine"	Beijing Today Sunshine Advertising Co., Ltd., a subsidiary of the Company
"Trans-media"	Beijing Trans-media Co., Ltd.
"XHM"	Beijing XiaoHongMao Corporation, a subsidiary of the Parent
"XHM Logistics"	XiaoHongMao Logistics Company Limited, a subsidiary of the Parent
"ZWST"	Beijing Zhong Wang Shi Tong Technologies Co., Ltd., a subsidiary of the Company

信永中和 ShineWing

SHINEWING Certified Public Accountants
9/F, Block A, Fuhua Mansion,
8 Chaoyangmen Beidajie,
Dongcheng District, Beijing

TO THE MEMBERS OF
BEIJING MEDIA CORPORATION LIMITED
北青傳媒股份有限公司
(A joint stock company incorporated in the People's Republic of China with limited liability)

We have audited the accompanying financial statements of Beijing Media Corporation Limited (the "Company") and its subsidiaries (collectively the "Group") which comprise the consolidated balance sheet as at 31 December 2011, and the consolidated income statement, consolidated cash flow statement and the consolidated statement of changes in shareholders' equity for the year then ended and notes to the financial statements

I. MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The management of the Company is responsible for the preparation and the fair presentation of the consolidated financial statements. These responsibilities include (1) preparing the consolidated financial statements that are fairly presented in accordance with the Accounting Standards for Business Enterprises; (2) designing, implementing and maintaining the necessary internal control relevant to the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

II. CERTIFIED PUBLIC ACCOUNTANT'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the China Auditing Standards for the Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the certified public accountant's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the certified public accountant considers internal control relevant to the entity's preparation and the fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

III. AUDITING OPINION

In our opinion, the consolidated financial statements of the Group have been prepared in accordance with the requirements of the Accounting Standards for Business Enterprises in all material respects, and fairly presented the consolidated financial position of the Group as at 31 December 2011, and of their consolidated operating results and their consolidated cash flows for the year then ended.

ShineWing Certified Public Accountants

Chinese Certified Public Accountant: Liu Jingwei

Chinese Certified Public Accountant: Ji Sheng

19 March 2012
Beijing, PRC

As at 31 December 2011

RMB'000

Item	*Notes*	**As at 31 December 2011**	As at 31 December 2010 (Restated)
Current assets:			
Bank balances and cash	*VIII.1*	**995,593**	1,180,332
Financial assets held for trading	*VIII.2*	**31**	744
Accounts receivable	*VIII.3*	**125,698**	135,748
Prepayments	*VIII.4*	**16,789**	41,815
Interest receivable	*VIII.5*	**10,517**	7,666
Other receivables	*VIII.6*	**59,551**	35,418
Inventories	*VIII.7*	**49,928**	66,847
Other current assets	*VIII.8*	**80,600**	8,600
Total current assets		**1,338,707**	1,477,170
Non-current assets:			
Held-to-maturity investments		**–**	30,000
Long-term receivables	*VIII.3*	**369**	1,868
Investments in jointly controlled entities and associates	*VIII.9*	**133,748**	118,464
Other long-term equity investments	*VIII.9*	**11,560**	5,000
Investment properties	*VIII.10*	**43,750**	44,640
Fixed assets	*VIII.11*	**12,690**	15,994
Intangible assets	*VIII.12*	**28,124**	46,255
Goodwill	*VIII.13*	**47,377**	–
Long-term prepaid expenses		**1,932**	2,881
Deferred income tax assets	*VIII.14*	**1,206**	1,154
Other non-current assets	*VIII.15*	**48,000**	–
Total non-current assets		**328,756**	266,256
Total assets		**1,667,463**	1,743,426

As at 31 December 2011

RMB'000

Item	*Notes*	**As at 31 December 2011**	As at 31 December 2010 (Restated)
Current liabilities:			
Notes payable		**36,599**	50,222
Accounts payable	*VIII.17*	**63,315**	87,077
Receipts in advance		**19,045**	37,966
Employee benefit payables		**6,098**	8,679
Tax payables		**4,013**	2,806
Interest payable		**–**	89
Dividend payable		**398**	2,087
Other payables	*VIII.18*	**91,201**	103,731
Non-current liabilities due within one year	*VIII.19*	**3,670**	3,660
Other current liabilities	*VIII.20*	**8,513**	8,600
Total current liabilities		**232,852**	304,917
Non-current liabilities:			
Long-term borrowings	*VIII.21*	**3,670**	7,340
Deferred income tax liabilities	*VIII.14*	**1,292**	173
Total non-current liabilities		**4,962**	7,513
Total liabilities		**237,814**	312,430
Shareholders' equity:			
Share capital	*VIII.22*	**197,310**	197,310
Capital reserves		**893,841**	912,261
Surplus reserves		**130,931**	130,931
Undistributed profits		**175,033**	153,794
Equity attributable to shareholders of the Company		**1,397,115**	1,394,296
Minority interests		**32,534**	36,700
Total shareholders' equity		**1,429,649**	1,430,996
Total liabilities and shareholders' equity		**1,667,463**	1,743,426
Net current assets		**1,105,855**	1,172,253
Total assets less current liabilities		**1,434,611**	1,438,509

For the year ended 31 December 2011

RMB'000

Item	*Notes*	**For the year ended 31 December 2011**	For the year ended 31 December 2010 (Restated)
Total operating revenue	*VIII.23*	**757,574**	769,497
Total operating costs		**732,884**	704,537
Operating costs	*VIII.23*	**646,829**	625,888
Sales tax and surcharges		**35,945**	36,611
Selling expenses		**28,873**	19,339
Administrative expenses		**50,465**	47,393
Financial expenses	*VIII.24*	**(30,524)**	(28,698)
Impairment loss of assets	*VIII.25*	**1,296**	4,004
Gain on changes in fair value	*VIII.26*	**4,151**	1,063
Share of profit of jointly controlled entities and associates	*VIII.27*	**9,476**	1,850
Other investment income	*VIII.27*	**87,183**	18,271
Operating profit		**125,500**	86,144
Add: non-operating income	*VIII.28*	**3,122**	17,213
Less: non-operating expenses		**204**	177
Total profit		**128,418**	103,180
Less: Income tax expenses	*VIII.29*	**5,705**	2,882
Net profit		**122,713**	100,298
Other comprehensive income		**–**	–
Total comprehensive income		**122,713**	100,298
Net profit attributable to:			
Shareholders of the Company		**119,894**	99,715
Minority shareholders		**2,819**	583
		122,713	100,298
Total comprehensive income attributable to:			
Shareholders of the Company		**119,894**	99,715
Minority shareholders		**2,819**	583
		122,713	100,298
Earnings per share:			
Basic earnings per share (RMB)	*XIV.1*	**0.61**	0.51
Diluted earnings per share (RMB)	*XIV.1*	**0.61**	0.51
Dividends	*VIII.32*	**98,655**	78,924

For the year ended 31 December 2011

RMB'000

Item	Notes	For the year ended 31 December 2011	For the year ended 31 December 2010 (Restated)
I. Cash flows from operating activities:			
Cash received from the sales of goods and the rendering of services		**712,483**	791,211
Other cash receipts relating to operating activities		**13,798**	30,639
Sub-total of cash inflows from operating activities		**726,281**	821,850
Cash paid for goods purchased and services received		**562,354**	523,160
Cash paid to and on behalf of employees		**58,550**	51,552
Payments of taxes and surcharges		**49,301**	46,260
Other cash payments relating to operating activities		**77,127**	47,077
Sub-total of cash outflows from operating activities		**747,332**	668,049
Net cash flows from operating activities	*VIII.33*	**(21,051)**	153,801
II. Cash flows from investing activities:			
Cash received from investments		**61,235**	47,403
Cash received from returns on investment		**1,899**	4,679
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		**2,963**	3
Net cash received from disposal of subsidiaries and other operating units	*VIII.35*	**(13,575)**	(251)
Other cash receipts relating to investing activities		**186,321**	94,132
Sub-total of cash inflows from investing activities		**238,843**	145,966
Cash paid to acquire fixed assets, intangible assets and other long-term assets		**1,364**	5,434
Cash paid on investment		**128,945**	146,407
Net cash paid on acquisition of subsidiaries and other operating units	*VIII.35*	**(2,731)**	–
Other cash payments relating to investing activities		**36,118**	10,896
Sub-total of cash outflows from investing activities		**163,696**	162,737
Net cash flows from investing activities		**75,147**	(16,771)

RMB'000

Item	*Notes*	**For the year ended 31 December 2011**	For the year ended 31 December 2010 (Restated)
III. Cash flows from financing activities:			
Cash received from borrowings		**–**	11,000
Other cash receipts relating to financing activities		**14,293**	13
Sub-total of cash inflows from financing activities		**14,293**	11,013
Cash paid for borrowings repayment		**3,660**	2,483
Cash paid for distribution of dividends or profits or interest expense		**98,989**	80,111
Including: dividends and profits paid by subsidiaries to minority shareholders		**2,415**	3,048
Other cash payments relating to financing activities		**–**	19,953
Sub-total of cash outflows from financing activities		**102,649**	102,547
Net cash flows from financing activities		**(88,356)**	(91,534)
IV. Effect of exchange rate changes on cash and cash equivalents		**(9)**	–
V. Net changes in cash and cash equivalents	*VIII.34*	**(34,269)**	45,496
Add: Balance of cash and cash equivalents at the beginning of the period		**204,719**	159,223
VI. Balance of cash and cash equivalents at the end of the period	*VIII.36*	**170,450**	204,719

RMB'000

Item	Share capital	Capital reserves	Surplus reserves (note)	Undistributed profits	Subtotal	Minority interests	Total shareholders' equity
	For the year ended 31 December 2011 — Attributable to shareholders of the Company						
Balance as at 1 January 2011	**197,310**	**912,261**	**130,931**	**153,794**	**1,394,296**	**36,700**	**1,430,996**
Net profit	**–**	**–**	**–**	**119,894**	**119,894**	**2,819**	**122,713**
Dividend to shareholders of the Company	**–**	**–**	**–**	**(98,655)**	**(98,655)**	**–**	**(98,655)**
Disposal of subsidiaries	**–**	**–**	**–**	**–**	**–**	**9,330**	**9,330**
Acquisition of subsidiary by capital increment in a jointly controlled entity	**–**	**–**	**–**	**–**	**–**	**12,250**	**12,250**
Business combination under common control	**–**	**(18,220)**	**–**	**–**	**(18,220)**	**900**	**(17,320)**
Acquisition of minority interests in subsidiaries	**–**	**(200)**	**–**	**–**	**(200)**	**(29,465)**	**(29,665)**
Sub-total of the changes for the year	**–**	**(18,420)**	**–**	**21,239**	**2,819**	**(4,166)**	**(1,347)**
Balance as at 31 December 2011	**197,310**	**893,841**	**130,931**	**175,033**	**1,397,115**	**32,534**	**1,429,649**

Item	Share capital	Capital reserves	Surplus reserves (note)	Undistributed profits	Subtotal	Minority Interests	Total shareholders' equity
	For the year ended 31 December 2010 (restated) — Attributable to shareholders of the Company						
Balance as at 31 December 2009 (Originally stated)	197,310	896,169	130,931	127,729	1,352,139	27,349	1,379,488
Add: Business combination under common control	–	14,203	–	5,274	19,477	14,072	33,549
Balance as at 1 January 2010 (Restated)	197,310	910,372	130,931	133,003	1,371,616	41,421	1,413,037
Net profit	–	–	–	99,715	99,715	583	100,298
Dividend to shareholders of the Company	–	–	–	(78,924)	(78,924)	–	(78,924)
Dividend to minority shareholders	–	–	–	–	–	(2,970)	(2,970)
Share of capital reserves in jointly controlled entities	–	1,889	–	–	1,889	–	1,889
Deemed disposal of subsidiaries	–	–	–	–	–	(2,334)	(2,334)
Sub-total of the changes for the year	–	1,889	–	20,791	22,680	(4,721)	17,959
Balance as at 31 December 2010 (Restated)	197,310	912,261	130,931	153,794	1,394,296	36,700	1,430,996

Note: In accordance with the People's Republic of China (the "PRC") regulations and the Articles of Association of the Company, the respective subsidiaries of the Group are required to transfer 10% of the profit after tax, determined in accordance with the PRC Accounting Standards, every year to statutory surplus reserves until the balance reaches 50% of the registered share capital. Such reserves can be used to offset any losses to be incurred and to increase share capital. Except for the reduction of losses, any other usage should not result in the balance falling below 25% of the registered share capital.

I. GENERAL INFORMATION

Beijing Media Corporation Limited (hereinafter referred to as the "Company") was incorporated in the PRC on 28 May 2001 as a joint stock company with limited liability under the PRC Company Law. The Company is listed on the Main Board of The Stock Exchange of Hong Kong Limited ("Hong Kong Stock Exchange").

The Company's parent company and ultimate holding company is Beijing Youth Daily Agency ("BYDA") which is a state-owned entity established in the PRC.

The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section in the annual report.

The consolidated financial statements are presented in Renminbi ("RMB") which is the functional currency of the Company as well.

The Company and its subsidiaries (hereinafter referred to as the "Group") are principally engaged in the provision of newspaper, magazine and outdoor advertising services, printing and trading of print-related materials in the PRC.

II. BASIS FOR PREPARATION OF FINANCIAL STATEMENTS

The Group's financial statements have been prepared in accordance with the accounting principles generally accepted in Hong Kong ("HK GAAP") for disclosure purposes in Hong Kong since its listing. According to the "Consultation Conclusions on Acceptance of Mainland Accounting and Auditing Standards and Mainland Audit Firms for Mainland Incorporated Companies Listed in Hong Kong" published by Hong Kong Stock Exchange in December 2010, with effect from this financial year, the Company decided to prepare its financial statements in accordance with the "Accounting Standards for Business Enterprises" and other related regulations ("PRC Accounting Standards") issued by the China Ministry of Finance. The adoption of PRC Accounting Standards has been applied retrospectively and the comparative financial information for the year ended 31 December 2010 is converted in accordance with the PRC Accounting Standards. The reconciliation of the Group's shareholders' equity and its profit from HKGAAP to the PRC Accounting Standards and the effects thereof are set out in Note XIV.5.

The Group's financial statements for the year ended 31 December 2011 have been prepared on a going concern basis and based on the actual transactions and matters incurred, in accordance with PRC Accounting Standards and the applicable disclosures required by the Rules Governing the Listing of Securities on Hong Kong Stock Exchange and Hong Kong Companies Ordinance; and the accounting policies and estimates as stated in Note IV "Principal accounting policies and accounting estimates and basis of preparation of consolidated financial statements".

The Company and BYDA, its Parent entered into the equity transfer agreement during the year, whereby the Company acquired 55% of equity interest in Beijing Today Sunshine Advertising Co., Ltd. (hereinafter referred to as "Today Sunshine") from BYDA. BYDA is the ultimate holding company of both the Company and Today Sunshine, therefore, the acquisition of equity interest in Today Sunshine is regarded as a business combination of entities under common control. According to relevant requirements of PRC Accounting Standards, Today Sunshine is deemed to have been consolidated into the Company's account from the beginning of the reporting period, with comparative figures restated to conform to the presentation for current year.

III. STATEMENT OF COMPLIANCE OF ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES

The Group's financial statements have been prepared in conformity with the PRC Accounting Standards and present truly and completely the consolidated financial position as at 31 December 2011 and their consolidated operating results, cash flows and other relevant information for the year then ended.

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES AND BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

1. Accounting period

The accounting period of the Group is from 1 January to 31 December of each calendar year.

2. Reporting currency

The reporting currency of the Group is RMB.

The financial statements of the Group are expressed in RMB.

3. Basis of preparation and principle of measurement

The Group's financial statements have been prepared on an accrual basis. Except for financial assets held for trading and investment properties which are measured at fair value, the financial statements are prepared under the historical cost convention.

4. Cash and cash equivalents

Cash in the cash flow statement of the Group represents cash on hand and deposits held at call with banks. Cash equivalents in the cash flow statement represent short-term (3 months or less) and highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of change in value.

5. Foreign currency transactions

Foreign currency transactions of the Group are translated into RMB at the spot exchange rate of the date of transaction. On balance sheet date, foreign currency monetary items are translated into RMB at the spot exchange rate of that date. Exchange differences arising thereon are directly expensed in the profit and loss for the current period unless they arise from foreign currency borrowings for the purchase or construction of qualifying assets which are eligible for capitalization. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items denominated in foreign currency measured at historical cost shall continue to be translated at the spot exchange rate at the date of transaction, the translated amount in RMB should not be changed.

6. Financial assets and financial liabilities

(1) Financial assets

Financial assets of the Group are classified as financial assets at fair value through profit or loss for the current period, held-to-maturity investments, loans and receivables, and available-for-sale financial assets according to the purposes of investments and the economic substance of the assets.

1) Financial assets at fair value through profit or loss for the current period are those financial assets that have been acquired principally for the purpose of selling in short terms. They are presented in the balance sheets as financial assets held for trading.

2) Held-to-maturity investments are non-derivative financial assets with fixed maturity and fixed or determinable recoverable amounts that the management intends and is able to hold to maturity.

3) Loans and receivables are non-derivative financial assets with fixed or determinable recoverable amounts that are not quoted in an active market.

4) Available-for-sale financial assets are non-derivative financial assets that are designated in this category and financial assets not classified into any other class upon initial recognition.

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES AND BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

6. Financial assets and financial liabilities *(Continued)*

(1) Financial assets (Continued)

Financial assets are measured initially at fair value. Transaction costs for financial assets at fair value through profit or loss for the current period are directly charged to profit or loss as incurred. Transaction costs for financial assets of other classes are included in the initially recognised amount.

A financial asset is derecognised when the contractual rights to receive cash flows from the asset have expired; or when all risks and rewards relating to the ownership of the financial asset have been transferred.

Financial assets at fair value through profit or loss for the current period and available-for-sale financial assets are subsequently measured at fair value. Loans and receivables and held-to-maturity investments are measured at amortized cost using the effective interest method.

Changes in the fair value of financial assets at fair value through profit or loss for the current period are recorded as gain or loss on changes in fair value. Interest or cash dividends received during the period in which such financial assets are held are recognised as investment income. On disposal, the difference between fair value and initial recognised amount is recognised as gain or loss on investment and adjust the gain or loss into changes in fair value accordingly.

Changes in fair value of available-for-sale financial assets are recorded in shareholders' equity. Interests calculated using the effective interest method for the period in which the assets are held is recognised as investment income. Cash dividends from available-for-sale equity instruments are recognised as investment income when the dividends are declared by the invested company. On disposal, the differences between the consideration received and the carrying amount of assets after deducting the accumulated fair value adjustments previously recorded in equity are recorded as investment income.

Other than financial assets at fair value through profit or loss for the current period, the Group assesses the carrying amount of financial assets at the balance sheet date. Provision for impairment is made when there is objective evidence indicating that a financial asset is impaired. When there is a significant or prolonged decline in fair value of available-for-sale financial assets, accumulated loss in fair value that previously recorded in shareholder's equity due to the decline in fair value should be recorded as impairment loss.

(2) Financial liabilities

Financial liabilities of the Group are classified as financial liabilities at fair value through profit or loss for the current period and other financial liabilities at initial recognition.

Financial liabilities at fair value through profit or loss for the current period include financial liabilities held for trading and those designated at fair value through profit or loss for the current period on initial recognition. They are subsequently measured at fair value. The gain or loss on changes in fair value, and dividends and interest expense in relation to such financial liabilities are charged to profit or loss for the current period as incurred.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

A financial liability is derecognised when the underlying present obligations (or part of it) are discharged. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss for the current period.

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES AND BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

7. Provisions for bad debts on receivables

Criteria for provision for bad debts: The Group provides provisions for bad debts on receivables when the debtors are dissolved, bankrupt, insolvent, in significant financial difficulty, or suspended their businesses due to natural disaster and unable to settle the debts in the foreseeable period; or the receivables are defaulted for more than 5 years; or when there is objective evidence indicating that the debts cannot be recovered or are not likely to be recovered.

Potential loss on bad debts is provided for using allowance account method. At the end of the period, receivables are tested for impairment on individual or group basis and the provisions for bad debts are recognised in the profit or loss for the current period. When there is objective evidence indicating that the receivables cannot be collected, such receivables are written off against the provisions for bad debts as losses on bad debts after granting of approval by the Group according to the required procedures.

(1) Receivables that are individually significant and are provided for bad debts on individual basis

Basis of determination or threshold of individually significant receivables	Receivables of more than RMB5 million are regarded as individually significant receivables
Method of provision for bad debts on receivables that are individually significant and are provided on individual basis	Provisions for bad debts are made for the excess of the carrying amount over the present value of the future cash flows

(Amounts expressed in thousands of RMB unless otherwise stated in the notes to the financial statements)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES AND BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

7. Provision for bad debts on receivables *(Continued)*

(2) Receivables provided for bad debts on group basis

Basis for determination of groups

Aged group	Determine the credit risk characteristics by age of the receivables
Related party group	Determine the credit risk characteristics by the relationships with the parties to transaction
Non-risk group	Determine the credit risk characteristics by nature of the receivables

Method of provision for bad debts on group basis

Aged group	Aging analysis
Related party group	No provision is made in general
Non-risk group	No provision is made in general

1) Proportion of provisions for bad debts on receivables by aging analysis basis:

Aged	Proportion to accounts receivable *(%)*	Proportion to other receivables *(%)*
Within 1 year	0.00	0.00
1-2 years	10.00	10.00
2-3 years	30.00	30.00
3-4 years	50.00	50.00
Over 4 years	80.00	80.00

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES AND BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

7. Provision for bad debts on receivables *(Continued)*

(2) Receivables provided for bad debts on group basis (Continued)

2) Proportion of provisions for bad debts of receivables on other basis:

Related party group	There is special relationship between the related parties and the Group (such as jointly controlled entities and associates), no provision for bad debts is made in general as the difference between the present value of future cash flows and their carrying amount is expected to be insignificant
Non-risk group	Including items such as rental deposits, purchase deposits, petty cash, amount subsequently received. no provision for bad debts is made in general as the difference between the present value of future cash flows and their carrying amount is expected to be insignificant

(3) Receivables that are individually insignificant but are provided for bad debts on individual basis

Reason for providing for bad debts on individual basis	Receivables which of the amount is individually insignificant and the credit risk characteristics of provision made cannot be reflected on group basis.
Method of provision for bad debts	Provisions for bad debts are made for the excess of the carrying amount over the present value of the future cash flows

8. Inventories

Inventories mainly include raw materials and low-value consumables.

The Group maintains a perpetual inventory system. Inventories are recorded at cost of purchase when received. Actual cost is calculated using weighted average method when the inventories are acquired. Low-value consumables are amortised in full when received.

At the end of the period, inventories are stated at the lower of costs and net realisable value. Where the inventories are not expected to be recoverable as they become damaged, partially or wholly obsolete or whose selling price is well below its cost, provisions for inventory impairment are made for the excess of its cost over its net realisable value.

Net realisable value of the available-for-sale finished goods is determined by its estimated selling price less estimated selling expenses and related taxes.

9. Long-term equity investments

Long-term equity investments mainly include the equity investments in the invested company over which the Group has control, joint control or significant influence and entity over which the Group does not have control, joint control nor significant influence and do not have quoted prices in active market and its fair value cannot be reliably measured.

Joint control represents a contractual agreed common control over an economic activity. Joint control exists when either party does not have unilateral power to control the operating activities and the decisions making relating to the operating activities of the jointly controlled entity require unanimous consent of the parties.

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES AND BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

9. Long-term equity investments *(Continued)*

Significant influence exists when a party has the power to influence the decision making of the invested company's financial and operating policies, but is not able to have control or have joint control with other parties over the formulation of these policies. Significant influence exists when the Group directly or indirectly (through its subsidiary) owns 20% (inclusive) or more but less than 50% of shares with voting rights in the invested company. Significant influence cannot be established where there is explicit evidence indicating that the Group is unable to participate in the decision-making of the operating policy in the invested company.

The investment cost for long-term equity investment acquired through a business combination under common control is the carrying value of the share of equity in the absorbing company at the date of combination. The combination cost for long-term equity investment acquired through business combination not under common control is the fair value as at date of combination (acquisition) of the assets given, liabilities incurred or assumed and equity securities issued for the control of the party being absorbed (acquired) at the date of combination (acquisition).

Apart from the long-term equity investments acquired through business combination mentioned above, the long-term equity investments acquired by cash payment, the investment cost is based on the actual amount of cash paid for the acquisition. For long-term equity investment acquired by issuing equity securities, the investment cost is the fair value of the equity securities issued. For long-term equity investment invested in the Group by the investor, the investment cost is the agreed consideration as specified in the contract or agreement. For long-term equity investment acquired through transactions such as debts restructuring and exchange of non-monetary assets, the investment cost is determined according to the relevant accounting standards.

Investments in subsidiaries are accounted for by the Group using cost method and adjusted for using equity method during the preparation of consolidated financial statements. Investments in jointly controlled entities and associates are accounted for using equity method. Long-term equity investments are accounted for using cost method where the Group does not have control, joint control or significant influence over the invested company and there are no quoted prices in active market and the fair value of the invested company cannot be reliably measured. Long-term equity investments are accounted for as available-for-sale financial assets where the Group does not have control, joint control or significant influence over the invested company but there are quoted prices in active market and the fair value of the invested company can be reliably measured.

Under the cost method, long-term equity investments are measured at its investment cost, and its cost is adjusted by the amount of additional investment or the amount recovered. Under the equity method, investment gain or loss represents the Group's share of the net profits or losses made by the invested company for the current period. The share of the net profits or losses of the invested company is recognised based on the fair value of each of the identifiable assets of the invested company at the time of acquisition, after making appropriate adjustments thereto in conformity with the accounting policies and accounting periods of the Group and the gain or loss on transactions entered into between the Group and its associates and jointly controlled entities is eliminated for those attributable to the Group based on its share in the invested company. If long-term equity investments in associates and jointly controlled entities is held prior to the date on which investment is made at the first time, the debit balances in the investment-related equity investment shall be recognised as investment gain or loss after deducting the debit balance amortised over the original remaining period of the equity investment on straight-line basis.

The long-term equity investment will be accounted for by using cost method where the Group reduces the investment in the invested company so that the Group no longer has common control or significant influence over the invested company and there are no quoted prices in active market and fair value of the invested company cannot be reliably measured; or where the Group has control over the invested company due to the reasons such as making additional investment in the invested company; the long-term investment will be accounted for by using equity method where the Group has common control or significant influence over the invested company due to such reasons as making additional investment in the invested company or where the Group no longer has control but remain to have joint control or significant influence over the invested company due to reasons such as disposal of the investment.

On disposal of long-term equity investments, the difference between the carrying value of a long-term equity investments and the actual consideration received is recognised as investment income for the current period. For long-term equity investments accounted for using equity method, the movements of owner's equity, other than the net profit or loss, of the invested company, previously recorded in the owner's equity will be transferred and expensed as investment income for the current period on disposal.

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES AND BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

10. Investment properties

The investment properties of the Group are buildings leased for rental income.

Investment property is measured at cost. The cost for investment properties purchased from outsiders includes purchase price, related taxes and other expenses directly related to the assets. The cost of investment properties constructed by the Group includes the required construction expenses incurred to bring the assets to the condition of intended use.

Investment properties of the Group are subsequently measured using fair value model. Gain or loss on changes in fair value of investment properties is recognised directly in profit or loss for the current period.

The fair value of the investment properties of the Group are determined by the management of the Group on an open market basis by reference to properties of the same location and similar usage.

Where an investment property is changed for owner-occupied purpose, it is transferred to a fixed asset or intangible asset at the date of the change. Where the owner-occupied property is changed for earning rentals or for capital appreciation, the fixed asset or intangible asset is transferred to an investment property at the date of the change. On conversion, the carrying amount immediate before conversion is taken as the cost of the asset.

An investment property is derecognised on disposal or retirement when it is expected that there shall be no economic benefit through disposal. Where the investment properties are sold, transferred, retired or damaged, the proceeds from disposal after deducting the carrying amount and related taxes are recognised in profit or loss for the current period.

11. Fixed assets

Fixed assets of the Group are tangible assets that are held for the purpose of producing goods, rending services, leasing or operation and management. The useful lives of fixed assets are more than one year.

Fixed assets consist of buildings, plant and machinery, motor vehicles, office equipment and others. The cost for fixed asset is measured at cost at the time when it is acquired. The cost of fixed asset purchased from outsiders includes purchase prices, import tax and other related taxes and other expenses incurred to bring the assets to the condition of intended use. The cost of fixed asset constructed by the Group includes the required expenses incurred to bring the assets to the condition of intended use. The fixed asset acquired by an investor is measured at the agreed considerations as specified in the investment contracts or agreements, or the fair value where the agreed consideration as specified in the contracts or agreements is not justified. The fixed asset acquired under a finance lease is measured at the lower of its fair value and the present value of the minimum lease payment at the date of inception of the lease.

Subsequent expenditures incurred for a fixed asset, such as maintenance expenses and renovation and improvement expenses, are included in the cost of fixed asset when they meet the recognition criteria of a fixed asset, and the carrying amount of the replaced parts is derecognised. The subsequent expenditures incurred for a fixed asset are recognised in profit or loss for the current period in which they are incurred when they do not meet the criteria of a fixed asset.

(Amounts expressed in thousands of RMB unless otherwise stated in the notes to the financial statements)

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES AND BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

11. Fixed assets *(Continued)*

Depreciation is provided for all fixed assets, except for the fixed assets that are fully depreciated and remain in use. Fixed assets are depreciated using the straight-line method to measure the cost or expenses of the assets for the current period based on the usage of the assets. The useful lives, estimated residual rates and depreciation rate of each type of the fixed asset of the Group are as follows:

Types	Useful lives (years)	Estimated residual value rate *(%)*	Annual depreciation *(%)*
Buildings	20	0.00	5.00
Plant and machinery	10	0.00	10.00
Motor vehicles	5	0.00	20.00
Office equipment	5	0.00	20.00
Electronic equipment	3	0.00	33.00

The Group re-assesses the estimated useful life and estimated net residual value of a fixed asset and the depreciation method at the end of each financial year. Any changes will be dealt with as changes on accounting estimates.

A fixed asset is derecognised on disposal or it is expected that there shall be no economic benefit arising from using or after disposal. Where the fixed assets are sold, transferred, retired or damaged, the income received after disposal after deducting the carrying amount and related taxes are recognised in profit or loss for the current period.

12. Borrowing costs

Borrowing costs include borrowing interest, amortisation of discounts or premiums, ancillary expenses and exchange differences arising from foreign currency borrowings. When expenditures for the asset and borrowing costs are being incurred, activities relating to the acquisition, construction or production of the asset that are necessary to prepare the asset for its intended use or sale have commenced, borrowing costs, which are directly attributable to the acquisition, construction or production of a qualifying asset, shall be capitalized. Capitalisation of borrowing costs shall cease when the asset under acquisition, construction or product is ready for its intended use or sale. Other borrowing costs shall be recognised as costs for the current period.

The amount of interest of specific borrowings occurred for the period shall be capitalized after deducting any interest earned from depositing the unused specific borrowings in the bank or any investment income arising on the temporary investment of those borrowings during the capitalization period; The capitalized amount of general borrowings shall to be determined at the basis that the weighted average (of the excess amounts of cumulative assets expenditures over the specific borrowings) times capitalization rate (of used general borrowings). The rate of capitalization is determined by the weighted average interest rate of general borrowing.

Assets eligible for capitalization represent the fixed assets, investment property and inventories, etc, which shall take a long time (generally over one year) for acquisition, construction or production to be ready for its intended uses or sales.

When an asset eligible for capitalization is interrupted abnormally and the suspending period lasts more than 3 months during acquisition, construction or production, the capitalisation of borrowing costs shall be suspended until the acquisition, construction or production of such assets resume.

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES AND BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

13. Intangible assets

Intangible assets of the Group, including land use rights, operating rights and software, are recognised at actual cost at the time of acquisition. The actual cost of the purchased intangible assets is measured at the actual payment and other related expenses. The actual cost of intangible asset acquired by an investor is measured at the agreed considerations as specified in the investment contracts or agreements. In case where the agreed consideration of the contracts or agreements is not justified, the assets are measured at fair value.

Land use rights are evenly amortised over their lease terms from the date of transfer. Other intangible assets are evenly amortised on the basis of the shortest of their estimated useful lives, the number of beneficial years as stipulated by contract and by law.

Amortisation amount is included in the cost of related assets and profit or loss for the current period based on the beneficiary of the assets.

The estimated useful lives and amortization method of intangible assets with finite useful lives are re-assessed at the end of each financial year. Any changes will be dealt with as changes on accounting estimates. The estimated useful lives of intangible assets with indefinite infinite useful lives are reviewed in each accounting period. Where there is objective evidence to prove that the useful life of an intangible asset is finite, the Company shall estimate the useful life and amortise that intangible asset over its estimated useful life.

14. Impairment of long-term non-financial assets

As at each balance sheet date, the Group assesses whether there is any sign indicating that the long-term equity investments, fixed assets, construction in progress and intangible assets with definite useful lives may be impaired. If there is any sign indicating that an asset may be impaired, the asset will be tested for impairment. Goodwill arising in a business combination and an intangible asset with infinite useful lives are tested for impairment annually, irrespective of whether there is any sign to indicating that the asset may be impaired. When it is impossible to make the impairment test on the recoverable amount of an individual asset, the impairment test should be made on the basis of the corresponding assets group or the combination of group assets belongs to.

After the test of impairment, if the recoverable amount of an asset is less than its carrying amount, the difference is recognised as an impairment loss. Once an impairment loss on the assets is recognised, it will not be reversed in a subsequent accounting period. The recoverable amount of an asset is the higher of the net of its fair value less costs of disposal and the present value of the future cash flows expected to be derived from the asset.

The signs of impairment are as follows:

(1) The current market price of an asset declines substantially, exceeding obviously the expected decline caused by time changes or normal application;

(2) There are significant changes in the economic, technical or legal environment in which the enterprise operates and in the market where the asset is located in the current period or near future, resulting in adverse impacts on the enterprise;

(3) The market interest rate or rate of return of other market investment has stood high in the period, affecting the discount rate used by an enterprise for the calculation of the present value of the asset estimated future cash flow which results in a substantial decline in the recoverable amount of the assets;

(4) There is evidence to demonstrate that the asset has already gone obsolete or its entity has already been damaged;

(5) The asset has already been or will be left idle, ceased to be used, or planned to be disposed in advance;

(6) There is evidence from the internal reports demonstrating that the economic returns of asset, such as the net cash flows generated by asset or operating profit (or loss) realized by asset, are much lowered (higher) than that as expected;

(7) Any other sign indicates that the value of an asset may have already been impaired.

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES AND BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

15. Goodwill

Goodwill is the amount at the acquisition date or purchasing date, of the equity investment cost or cost of business combination not involving enterprises under common control, that exceeds the acquirer's interest in the fair value of the investees' or acquiree's identifiable net assets.

Goodwill relating to subsidiaries is presented in consolidated financial statements as a separate item. Goodwill relating to associates and jointly controlled entities is included in the carrying amount of the long-term equity investment.

16. Long-term prepaid expenses

Long-term prepaid expenses of the Group are expenditures such as property renovation cost, which have incurred but shall be undertaken in more than 1 year of amortization period (not including 1 year) of the current and future periods. They are amortized evenly over the estimated benefit period. If the long-term prepaid expenses are no longer beneficial to the subsequent accounting periods, the unamortized balance is then fully transferred to profit or loss for the period.

17. Employee Remuneration

The Group recognises employee remuneration payables as liabilities during the accounting period in which employees render their services and allocates it to related cost of assets and expenses based on the beneficiaries of the services. Compensation for termination of employment with any employee is recognised in the profit or loss for the period.

Employee remuneration includes salaries, bonus, allowances and subsidies, staff benefits, social security insurance, housing fund, union fund and staff education fund and expenditure incurred in connection with the services rendered by employees.

When the Group terminates the employment with an employee before the expiry of the employment contract or provides compensation for acceptance of voluntary redundancy, if the Group has developed a formal plan for termination of employment or has made an offer for voluntary redundancy, which will be implemented immediately, and the Group is not allowed to unilaterally withdraw the termination plan or the redundancy offer, the estimated liability for compensation arising from the termination of employment with employees should be charged to the profit or loss for the current period.

18. Principles of revenue recognition

The business revenues of the Group are mainly generated from sale of advertising spaces and incomes from printing, trading of print-related materials and distribution of newspapers and magazines, consultation service and rental income. The principles of revenue recognition are as follows:

(1) Revenue from sale of advertising spaces

Revenue from sale of advertising spaces is generally recognised pro rata over the period in which the advertisement is placed. Sales of advertising spaces, with award credits generating from customers, are accounted for as multiple element revenue transactions and the fair value of the consideration received or receivable is allocated between the advertising spaces sold and the award credits granted. The consideration allocated to the award credits is measured by reference to their fair value, which is the fair value of the award credits exchangeable of advertising space. Such consideration is not recognised as revenue at the time of the commencement of the sale transaction, but is deferred and recognised as revenue when such award credits are redeemed and the Group's obligations have been fulfilled.

(2) Revenue from printing

Revenue from printing, net of VAT is recognised when the service is provided.

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES AND BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

18. Recognition of revenue *(Continued)*

(3) Revenue from trading of print-related materials and distribution of newspapers and magazines

Revenue from trading of print-related materials and distribution of newspapers and magazines, net of value-added tax ('VAT'), is recognised upon the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and the title has passed.

(4) Revenue from consultation service

Consultation service income is recognised when the services are provided.

(5) Revenue from rental income

Rental income is recognised in accordance with the Group's accounting policy for operating lease (see Note IV.21).

19. Government grants

A government grant is recognised only when the Group can comply with the conditions attaching to the grant and the Group will receive the grant.

If a government grant is in the form of a monetary asset, it is measured at the actually amount received. For a fixed quota for the allocation of the grant, it is measured at the amount receivable.

For a government grant related to income, if the grant is a compensation for related expenses or losses to be incurred in subsequent periods, the grant is recognised as deferred income, and recognised in profit or loss over the periods in which the related costs are recognised. If the grant is a compensation for related expenses or losses already incurred, the grant is recognised directly in profit or loss for the current period.

20. Deferred income tax assets and deferred income tax liabilities

The deferred income tax assets and deferred income tax liabilities of the Group are recognised based on the differences between the tax bases of assets and liabilities and their respective book values (temporary differences). For deductible tax losses or tax credit that can be brought forward in accordance with tax law for deduction of taxable income in subsequent years, it is considered as temporary differences and related deferred income tax assets are recognised. On the balance sheet date, deferred income tax assets and liabilities are measured at the applicable tax rates that are expected to apply to the period in which the assets are realized or liability is settled.

The deferred income tax assets arising from the deductible temporary difference are recognised to the extent that it is probable that taxable profit will be available to the Group to offset such deductible temporary difference. If it is anticipated that no future taxable profits will be available to offset the deferred income tax assets, the carrying value of the deferred income tax assets will be reduced. If it is very likely that sufficient taxable profits will be available, the amount so reduced will be reversed.

21. Lease

Leases are classified as finance leases and operating leases at the date of inception.

Finance lease is a lease that substantially transfers all the risks and rewards of ownership of the assets. The Group, as a lessee, recognised the assets under finance lease at the inception of the leases at the lower of their fair value and the present value of minimum lease payments. The corresponding liability is recorded as "Long-term payable" at the amount of minimum lease payments. Their difference is recorded as unrecognised finance lease charge.

Operating leases are leases other than finance leases. The Group, as a lesser, recognised lease payments as a cost of an assets or an expense on a straight-line basis over the terms of the relevant lease. The Group, as a lessor, recognised lease payments as rental income on a straight-line basis over the terms of the relevant lease.

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES AND BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

22. Accounting for income tax

Income tax is accounted by using the balance sheet liability method. Income tax expenses represent the sum of current income tax and deferred income tax. Current income tax and deferred income tax in connection with the transactions and matters that are directly recorded in shareholders' equity are dealt with in shareholders' equity. Deferred income tax arising from business combination is adjusted to the carrying value of goodwill. Expenses or income of all other current income tax and deferred income tax are recognised in the profit or loss for the period.

The current income tax payable is the amount of tax payable to taxation authority by the enterprises in respect of the transactions and matters of the current period calculated according to the taxation regulations. The deferred income tax is the difference between the balances of the deferred income tax assets and deferred income tax liabilities that should be recognised using the balance sheet liabilities method at the end of the period and their balances originally recognised.

23. Segment information

Operating segments of the Group are identified on the basis of internal organization structure, management requirements and internal reporting policies. The reporting segments are determined on the basis of operating segments. An operating segment represents a component of the Group that satisfied the following criteria simultaneously: 1) the component engages in business activities from which it may earn revenues and incur expenses; and 2) whose operating results are regularly reviewed by the Company's management to make decisions on resources to be allocated to the segments and assess its performance. Financial information of the segments such as financial position, operating results and cash flow is available to the Company.

The price of intra-segment transactions is determined on market rates. Expenses, other than those which are unable to allocate reasonably, are allocated between segments in proportion with their revenue.

24. Business combination

Business combination is a transaction or event that brings together two or more separate enterprises into one reporting entity. The Group recognises assets and liabilities obtained through a business combination at the combination date or acquisition date. The combination date or acquisition date is the date on which the absorbing party or acquirer effectively obtains control of the party being absorbed or acquired.

(1) Business combination for entities under common control

Assets and liabilities that are obtained through a business combination for entities under common control are measured at their carrying amounts at the combination date as recorded by the party being absorbed. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid is adjusted to capital reserves. Any excess over capital reserves is adjusted against retained earnings.

(2) Business combination for entities not under common control

For a business combination for entities not under common control, the cost of combination is the aggregate of the fair values, at the acquisition date, of the assets given, liabilities incurred or assumed, and equity securities issued by the acquirer in exchange for control of the acquiree. Where the cost of combination exceeds the interest in the fair value of the acquiree's identifiable net assets, the difference is recognised as goodwill. Where the cost of combination is less than the interest in the fair value of the acquiree's identifiable net assets, the difference is recognised in profit or loss for the period after re-assessment.

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES AND BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

25. Preparation of consolidated financial statements

(1) Determination of the scope of consolidation

The scope of consolidated financial statements of the Group covers all subsidiaries and special purpose entities in which the Group has actual control. The Company has control if it governs the financial and operating policies of an enterprise so as to benefit from its operations.

(2) Accounting method for consolidated financial statements

The consolidated financial statements of the Group are prepared in accordance with the Accounting Standards for Business Enterprises No. 33 – Consolidated Financial Statements and the relevant requirements. On consolidation, all the significant intra-group transactions and balances are eliminated. The shareholders' equity of the subsidiaries not attributable to the parent company is separately presented as minority interests under shareholders' equity in the consolidated financial statements.

When there is any inconsistency on the accounting policies or accounting period adopted between subsidiaries and the Company, the financial statements of subsidiaries are adjusted according to the accounting policies or accounting period adopted by the Company when preparing the consolidated financial statement.

For subsidiaries acquired under business combinations not under common control, when preparing consolidated financial statements, adjustments are made on the financial statements of subsidiaries based on the fair value of the net identifiable assets acquired on the acquisition date. For subsidiaries acquired from business combinations under common control, when preparing consolidated financial statements, the consolidated financial statements include the assets, liabilities, operating results and cash flows of such subsidiaries at the original carrying value from the beginning of the year presented as if the business combinations had occurred at the beginning of the year the combination took place.

26. Key accounting estimates and judgments

In the application of the Group's accounting policies, which are described in Notes IV, the Directors of the Company are required to make judgments, estimates and assumptions on the carrying amounts of assets and liabilities that are not readily available from other sources. The estimates and underlying assumptions are based on experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

The following are the key assumptions on the future, and other major sources of uncertainty of estimation at the end of the year, that are probable to cause a material adjustment to the carrying amounts of assets and liabilities of the next financial year.

(1) Buildings

Certain buildings of the Group have not been granted with Building Ownership Certificates by relevant government authorities. In the opinion of the directors of the Company, the absence of Building Ownership Certificates of these buildings will not impair the value of the buildings and investment properties of the Group.

(2) Depreciation of fixed assets

Fixed assets are depreciated on a straight-line basis over their estimated useful lives and estimated residual values. The determination of the useful lives and residual values involve the estimates of the management. The Group assesses annually the residual value and useful life of its fixed assets and if the expectation differs from the original estimate, such a difference may affect the depreciation charge in the interim of the year and in the future period.

IV. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES AND BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

26. Key accounting estimates and judgments *(Continued)*

(3) Fair value of investment property

The investment property is measured at fair value estimated by the Management. The management will determine the fair value on an open market basis by reference to properties of similar location and condition. Should there are any changes in assumptions due to the change of market condition, the fair value of the investment property will be adjusted accordingly.

(4) Allowances for bad debts of accounts receivable and other receivables

The policy for allowance of bad debts of accounts receivable and other receivables of the Group is based on the evaluation of collectability, aging analysis and the management's judgment. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and past collection history of each customer. If the financial condition of debtors of the Group are deteriorating which impair their ability to make payments, additional allowances are required to be made.

(5) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value-in-use of the cash-generating units to which goodwill has been allocated. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2011, the book value of goodwill was RMB47,377,000 (31 December 2010: Nil).

(6) Amortisation of operating rights

Operating rights are amortised on a straight-line basis over its estimated useful lives which are estimated by the management. The Group re-assesses the useful life of the unamortised cost. If the expectation differs from the original estimate, such a difference may affect the amortisation for the year and the estimate will be changed in the future period.

(7) Fair value of customer loyalty program

The Group has a customer loyalty program for certain advertising customers. Accordingly, if the accumulated advertisement fee spent by such customers on the Group's publications reaches a certain level over a specified period of time, they will be given a discount coupon or an advertising space free of charge. A portion of customers' revenue attributable to the award credits is deferred and recognized when the coupons or advertising spaces have been redeemed or have expired. The deferment of revenue is estimated based on historical redemptions, which is then used to project the expected utilization of these rewards. Any remaining unutilized rewards are recognized as deferred revenues.

(8) Impairment of interests in jointly controlled entities and associates

The Group tests annually whether the interests in jointly controlled entities and associates have suffered any impairment in accordance with the Group's accounting policy. The entire carrying amount of the investment (including goodwill) is tested as a single asset by comparing the difference between its recoverable amount (higher of value in use and fair value less cost to sell) and its carrying amount. The value in use calculation requires the use of estimates and judgments including estimation of the future cash flows, determination of applicable discount rate, estimation of exchange rate and future industry trends and market condition as well as other assumptions. Changes in these estimates and assumptions could affect the determination of recoverable amount.

(9) Impairment loss for inventories

The management of the Group reviews the aging of the inventories at the end of each reporting period, and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for use or saleable in the market. The management estimates the net realisable value for such items is based primarily on the latest invoice prices and current market condition. The Group carries out an inventory review on a product basis at the end of each reporting period and makes allowance for obsolete items. Where the actual future cash flows are less than expected, a material impairment loss may arise.

V. CHANGES IN ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES AND CORRECTION OF ERRORS OF PRIOR PERIODS

1. Changes in accounting policies and their effect

There were no changes in accounting policies during the year for the Group.

2. Changes in accounting estimates and their effect

There were no changes in accounting estimates during the year for the Group.

3. Correction of errors of prior periods and their effect

No correction of errors of prior periods was made during the year for the Group.

VI. TAX

1. Enterprise Income Tax ("EIT")

Pursuant to the tax regulation of the State, the Group is subject to EIT at a rate of 25% on the taxable income.

According to Jing Di Shui Han (2009) No.64 issued by Beijing Chao Yang District Local Taxation Bureau, the Company was exempted from EIT until 31 December 2013.

No provision for Hong Kong Profits Tax has been made in the financial statements, as the Group did not have any profit arising from or derived in Hong Kong.

2. Value added tax ("VAT")

The subsidiaries of the Group which are general VAT taxpayers are subject to output VAT on sales and publication income at the rate of 17% and 13% respectively. The input VAT paid on purchase of materials is 17% and the amount paid can be used to offset the output VAT on sales. The amount of VAT payable is the output VAT less input VAT for the period.

3. Business Tax

According to the tax regulation of the State, the Group is subject to the business tax at the rate of 5% on the advertising service income.

4. Other principal taxes and tax rates

Category	Basis of calculation	Tax rate
Cultural construction fee	Taxable revenue from advertising	3%
Urban maintenance and construction tax	Turnover tax payable	7%
Education surcharge	Turnover tax payable	3%

(Amounts expressed in thousands of RMB unless otherwise stated in the notes to the financial statements)

VII. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS

1. Major subsidiaries

					As at 31 December 2011			
Name of company	Place of registration/ operation	Principle business operation	Registered capital	Business Scope	Amount of investment	Proportion of shareholding *(%)*	Proportion of voting rights *(%)*	Whether consolidated
Subsidiaries obtained through business combination of entities under common control								
Today Sunshine	PRC	Advertising	4,000	Design, production, agency, publication of domestic and foreign advertising	18,880	55.00	55.00	yes
Subsidiaries obtained through business combination of entities not under common control								
Beiqing CéCi Advertising (Beijing) Limited (Beiqing CéCi)	PRC	Advertising	80,000	Design, production, agency, publication of domestic and foreign advertising	67,750	84.69	84.69	yes
Subsidiaries obtained through establishment or investment								
BYD Logistics Company Limited (BYD Logistics) *(Note 3)*	PRC	Printing	30,000	Printing, sales of paper & ink, storage and transportation	44,815	92.84	92.84	yes
Hebei Heqing Media Corporation Limited (Heqing Media) *(Note 4)*	PRC	Advertising	30,000	Wholesale of newspaper, agency and publication of advertising	–	–	–	yes
Legal Evening Post Media Company Limited (LEP Media)	PRC	Advertising	400,000	Wholesale & retail of books and newspaper, agency and publication of advertising	400,000	100.00	100.00	yes
Beijing Zhong Wang Shi Tong Technologies Co., Ltd (ZWST)	PRC	Software development	20,000	Computer technology consultation, software research and development	20,000	100.00	100.00	yes

Note:

1) The subsidiaries of the Company are unlisted companies and with limited liabilities.

2) None of the subsidiaries have issued any debt securities at the end of the year or any time during the year.

3) The Company acquired the 42.34% equity interest in BYD Logistics jointly held by the state-owned and non state-owned shareholders of BYD Logistics upon approval at the general meeting on 18 November 2011, at a consideration of approximately RMB29,665,000. BYD Logistics completed the procedures of registration of change with the industrial and commercial administration authorities on 30 November 2011. The shareholding of the Company in BYD Logistics was increased from 50.5% to 92.84%.

4) The Company entered into the Capital Increase Agreement with Beiyang Publishing & Media Corporation Limited (Beiyang Media) at 5 November 2011, whereby the Company's 60% equity interest in Heqing Media of RMB48,000,000 will be transferred in exchange for 1.5% equity interest in Beiyang Media. The relevant procedures of change in registration of Heqing Media with Beijing Administration for Industry and Commerce were completed at 22 December 2011 and Heqing Media was no longer a subsidiary of the Company since then.

(Amounts expressed in thousands of RMB unless otherwise stated in the notes to the financial statements)

VII. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

2. Changes in the Consolidation of Consolidated Financial Statements during the year

(1) Details of subsidiaries newly included in the consolidation during the year

Name of company	Reason for newly inclusion in the consolidation scope	Proportion of shareholding *(%)*	Net assets as at 31 December 2011	Net profit for the year ended 31 December 2011
Beiqing CéCi	Increase in investment by the Company	84.69	31,316	(4,733)
Today Sunshine	Acquisition of equity interest	55.00	35,232	4,166

1) On 30 June 2011, the Company unilaterally injected additional capital of RMB55,000,000 to Beiqing CéCi (the former jointly controlled entity of the Company). Upon the completion of capital increase, the equity interest in Beiqing CéCi owned by the Company was increased from 51% to 84.69%, while the Company obtained control over Beiqing CéCi. Beiqing CéCi was incorporated in the consolidated financial statements of the Company as a subsidiary as from the same date.

As at date of acquisition, the fair value of the 51% equity interest in Beiqing CéCi that originally held by the Company, as determined on the basis of Assets Appraisal Report No. 69 (Zhong Tong Hua Ping Bao Zi (2011) issued by China Alliance Appraisal Co., Ltd, was approximately RMB12,750,000. The difference between the carrying amount of the equity interest of RMB0 and the fair value amounted to RMB12,750,000 and was recognised as investment income for the year.

(2) The Company and the parent company BYDA entered into the Equity Transfer Agreement in August 2011, acquiring 55% of equity interest in Today Sunshine for a consideration in the amount of RMB18,880,000. Today Sunshine completed the change in registration with relevant administration authorities for Industry and Commerce on 10 October 2011. BYDA is the ultimate holding company of the Company and Today Sunshine, therefore, the acquisition of equity interest of Today Sunshine is constituted as a business combination of entities under common control. According to relevant requirements of Accounting Standards for Business Enterprises, Today Sunshine is deemed to have been incorporated into the consolidated financial statements of the Company from the beginning of the reporting period.

(2) Details of subsidiaries no longer included in the consolidation during the year

Name of company	Reason for exclusion from the consolidation scope	Proportion of shareholding (%)	Net assets as at 22 December 2011	Net profit from 1 January to 22 December 2011
Heqing Media	Transfer	60.00	(29,203)	1,703

1) Heqing Media was no longer a subsidiary of the Company since 22 December 2011, and from then on, it was not incorporated in the consolidated financial statements of the Company (Please refer to note VII.1.4 for more details). Heqing Media completed the change in registration with relevant administration authorities for Industry and Commerce on 22 December 2011.

(Amounts expressed in thousands of RMB unless otherwise stated in the notes to the financial statements)

VII. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

2. Changes in the Consolidation of Consolidated Financial Statements during the year *(Continued)*

(2) Details of subsidiaries no longer included in the consolidation during the year (Continued)

2) Analysis of assets and liabilities on the disposal of Heqing Media

	As at 31 December 2011
Current assets	24,391
Non-current assets	21,593
Current liabilities	(74,928)
Non-current liabilities	(259)
Net assets disposed	(29,203)
Consideration of disposal of equity	48,000
Net assets disposed	(29,203)
Minority Interests	9,330
Gain on disposal	67,873
Cash inflow generated from disposal	–
Cash outflow generated from disposal	
– Bank balances and cash	13,575
Net cash flow generated from disposal	(13,575)

3. Business combination during the year

(1) Details of subsidiaries obtained through business combination of entities under common control

Name of subsidiaries	Place of registration	Registered capital	Investment amount	Proportion of shareholding *(%)*	Business scope
Today Sunshine	PRC	4,000	18,880	55.00	Design, production, agency and publication of domestic and foreign advertising

(Amounts expressed in thousands of RMB unless otherwise stated in the notes to the financial statements)

VII. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

3. Business combination during the year *(Continued)*

(1) Details of subsidiaries obtained through business combination of entities under common control (Continued)

1) BYDA and 12 individual shareholders were interested in 55% and 45% equity of Today Sunshine respectively at 27 April 2001. According to the Articles of Association, BYDA, in substance, controls the board of directors of Today Sunshine, which formulates the financial and operating policies during the daily operating course of the Company. Therefore, Today Sunshine is accounted for as the subsidiary of BYDA.

2) During the year, the Company acquired 55% equity interest in Today Sunshine from BYDA. BYDA is the ultimate holding company of the Company and Today Sunshine, so the acquisition is regarded as a business combination of entities under common control. Today Sunshine completed the change in registration with relevant administration authorities for Industry and Commerce on 10 October 2011 which was determined as the combination date. At the same time, according to the standards of business combination of entities under common control, Today Sunshine was incorporated in the consolidated financial statements of the Company since the Parent (BYDA) obtained control of Today Sunshine.

3) Basic financial information of the parties absorbed

	As at 10 October 2011 (Combination Date)	As at 31 December 2010 (last accounting period)
Total assets	**51,844**	49,366
Total liabilities	**(17,906)**	(18,300)
Owner's equity	**33,938**	31,066

	1 January to 10 October 2011 (Combination Date)	1 January to 31 December 2010 (last accounting period)
Operating revenue	**4,832**	11,130
Net profit	**2,872**	(3,204)

(Amounts expressed in thousands of RMB unless otherwise stated in the notes to the financial statements)

VII. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

3. Business combination during the year *(continued)*

(2) Details of subsidiaries obtained through business combination of entities not under common control

Name of subsidiaries	Place of registration	Registered capital	Investment Amount	Proportion of shareholding *(%)*	Business scope
Beiqing CéCi	PRC	80,000	67,750	84.69	Designing, production, agency and publication of domestic and foreign advertising

1) Beiqing CéCi was jointly established by the Company and Joong Ang m&b Limited of Korea with registered capital of RMB25,000,000, of which the Company held 51% of equity interest, while the foreign partner held 49% of equity interest. The board of directors of Beiqing CéCi was jointly controlled by the Company and the foreign partner, and the board of directors was responsible for establishing financial and operating policies during ordinary course of business. Accordingly, Beiqing CéCi, was accounted for as a jointly controlled entity of the Company using equity method.

2) On 30 June 2011, the Company unilaterally injected additional capital of RMB55,000,000 to Beiqing CéCi. Upon the completion of capital increment, the equity interest in Beiqing CéCi owned by the Company was increased from 51% to 84.69%. The Company then gained control over Beiqing CéCi, and accordingly, Beiqing CéCi has become a subsidiary of the Company since 30 June 2011.

(Amounts expressed in thousands of RMB unless otherwise stated in the notes to the financial statements)

VII. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

3. Business combination during the year *(continued)*

(2) Details of subsidiaries obtained through business combination of entities not under common control (continued)

3) Identifiable assets and liabilities of the acquiree:

	As at 30 June 2011 (Acquisition Date) Carrying amount	Fair value
Bank balances and cash	2,731	2,731
Accounts receivable	8,468	8,468
Prepayments	458	458
Other receivables	1,133	1,133
Fixed assets	125	125
Long-term prepayments	389	389
Total assets	13,304	13,304
Short-term borrowings	3,000	3,000
Accounts payable	1,002	1,002
Receipts in advance	1,159	1,159
Employee benefit payables	379	379
Tax payables	60	60
Dividend payables	45	45
Other payables	36	36
Long-term borrowings	30,000	30,000
Total liabilities	35,681	35,681

The fair value of the identifiable assets and liabilities of the acquiree was determined by reference to the Assets Appraisal Report No. 69 (Zhong Tong Hua Ping Bao Zi (2011)), which was issued by China Alliance Appraisal Co., Ltd.

(Amounts expressed in thousands of RMB unless otherwise stated in the notes to the financial statements)

VII. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

3. Business combination during the year *(continued)*

(2) Details of subsidiaries obtained through business combination of entities not under common control (continued)

4) The goodwill recognized in the consolidated financial statements is RMB47,377,000.

5) Operating details of the acquiree following the Acquisition Date

	30 June 2011 (Acquisition Date) to 31 December 2011
Operating revenue	9,613
Net profit	(1,307)

VIII. EXPLANATORY NOTES TO MAJOR ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

1. Bank balances and cash

	As at 31 December 2011	As at 31 December 2010
Bank balance and cash	**170,450**	204,719
Short-term bank deposits	**808,388**	944,565
Restricted bank deposits	**16,755**	31,048
Total	**995,593**	1,180,332

The Group's bank balances are deposited at banks in the PRC and carry interest at market interest rates, ranging from 0.36% to 1.49% (2010: 0.36% to 1.91%) per annum.

Short-term bank deposits represent fixed deposits with original maturities ranging from three months to one year and carry fixed interest rates ranging from 1.98% to 3.50% (2010: 1.98% to 2.75%) per annum.

As at 31 December 2011, restricted bank deposits represent marginal deposit for bank acceptance notes and carry market interest rate ranging from 0.36% to 0.50% per annum.

(Amounts expressed in thousands of RMB unless otherwise stated in the notes to the financial statements)

VIII. EXPLANATORY NOTES TO MAJOR ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

2. Financial assets held for trading

	As at 31 December 2011	As at 31 December 2010
Investment of equity shares listed in PRC, at fair value	**31**	744
Total	**31**	744

There were no material restrictions in the realization of the above financial assets held for trading.

3. Accounts receivable

	As at 31 December 2011	As at 31 December 2010
Accounts receivable	**132,999**	143,461
Less: Provision for bad debts	**(6,932)**	(5,845)
	126,067	137,616
For reporting purpose, analysis as:		
Non-current assets – long-term receivables	**369**	1,868
Current assets – accounts receivable	**125,698**	135,748
	126,067	137,616

(1) The following is an aging analysis of accounts receivable presented based on the invoice date (net of provision for bad debts) at the end of the year:

	As at 31 December 2011	As at 31 December 2010
0-90 days	**81,754**	80,101
91-180 days	**17,079**	24,141
181-365 days	**16,477**	12,283
1-2 years	**7,328**	15,897
Over 2 years	**3,429**	5,194
Total	**126,067**	137,616

The Group normally granted credit period of 1 week to 3 months from the date of invoice to its customers (including related parties but excluding certain advertising agents of classified advertisements).

(Amounts expressed in thousands of RMB unless otherwise stated in the notes to the financial statements)

VIII. EXPLANATORY NOTES TO MAJOR ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

3. Accounts receivable *(continued)*

(2) The Company entered into arrangements with certain of the advertising agents allowing them to settle their outstanding balances with fixed repayment schedules in the 2 to 6 years. The Company has assessed these customers' repayment history and ability to repay before entering into these arrangements. The Group recorded the outstanding balances with maturities beyond 12 months from the year end date as long-term receivables, which were measured at amortized cost using the effective interest method and carry interest rate of 5.76% (2010: 5.76%) per annum.

(3) Analysis of accounts receivable by categories:

	As at 31 December 2011				As at 31 December 2010			
	Balance of carrying amount		**Provision for bad debts**		Balance of carrying amount		Provision for bad debts	
	Amount	**Percentage (%)**	**Amount**	**Percentage (%)**	Amount	Percentage (%)	Amount	Percentage (%)
Significant individual receivables with bad debt provision made on individual basis	**–**	**–**	**–**	**–**	–	–	–	–
Receivables with bad debt provision made on group basis								
Aging group	**112,932**	**84.91**	**2,328**	**2.06**	103,958	72.46	1,241	1.19
Related party group	**14,545**	**10.94**	**–**	**–**	13,847	9.65	–	–
Non-risk group	**918**	**0.69**	**–**	**–**	21,052	14.68	–	–
Sub-total	**128,395**	**96.54**	**2,328**	**1.81**	138,857	96.79	1,241	0.89
Insignificant individual receivables but with bad debt provision made on individual basis	**4,604**	**3.46**	**4,604**	**100.00**	4,604	3.21	4,604	100.00
Total	**132,999**	**–**	**6,932**	**–**	143,461	–	5,845	–

(Amounts expressed in thousands of RMB unless otherwise stated in the notes to the financial statements)

VIII. EXPLANATORY NOTES TO MAJOR ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

3. Accounts receivable *(continued)*

(3) Analysis of accounts receivable by categories: *(continued)*

1) Accounts receivable with bad debt provision by aging method:

	As at 31 December 2011			As at 31 December 2010		
	Amount	**Percentage (%)**	**Provision for bad debts**	Amount	Percentage (%)	Provision for bad debts
Within 1 year	**101,357**	**–**	**–**	94,114	–	–
1– 2 years	**6,935**	**10.00**	**694**	8,623	10.00	863
2-3 years	**3,460**	**30.00**	**1,038**	1,161	30.00	348
3-4 years	**1,159**	**50.00**	**580**	60	50.00	30
Over 4 years	**21**	**80.00**	**16**	–	80.00	–
Total	**112,932**	**–**	**2,328**	103,958	–	1,241

(4) The top five accounts receivable as at 31 December 2011 represented 29.82% of the total accounts receivable.

4. Prepayments

	As at 31 December 2011	As at 31 December 2010
Prepayments	**16,789**	41,815
Less: provision for bad debts	**–**	–
	16,789	41,815

5. Interest receivables

	As at 31 December 2011	As at 31 December 2010
Interest on bank deposits	**10,517**	7,666
Total	**10,517**	7,666

(Amounts expressed in thousands of RMB unless otherwise stated in the notes to the financial statements)

VIII. EXPLANATORY NOTES TO MAJOR ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

6. Other receivables

	As at 31 December 2011	As at 31 December 2010
Other receivables	**59,929**	35,708
Less: provision for bad debts	**378**	290
	59,551	35,418

(1) Analysis of other receivables by categories:

	As at 31 December 2011				As at 31 December 2010			
	Balance of carrying amount		Provision for bad debts		Balance of carrying amount		Provision for bad debts	
	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)
Significant individual receivables with bad debt provision made on individual basis	–	–	–	–	–	–	–	–
Receivables with bad debt provision made on group basis								
Aging group	10,424	17.39	165	1.58	7,896	22.11	16	0.20
Related party group	25,613	42.74	–	–	39	0.11	–	–
Non-risk group	23,679	39.51	–	–	27,499	77.01	–	–
Sub-total	59,716	99.64	165	0.27	35,434	99.23	16	0.05
Insignificant individual receivables but with bad debt provision made on individual basis	213	0.36	213	100.00	274	0.77	274	100.00
Total	59,929	–	378	–	35,708	–	290	–

(Amounts expressed in thousands of RMB unless otherwise stated in the notes to the financial statements)

VIII. EXPLANATORY NOTES TO MAJOR ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

6. Other receivables *(continued)*

(1) Analysis of other receivables by categories: *(continued)*

1) Other receivables with bad debt provision by aging analysis:

	As at 31 December 2011			As at 31 December 2010		
	Amount	Percentage (%)	Provision for bad debts	Amount	Percentage (%)	Provision for bad debts
Within 1 year	9,093	–	–	7,735	–	–
1-2 years	1,170	10.00	117	161	10.00	16
2-3 years	161	30.00	48	–	30.00	–
Total	10,424	–	165	7,896	–	16

7. Inventories

	As at 31 December 2011			As at 31 December 2010		
	Carrying amount	Provision for impairment	Net book value	Carrying amount	Provision for impairment	Net book value
Raw materials	50,294	366	49,928	67,465	618	66,847
	50,294	366	49,928	67,465	618	66,847

During the year, certain of the raw materials which had been written down to net realizable value in prior years were sold. As a result, a reversal of provision for impairment of raw materials of approximately RMB569,000 (2010: RMB2,601,000) was recognized and included in the cost of sales for the current year.

8. Other current assets

	As at 31 December 2011	As at 31 December 2010
Entrusted loans	80,600	8,600
	80,600	8,600

At 31 December 2011, the entrusted loans were provided by the Company to Heqing Media and Beiqing Top in the form of bank loans of RMB55,000,000 and RMB25,600,000 respectively. They carried fixed interest rates ranging from 4.86% to 5.99% (2010: 4.78% to 5.00%) per annum.

(Amounts expressed in thousands of RMB unless otherwise stated in the notes to the financial statements)

VIII. EXPLANATORY NOTES TO MAJOR ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

9. Long-term equity investments

(1) Classifications of long-term equity investments

Classification	As at 31 December 2011	As at 31 December 2010
Unlisted long-term equity investments	**145,308**	123,464
Total	**145,308**	123,464

	As at 31 December 2011	As at 31 December 2010
Investments in jointly controlled entities – under equity method	**–**	117,328
Investments in associates – under equity mehtod	**133,748**	1,136
Sub-total of investments in jointly controlled entities and associates	**133,748**	118,464
Other long-term equity investments – at cost	**16,629**	10,069
Less: provision for impairment loss	**5,069**	5,069
Sub-total of other long-term equity investments	**11,560**	5,000
Total	**145,308**	123,464

(2) Investments in jointly controlled entities

	As at 31 December 2011	As at 31 December 2010
Unlisted investments, at cost	**–**	113,124
Share of post-acquisition profit (loss)	**–**	2,315
Share of capital reserves of jointly controlled entities	**–**	1,889
Total	**–**	117,328

(Amounts expressed in thousands of RMB unless otherwise stated in the notes to the financial statements)

VIII. EXPLANATORY NOTES TO MAJOR ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

9. Long-term equity investments *(continued)*

(2) Investments in jointly controlled entities (continued)

The financial information of the Group's jointly controlled entities are summarized below:

	As at 31 December 2011	As at 31 December 2010
Total assets	–	245,044
Total liabilities	–	(68,380)
Net assets	–	176,664
Net assets attributable to the Group	–	107,357

	For the year ended 31 December 2011	For the year ended 31 December 2010
Operating revenue	–	70,421
Profit (loss) for the year	–	(5,209)
Profit (loss) of the jointly controlled entities for the year attributable to the Group	–	2,315

(3) Investments in associates

Items	**As at 31 December 2011**	As at 31 December 2010
Unlisted investments, at cost	**91,378**	1,881
Share of post-acquisition profit (loss)	**40,481**	(745)
Share of capital reserves of associates	**1,889**	–
Total	**133,748**	1,136

(Amounts expressed in thousands of RMB unless otherwise stated in the notes to the financial statements)

VIII. EXPLANATORY NOTES TO MAJOR ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

9. Long-term equity investments *(continued)*

(3) Investments in associates (continued)

Associates of the Group are entities established and operated in the PRC. Details of the six associates as at 31 December 2011 are as follows:

Name of company	Place of Registration	Form of business structure	Proportion of shareholding *(%)* Direct	Proportion of shareholding *(%)* Indirect	proportion of voting rights *(%)*	Principle operating activities
Beijing Leisure Trend Advertising Company ("Leisure Trends")	PRC	Limited liability company	49.00	–	49.00	Design, production, agency and publication of advertisement
Beiqing Transmedia Advertising Limited *(Note 1)* ("BQTM")	PRC	Limited liability company	37.09	–	37.09	Provision of designing, production and placement of advertisements and the related agency services
Beijing Beiqing Top Advertising Limited *(Note 2)* ("Beiqing Top")	PRC	Limited liability company	60.46	11.21	41.60	Design, production, agency and publication of advertisement
Beijing Beiqing Shengda Automobile Service Company ("Beiqing Shengda")	PRC	Limited liability company	20.00	–	20.00	Provision of automobile decoration services, market investigation and marketing planning services
Beijing Beisheng United Insurance Agency Co., Ltd. ("Beisheng United")	PRC	Limited liability company	20.00	–	20.00	Provision of automobile insurance agency services
BY Time Consulting Co., Ltd. ("BY Time")	PRC	Limited liability company	30.00	–	30.00	Provision of economic information consulting and cultural events organization services

Note:

1) In 2010, the Company and the third party entered into the joint venture agreement to establish BQTM. The Company and the third party had joint control over the board of directors of BQTM and such board was responsible for determining the financial and operating policies of BQTM in the ordinary course of business, and BQTM was accounted for as a jointly controlled entity using equity method of accounting. In 2011, BQTM was introduced with new investors. As a result, the equity proportion of the Company was diluted from 51% to 37.09%. After the increase of registered capital, according to the terms of the amended Articles of Association of BQTM, the Company no longer has joint control over the board of directors of BQTM with other investors. Therefore, BQTM was reclassified into an associate and was still accounted for using equity method of accounting.

2) In 2010, BQTM injected RMB13,000,000 as the first injection and obtained 30.23% equity interest in Beiqing Top. Pursuant to the agreement between shareholders of Beiqing Top, BQTM would inject RMB19,500,000 as the second injection and obtain 21.77% (total 52%) equity interest in Beiqing Top before and on 27 December 2012. During the transitional period, the sharing of the obligations of liabilities, risks and losses is based on the percentage of registered capital, that is 41.60% for the Company, the sharing of profits is based on the percentage of paid-up capital that is 60.46% for the Company. Following the increase in paid up capital of Beiqing Top, BQTM would control the composition of the board of directors under the provisions of the revised Article of Association of Beiqing Top. Beiqing Top then became a subsidiary of BQTM and was accounted for as an jointly controlled entity of the Group accordingly.

   As mentioned in VIII.9.3.1, in 2011, BQTM was introduced with new investors, diluting the equity proportion of the Company to 37.09%. As a result, BQTM became an associate of the Group. As a subsidiary of BQTM, Beiqing Top was recorded as an associate of the Group.

(Amounts expressed in thousands of RMB unless otherwise stated in the notes to the financial statements)

VIII. EXPLANATORY NOTES TO MAJOR ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

9. Long-term equity investments *(continued)*

(3) Investments in associates (continued)

The financial information of the Group's associates are summarized below:

	As at 31 December 2011	As at 31 December 2010
Total assets	**476,991**	7,395
Total liabilities	**(168,686)**	(3,088)
Net assets	**308,305**	4,307
Net assets attributable to the Group	**122,569**	1,055

	For the year ended 31 December 2011	For the year ended 31 December 2010
Operating revenue	**225,910**	8,864
Profit (loss) for the year	**18,261**	(977)
Profit (loss) of associates for the year attributable to the Group	**9,476**	(465)

The Group has discontinued recognition of its share of loss of Leisure Trends. According to its management accounts, the amount of unrecognized share of Leisure Trends for the year and the accumulated amount are as follows:

	As at 31 December 2011	As at 31 December 2010
Share of unrecognized profit of the associate for the year	**11**	621
Share of accumulated unrecognized loss of the associate	**(13)**	(24)

(Amounts expressed in thousands of RMB unless otherwise stated in the notes to the financial statements)

VIII. EXPLANATORY NOTES TO MAJOR ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

10. Investment properties

(1) *Investment properties measured at fair value*

		Increase during the year		Decrease during the year		
	Fair value as at 1 January 2011	Additions	Gain or loss arising from changes in fair value	Disposal	Change into owner-occupied property	Fair value as at 31 December 2011
Cost	**25,891**	**2,046**	**–**	**6,111**	**–**	**21,826**
Buildings	25,891	2,046	–	6,111	–	21,826
Changes in fair value	**18,749**	**–**	**4,209**	**1,034**	**–**	**21,924**
Buildings	18,749	–	4,209	1,034	–	21,924
Carrying value	**44,640**	**2,046**	**4,209**	**7,145**	**–**	**43,750**
Buildings	44,640	2,046	4,209	7,145	–	43,750

During the year, the Group entered into barter agreements with certain advertising customers and agreed with such customers to settle their debts due to the Group of approximately RMB2,046,000 (2010: RMB4,207,000) in aggregate by the transfer of investment properties with fair value of approximately RMB2,046,000 (2010: RMB4,207,000).

The Group's investment properties are located in PRC under medium lease (less than 50 years but more than 10 years). The fair value of the Group's investment properties as at 31 December 2011 have been arrived at by reference to recent market prices for similar properties in the same locations and conditions.

As at 31 December 2011, the carrying values of the investment properties for which the Group had not been granted formal title amounted to approximately RMB7,586,000 (2010: RMB11,057,000). In the opinion of the directors of the Company, the absence of formal title to these properties does not impair the value of the relevant properties to the Group. The directors of the Company also believe that formal title to these properties will be granted to the Group in due course.

As at 31 December 2011, the investment properties of the Group at fair value of RMB36,164,000 were pledged as collateral for bank borrowings and the ownership was limited. Please see Note VIII.21 for details.

During the year, the rental income generated from investment properties is RMB1,886,000 (2010: RMB157,000).

(Amounts expressed in thousands of RMB unless otherwise stated in the notes to the financial statements)

VIII. EXPLANATORY NOTES TO MAJOR ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

11. Fixed assets

(1) Breakdown of fixed assets

	As at 1 January 2011	Increase during the year	Decrease during the year	As at 31 December 2011
Cost	**38,223**	**2,545**	**5,456**	**35,312**
Buildings	16,746	–	971	15,775
Plant and machinery	3,522	224	–	3,746
Motor vehicles	6,570	441	1,411	5,600
Office equipment	150	188	142	196
Electronic equipment	11,235	1,692	2,932	9,995
Accumulated depreciation	**22,229**	**4,160**	**3,767**	**22,622**
Buildings	8,268	776	340	8,704
Plant and machinery	–	364	–	364
Motor vehicles	4,357	703	737	4,323
Office equipment	96	102	116	82
Electronic equipment	9,508	2,215	2,574	9,149
Net carrying amount	**15,994**			**12,690**
Buildings	8,478			7,071
Plant and machinery	3,522			3,382
Motor vehicles	2,213			1,277
Office equipment	54			114
Electronic equipment	1,727			846
Provision for impairment loss	**–**	**–**	**–**	**–**
Buildings	–	–	–	–
Plant and machinery	–	–	–	–
Motor vehicles	–	–	–	–
Office equipment	–	–	–	–
Electronic equipment	–	–	–	–
Net Book value	**15,994**			**12,690**
Buildings	8,478			7,071
Plant and machinery	3,522			3,382
Motor vehicles	2,213			1,277
Office equipment	54			114
Electronic equipment	1,727			846

(Amounts expressed in thousands of RMB unless otherwise stated in the notes to the financial statements)

VIII. EXPLANATORY NOTES TO MAJOR ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

11. Fixed assets *(continued)*

(1) Breakdown of fixed assets (continued)

The increase in the depreciation of fixed assets during the year included RMB902,000 of Beiqing CéCi which was transferred in upon it was consolidated into the Group. The depreciation of fixed assets recognized in the profit or loss for the year is RMB3,258,000 (2010: RMB3,454,000).

The rental income generated from fixed assets for the year were RMB3,843,000 (2010: RMB3,843,000).

12. Intangible assets

(1) Breakdown of intangible assets

	As at 1 January 2011	Increase during the year	Decrease during the year	As at 31 December 2011
Cost	**61,971**	**8**	**21,165**	**40,814**
Land use rights	40,226	–	–	40,226
Operating rights	20,800	–	20,800	–
Software	945	8	365	588
Accumulated amortization	**15,716**	**1,905**	**4,931**	**12,690**
Land use rights	11,435	889	–	12,324
Operating rights	3,683	895	4,578	–
Software	598	121	353	366
Net carrying amount	**46,255**			**28,124**
Land use rights	28,791			27,902
Operating rights	17,117			–
Software	347			222

The amortization of intangible assets recognized in profit or loss for the year is RMB1,905,000 (2010: RMB2,030,000).

The land use rights of the Group are located in PRC under medium lease (less than 50 years but more than 10 years).

The operating rights of the Group represent the exclusive rights of selling advertising space in Hebei Youth Daily as well as its printing and distribution. They are acquired from HYDA by the Group's subsidiary, Heqing Media, for a term of 30 years, so the operating rights are amortised on a straight-line basis over the terms of 30 years. The decrease during the year represents the amount of Heqing Media transferred out upon it is no longer consolidated into the Group.

(Amounts expressed in thousands of RMB unless otherwise stated in the notes to the financial statements)

VIII. EXPLANATORY NOTES TO MAJOR ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

13. Goodwill

	As at 31 December 2011	As at 31 December 2010
Goodwill arising from the acquisition of Beiqing CéCi	**47,377**	–
Less: provision for impairment loss	–	–
	47,377	–

Goodwill arising from the acquisition of Beiqing CéCi in 2011 was assessed for impairment at the end of the year.

For the purpose of impairment testing, goodwill has been allocated to the relevant group of asset – Beiqing CéCi as a subsidiary of the Group acquired in 2011 (asset group).

As at 31 December 2011, management of the Group determined that the asset group containing goodwill had not suffered any impairment. The recoverable amount of the above asset group is determined by the present value of the expected future cash flows. The relevant projection is based on financial budgets approved by management and a discount rate of 13%. Other key assumption for the value in use calculation relate to the estimation of cash inflows/outflows which included gross margin and operating costs, such estimation is based on the management's past performance and expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the recoverable amount of the asset group to fall below its carrying amount.

14. Deferred income tax assets and deferred income tax liabilities

	As at 1 January 2011	**Increase during the year**	**Decrease during the year**	**As at 31 December 2011**
Deferred income tax assets				
Provision for impairment of assets	1,154	52	–	1,206
Total	1,154	52	–	1,206
Deferred income tax liabilities				
Changes in fair value of investment properties	173	1,378	259	1,292
Total	173	1,378	259	1,292

15. Other non-current assets

	As at 31 December 2011	As at 31 December 2010
Investments in equity interest *(Note)*	**48,000**	–

Note: As at 31 December 2011, the procedures of registration of change with the industrial and commercial administration authorities was still in progress.

(Amounts expressed in thousands of RMB unless otherwise stated in the notes to the financial statements)

VIII. EXPLANATORY NOTES TO MAJOR ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

16. Breakdown of impairment provision of assets

	As at 1 January 2011	Increase during the year: Provision	Increase during the year: Other transfers into the provision	Decrease during the year: Reversal	Decrease during the year: Other transfers out from the provision	As at 31 December 2011
Provision for bad debts *(Note)*	6,135	979	315	–	119	7,310
Provision for impairment of inventories	618	317	–	569	–	366
Provision for impairment of long-term equity investments	5,069	–	–	–	–	5,069
Total	11,822	1,296	315	569	119	12,745

Note: Other transfers into the provision for bad debts represents the amount of provision of Beiqing CéCi transferred in upon it was consolidated into the Group.

Other transfers out from the provision for bad debts represents the amount of provision of Heqing Media transferred out upon it is no longer consolidated into the Group.

17. Accounts payable

(1) The following is an aging analysis of accounts payable presented based on the invoice date at the end of the year:

	As at 31 December 2011	As at 31 December 2010
Within 90 days	**45,846**	81,522
91 to 180 days	**10,224**	2,678
181 to 365 days	**6,707**	2,103
Over one year	**538**	774
Total	**63,315**	87,077

The average credit period for purchases of goods is from 30 to 90 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

(Amounts expressed in thousands of RMB unless otherwise stated in the notes to the financial statements)

VIII. EXPLANATORY NOTES TO MAJOR ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

18. Other payables

	As at 31 December 2011	As at 31 December 2010
Other payables	**91,201**	103,731
Total	**91,201**	103,731

As at 31 December 2011, the balance of other payables included an amount of approximately RMB72,047,000 (2010: RMB75,622,000) denominated in HKD88,870,000 (2010: HKD88,870,000). The amount represents the proceeds from the sale of shares in global offering by three shareholders ("Selling Shareholders") which are PRC state-owned enterprises. The proceeds were received by the Company on behalf of the Selling Shareholders. Pursuant to the relevant PRC government requirement, the proceeds will be remitted to the national social security fund.

19. Non-current liabilities due within one year

	As at 31 December 2011	As at 31 December 2010
Long-term borrowings – repayable within 1 year	**3,670**	3,660
Total	**3,670**	3,660

Details of non-current liabilities due within one year are disclosed in Note VIII.21.

20. Other current liabilities

	At 31 December 2011	At 31 December 2010
Deferred income of customer loyalty program	**8,513**	8,600
Total	**8,513**	8,600

The deferred income is arisen from the Group's customer loyalty program. The award credits are normally expired within one year.

(Amounts expressed in thousands of RMB unless otherwise stated in the notes to the financial statements)

VIII. EXPLANATORY NOTES TO MAJOR ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

21. Long term borrowings

	As at 31 December 2011	As at 31 December 2010
Bank loans – secured	**7,340**	11,000
Less: Portion due within one year (note VIII.19)	**3,670**	3,660
Portion due in more than one year, but less than two years	**3,670**	7,340

As at 31 December 2011, the secured bank loan was granted by the bank to the subsidiary of the Company, Today Sunshine, of RMB7,340,000 (2010: RMB11,000,000), with a term of three years payable by equal installments annually. The portion payable within one year has been reclassified as non-current liabilities due within one year.

The collateral of the secured borrowings is the investment properties of Today Sunshine (Note VIII.10). Moreover, BYDA provides with a maximum guarantee of RMB13,000,000. The interest of the loan is based on a fixed rate of 6.16% to 7.32% (2010: 5.94% to 6.16%).

22. Share capital

	As at 31 December 2011	As at 31 December 2010
Ordinary shares of RMB1.00 each		
Registered, issued and fully paid:		
– Domestic shares	**142,409**	142,409
– H shares	**54,901**	54,901
Total	**197,310**	197,310

23. Total operating revenue, operating costs

	For the year ended 31 December 2011	For the year ended 31 December 2010
Principal operating revenue	**747,914**	761,176
Other operating revenue	**9,660**	8,321
Total operating revenue	**757,574**	769,497
Principal operating costs	**643,092**	622,961
Other operating costs	**3,737**	2,927
Total operating costs	**646,829**	625,888
Gross Profit	**110,745**	143,609

(Amounts expressed in thousands of RMB unless otherwise stated in the notes to the financial statements)

VIII. EXPLANATORY NOTES TO MAJOR ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

23. Total operating revenue, operating costs *(continued)*

Total operating revenue, which is the turnover of the Group represents the net amounts received and receivable from sales of advertising layout and goods and rendering of services by the Group to outside customers, less trade discounts during the period.

(1) Principal operations – by business

	For the year ended 31 December 2011		For the year ended 31 December 2010	
	Operating revenue	**Operating costs**	Operating revenue	Operating costs
Advertising	**450,331**	**349,580**	474,269	340,495
Printing	**50,969**	**47,458**	56,080	53,033
Trading of print-related materials	**234,860**	**220,069**	219,337	206,449
Distribution	**11,754**	**25,985**	11,490	22,984
Total	**747,914**	**643,092**	761,176	622,961

(2) For the year ended 31 December 2011, the total of operating revenue from the top five customers were RMB135,707,000, representing 17.91% of total operating revenue.

24. Financial expenses

	For the year ended 31 December 2011	For the year ended 31 December 2010
Interest expenses – on bank loans wholly repayable within 5 years	**677**	293
Less: Interest income	**27,408**	26,367
Add: Exchange loss	**(3,810)**	(2,690)
Add: Other expenses	**17**	66
Total	**(30,524)**	(28,698)

(Amounts expressed in thousands of RMB unless otherwise stated in the notes to the financial statements)

VIII. EXPLANATORY NOTES TO MAJOR ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

25. Impairment loss of assets

	For the year ended 31 December 2011	For the year ended 31 December 2010
Loss for bad debts	**979**	3,444
Impairment loss on inventories	**317**	560
Total	**1,296**	4,004

26. Gain on changes in fair value

	For the year ended 31 December 2011	For the year ended 31 December 2010
Loss on changes in fair value of financial assets held for trading	**(58)**	–
Gain on changes in fair value of investment properties	**4,209**	1,063
Total	**4,151**	1,063

27. Investment income

(1) The investment income was arisen from:

	For the year ended 31 December 2011	For the year ended 31 December 2010
Share of profit of jointly controlled entities and associates	**9,476**	1,850
Other investment income:		
Gain on deemed disposal of a subsidiary	**–**	17,948
Gain on disposal of a subsidiary	**67,873**	–
Gain on disposal of other long-term equity investments	**541**	–
Gain on deemed disposal of an associate	**5,808**	–
Gain on disposal of financial assets held for trading	**211**	323
Other investment income	**12,750**	–
Sub-total of other investment income	**87,183**	18,271
Total	**96,659**	20,121

(Amounts expressed in thousands of RMB unless otherwise stated in the notes to the financial statements)

VIII. EXPLANATORY NOTES TO MAJOR ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

28. Non-operating income

	For the year ended 31 December 2011	For the year ended 31 December 2010
Gain on disposal of fixed assets	**2,332**	3
Government grants *(Note)*	**300**	600
Penalty income for breach of contracts	**302**	63
Reversal of financial guarantee expenses	**–**	16,484
Others	**188**	63
Total	**3,122**	17,213

Note: Government grants represented unconditional grant from the PRC government in relation to the project funds for creative industry of media culture. Government grant was determined at the sole discretion of the relevant PRC government authorities.

29. Income tax expenses

(1) Income tax expenses

	For the year ended 31 December 2011	For the year ended 31 December 2010
Current income tax expenses	**4,379**	2,973
Deferred income tax expenses	**1,326**	(91)
Total	**5,705**	2,882

(2) Current income tax expenses

	For the year ended 31 December 2011	For the year ended 31 December 2010
Current income tax– PRC	**4,137**	2,782
Under-provision in prior years-PRC	**242**	191
Total	**4,379**	2,973

(Amounts expressed in thousands of RMB unless otherwise stated in the notes to the financial statements)

VIII. EXPLANATORY NOTES TO MAJOR ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

29. Income tax expenses *(continued)*

(3) Reconciliation of total profit to current income tax expense for the year:

	For the year ended 31 December 2011	For the year ended 31 December 2010
Consolidated total profit for the year	**128,418**	103,180
Add: Increase in amount by tax adjustments	**5,600**	3,541
Less: Decrease in amount by tax adjustments	**55,879**	16,315
Less: offset by tax losses of prior periods	**5,793**	5,390
Add: Loss for the year of subsidiaries	**1,295**	4,107
Assessable income for the year	**73,641**	89,123
Statutory income tax rate (25%)	**25%**	25%
Income tax payable for the year	**18,410**	22,281
Less: Amount relieved	**14,273**	19,499
Tax payable for the year	**4,137**	2,782
Underprovision in prior years	**242**	191
Current income tax expenses	**4,379**	2,973

Note: The Company is an enterprise mainly engaged in providing newspaper advertising services in the PRC. In accordance with the approval documents issued by the Beijing Local Tax Bureau, Chaoyang Branch, the Company is exempted from EIT until 31 December 2013.

(Amounts expressed in thousands of RMB unless otherwise stated in the notes to the financial statements) As at 31 December 2011

VIII. EXPLANATORY NOTES TO MAJOR ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

30. Auditors' remuneration

The auditors' remuneration for the year was RMB1,350,000 (2010: RMB1,560,000).

31. Emoluments of Directors, Supervisors and Employees

(1) Emoluments of Directors and Supervisors

1) The paid or payable emoluments of the 16 (2010: 20) directors and supervisors are as follows:

For the year ended at 31 December 2011:

Name	Fees	Salary	Other benefits *(i)*	Employer's contribution to retirement benefits scheme	Total
Director					
ZHANG Yanping	–	520	36	30	586
ZHANG Yabin	–	470	36	30	536
SUN Wei	–	420	36	30	486
TSANG Hing Lun	100	–	–	–	100
WU Changqi	100	–	–	–	100
LIAO Li	100	–	–	–	100
LIU Han	20	–	–	–	20
XU Xun	20	–	–	–	20
LI Yigeng	–	–	–	–	–
LI Shiheng	10	–	–	–	10
WU Peihua	10	–	–	–	10
Sub-total	360	1,410	108	90	1,968
Supervisor					
HE Daguang	–	–	–	–	–
ZHOU Fumin	–	–	–	–	–
TIAN Kewu	–	–	–	–	–
YAN Mengmeng	–	193	36	30	259
ZHANG Chuanshui	–	–	–	–	–
Sub-total	–	193	36	30	259
Total	360	1,603	144	120	2,227

(Amounts expressed in thousands of RMB unless otherwise stated in the notes to the financial statements)

VIII. EXPLANATORY NOTES TO MAJOR ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

31. Emoluments of Directors, Supervisors and Employees *(Continued)*

(1) Emoluments of Directors and Supervisors (Continued)

1) The remuneration paid or payable to each of the 16 (2010: 20) directors and supervisors were as follows: *(Continued)*

For the year ended 31 December 2010:

Name	Fees	Salary	Other benefits *(i)*	Employer's contribution to retirement benefits Scheme	Total
Director					
ZHANG Yanping	–	519	31	29	579
ZHANG Yabin	–	469	31	29	529
SUN Wei	–	419	31	29	479
DU Min *(ii)*	–	194	16	13	223
HE Pingping *(ii)*	–	194	16	13	223
Tsang Hing Lun	100	–	–	–	100
WU Changqi	100	–	–	–	100
LIAO Li	100	–	–	–	100
LIU Han	20	–	–	–	20
XU Xun	20	–	–	–	20
LI Yigeng	–	–	–	–	–
LI Shiheng *(iii)*	–	–	–	–	–
WU Peihua *(iii)*	–	–	–	–	–
Sub-total	340	1,795	125	113	2,373
Supervisor					
HE Daguang	–	–	–	–	–
LIU Yanfeng *(ii)*	–	76	16	13	105
ZHOU Fumin	–	–	–	–	–
GAO Zhiyong *(ii)*	–	–	–	–	–
TIAN Kewu	–	–	–	–	–
YAN Mengmeng *(iii)*	–	109	16	13	138
ZHANG Chuanshui *(iii)*	–	–	–	–	–
Sub-total	–	185	32	26	243
Total	340	1,980	157	139	2,616

(i) Other benefits including medical insurance, unemployment insurance and housing fund.

(ii) Resigned as at 7 June 2010.

(iii) Appointed as at 7 June 2010.

(Amounts expressed in thousands of RMB unless otherwise stated in the notes to the financial statements)

VIII. EXPLANATORY NOTES TO MAJOR ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

31. Emoluments of Directors, Supervisors and Employees *(Continued)*

(1) Emoluments of Directors and Supervisors (Continued)

1) The remuneration paid or payable to each of the 16 (2010: 20) directors and supervisors were as follows: *(Continued)*

In addition to directors' and supervisors' emoluments disclosed above, certain directors and supervisors of the Company receive emoluments from the BYDA. The total amount for the year ended 31 December 2011 was approximately RMB1,448,000 (2010: RMB649,000), part of which is in respect of their services to the Group. No apportionment has been made for this amount as the directors consider that it is impracticable to apportion this amount between their services rendered to the Group and their services rendered to BYDA.

No directors and supervisors waived or agreed to waive any emoluments for the two years ended 31 December 2011. During the year, no emoluments have been paid by the Group to the directors or supervisors as an inducement to join or upon joining the Group or as compensation for loss of office.

(2) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, three (2010: four) were directors. The emoluments of the remaining two (2010: one) individuals were as follows:

	For the year ended 31 December 2011	For the year ended 31 December 2010
Basis salaries and allowance	**812**	399
Employer's contributions to retirement benefit scheme	**90**	29
Total	**902**	428

For 2011, no emoluments have been paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

1) The above-mentioned two individuals are classified by emolument as follows:

	For the year ended 31 December 2011	For the year ended 31 December 2010
NIL–HK$1,000,000 (equivalent to RMB810,700)	**2**	1
Total	**2**	1

(Amounts expressed in thousands of RMB unless otherwise stated in the notes to the financial statements)

VIII. EXPLANATORY NOTES TO MAJOR ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

32. Dividends

	For the year ended 31 December 2011	For the year ended 31 December 2010
Dividends recognised as distribution during the year:		
Payment of 2010 final dividend – RMB0.50 (2010:2009 final dividend RMB 0.40) per share *(Note)*	**98,655**	78,924
Total	**98,655**	78,924

Note: At the annual general meeting held on 13 May 2011, the shareholders approved the final dividends of RMB0.50 per ordinary share amounting to a total of RMB98,655,000 in respect of the year ended 31 December 2010. The amounts have been appropriated from retained earnings for the year ended 31 December 2011.

The final dividend for 2011 of RMB0.60 per share totaling RMB118,386,000 has been proposed by the directors and is subject to shareholders' approval in the forthcoming general meeting.

(Amounts expressed in thousands of RMB unless otherwise stated in the notes to the financial statements)

VIII. EXPLANATORY NOTES TO MAJOR ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

33. Reconciliation of net profit to cash flows from operating activities

	For the year ended 31 December 2011	For the year ended 31 December 2010
Net profit	**122,713**	100,298
Add: Provision for assets impairment	**1,296**	4,004
Depreciation of fixed assets	**3,258**	3,454
Amortisation of intangible assets	**1,905**	2,030
Amortisation of long-term prepaid expenses	**1,675**	1,574
Loss (gain) on disposal of fixed assets, intangible assets and other long-term assets	**(2,327)**	–
Loss (gain) on retirement of fixed assets	**–**	7
Loss (gain) from changes in fair value	**(4,151)**	(1,063)
Financial expenses (income)	**(28,855)**	(28,628)
Investment loss (gain)	**(96,659)**	(20,121)
Decrease (increase) in deferred income tax assets	**(52)**	(264)
Increase (decrease) in deferred income tax liabilities	**1,378**	173
Decrease (increase) of inventories	**17,171**	2,898
Decrease (increase) in operating accounts receivable	**(12,744)**	110,324
Increase (decrease) in operating accounts payable	**(25,659)**	(20,885)
Net cash flow from operating activities	**(21,051)**	153,801

34. Changes in cash and cash equivalents

	For the year ended 31 December 2011	For the year ended 31 December 2010
Bank balance and cash at end of year	**170,450**	204,719
Less: Bank balance and cash at beginning of year	**204,719**	159,223
Cash equivalents at end of year	**–**	–
Less: cash equivalents at beginning of year	**–**	–
Net increase in cash and cash equivalents	**(34,269)**	45,496

(Amounts expressed in thousands of RMB unless otherwise stated in the notes to the financial statements)

VIII. EXPLANATORY NOTES TO MAJOR ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

35. Information on acquisition or disposal of subsidiaries

	For the year ended 31 December 2011	For the year ended 31 December 2010
Information on acquisition of subsidiaries		
1. Consideration of acquisition of subsidiaries	**–**	–
2. Cash and cash equivalents paid for acquisition of subsidiaries	**–**	–
Less: Cash and cash equivalent held by subsidiaries	**2,731**	–
3. Net cash paid for acquisition of subsidiaries	**(2,731)**	–
4. Net assets of the acquired subsidiaries		
Current assets	**67,790**	–
Non-current assets	**514**	–
Current liabilities	**(5,681)**	–
Non-current liabilities	**(30,000)**	–
Information on disposal of subsidiaries		
1. Consideration of disposal of subsidiaries	**48,000**	33,124
2. Cash and cash equivalents received from disposal of subsidiaries	**–**	–
Less: Cash and cash equivalent held by subsidiaries	**13,575**	251
3. Net cash received from disposal of subsidiaries	**(13,575)**	(251)
4. Net assets of the disposed subsidiaries		
Current assets	**24,391**	40,180
Non-current assets	**21,593**	1
Current liabilities	**(74,928)**	(22,670)
Non-current Liabilities	**(259)**	–

(Amounts expressed in thousands of RMB unless otherwise stated in the notes to the financial statements)

VIII. EXPLANATORY NOTES TO MAJOR ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

36. CASH AND CASH EQUIVALENTS

	As at 31 December 2011	As at 31 December 2010
Bank balances and cash	**995,593**	1,180,332
Less: short-term bank deposits with maturity more than 3 months	**808,388**	944,565
Restricted bank deposits	**16,755**	31,048
	170,450	204,719
Representing:		
Cash in hand	**78**	149
Deposits held at call with banks	**170,372**	204,570
Cash and cash equivalents at the end of the period	**170,450**	204,719

37. MAJOR NON-CASH TRANSACTIONS

During the year, the Company entered into the Capital Increase Agreement with Beiyang Media, whereby the Company's 60% equity interest in Heqing Media were transferred in exchange for 1.5% equity interest in Beiyang Media at fair value of RMB48,000,000 (Please refer to Note VII.1.4 for details).

During the year, certain advertising customers settled their debts due to the Group of approximately RMB2,046,000 by transferring of the investment properties with fair value approximately RMB2,046,000.

IX. RELATED PARTY AND RELATED PARTY TRANSACTIONS

1. Relationships of related parties

Related parties that had transaction with the Group during the year are as follows::

Relationship	**Name of related party**
Ultimate controlling company	BYDA
Subsidiary of BYDA	XiaoHongMao Corporation
Subsidiary of BYDA	Beijing XiaoHongMao Logistics Co. Ltd.
Subsidiary of BYDA	Today Sunshine *(Note 1)*
Subsidiary of BYDA	Beijing China Open Promotion Co., Ltd.
Subsidiary of BYDA	Beijing Beiqing Advertising Limited
Jointly controlled entity of the Company	Beiqing CéCi *(Note 2)*
Associate of the Company	BQTM
Associate of the Company	Beiqing Top
Associate of the Company	Leisure Trends
Associate of the Company	Beisheng United
Associate of the Company	Beiqing Shengda
Associate of the Company	BY Time
Other related parties	Shanghai China Business News Company Limited

Note 1: The Company acquired 55% of equity of Today Sunshine in October 2011. Upon acquisition, Today Sunshine has become the subsidiary of the Company. For details, please refer to Note VII.2.1.

Note 2: The Company unilaterally increased the capital for Beiqing CéCi in June 2011. Upon increment of the capital, Beiqing CéCi has become the subsidiary of the Company. For details, please refer to Note VII.2.1.

(Amounts expressed in thousands of RMB unless otherwise stated in the notes to the financial statements)

IX. RELATED PARTY AND RELATED PARTY TRANSACTIONS *(Continued)*

2. Related party transactions

(1) Purchase of goods/receipt of services

Related Parties	Pricing policy of related party transaction	For the year ended 31 December 2011	For the year ended 31 December 2010
BYDA *(Note 1)*	Contracted Price	**58,247**	62,855
Subsidiaries of BYDA	Contracted price	**6,431**	7,280
Total		**64,678**	70,135

Note 1: Pursuant to the advertising space operating rights and options subscription agreement entered into between the Company and BYDA on 7 December 2004, the Company agreed to pay 16.5% of the advertising revenue to BYDA for the period from 1 October 2004 to 30 September 2033.

(2) Sales of goods/rendering of services

Related Parties	Pricing policy of related party transaction	For the year ended 31 December 2011	For the year ended 31 December 2010
BYDA	Contracted price	**10,044**	12,454
Jointly controlled entities of the Company	Contracted price	**58**	371
Associates of the Company	Contracted price	**5,218**	2,879
Subsidiaries of BYDA	Contracted price	**17,105**	17,406
Other related parties	Contracted price	**20,743**	17,335
Total		**53,168**	50,445

(Amounts expressed in thousands of RMB unless otherwise stated in the notes to the financial statements)

IX. RELATED PARTY AND RELATED PARTY TRANSACTIONS *(Continued)*

2. Related party transactions *(Continued)*

(3) Leasing-The Group as lessor

Lessee	Nature of assets leased	Date of commencement	Date of termination	Basis for rental income	Rental income recognized for the year
BYDA	Building	2010-1-1	2012-12-31	Contracted price	3,843

(4) Leasing – The Group as Lessee

Lessor	Nature of assets leased	Date of commencement	Date of termination	Basis for rental income	Rental expense recognized for the year
BYDA	Building	2010-1-1	2012-12-31	Contracted price	1,363

(5) Entrusted Loan

During the year ended 31 December 2011, the Group provided entrusted loan of RMB25,600,000 to Beijing Top via bank, with the terms from 8 July 2011 to 24 November 2012.

(6) Remuneration for key management personnel

	For the year ended 31 December 2011	For the year ended 31 December 2010
Remuneration for key management personnel	**4,549**	4,352

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

(7) Financial guarantee

During the year ended 31 December 2011, BYDA provided a financial guarantee of up to RMB13,000,000 to bank in respect of the credit facilities granted to Today Sunshine, with the guarantee term from 25 June 2010 to 25 June 2013.

During the year ended 31 December 2011, BYDA provided guarantee to a bank for bank facilities granted to the Group with a maximum amount of RMB20,000,000 (2010: RMB20,000,000). As at 31 December 2011, the utilised amount of the banking facilities was RMB20,000,000 (2010: RMB19,175,000).

(8) In September 2011, the Company acquired 3% equity interest in BYD Logistics from Today Sunshine at the consideration of RMB2,101,800. The procedures of registration of change with the industrial and commercial administration authorities were completed on 30 November 2011.

(9) In October 2011, the Company acquired 55% equity interest of Today Sunshine from BYDA. For details please refer to Note VII.3.1.

(Amounts expressed in thousands of RMB unless otherwise stated in the notes to the financial statements)

IX. RELATED PARTY AND RELATED PARTY TRANSACTIONS *(Continued)*

3. The balances of related parties

(1) Accounts receivable due from related parties

Related parties	As at 31 December 2011 Carrying amount	As at 31 December 2011 Provision for bad debts	As at 31 December 2010 Carrying amount	As at 31 December 2010 Provision for bad debts
BYDA	**4,895**	**–**	8,685	–
Jointly controlled entities of the Company	**–**	**–**	435	–
Associates of the Company	**136**	**–**	196	–
Subsidiaries of BYDA	**9,514**	**–**	4,531	–
Total	**14,545**	**–**	13,847	–

(2) Other receivables due from related parties

Related parties	As at 31 December 2011 Carrying amount	As at 31 December 2011 Provision for bad debts	As at 31 December 2010 Carrying amount	As at 31 December 2010 Provision for bad debts
Jointly controlled entities of the Company	**–**	–	39	–
Associates of the Company	**25,613**	–	–	–
Total	**25,613**	–	39	–

(3) Accounts payable due to related parties

Related parties	As at 31 December 2011	As at 31 December 2010
BYDA	**6,120**	7,949
Subsidiaries of BYDA	**3,886**	5,005
Total	**10,006**	12,954

(Amounts expressed in thousands of RMB unless otherwise stated in the notes to the financial statements)

IX. RELATED PARTY AND RELATED PARTY TRANSACTIONS *(Continued)*

3. The balances of related parties *(Continued)*

(4) *Other payables due to related parties*

Related parties	**As at 31 December 2011**	As at 31 December 2010
BYDA	**5,410**	5,410
Associates of the Company	**336**	728
Subsidiaries of BYDA	**911**	342
Total	**6,657**	6,480

(5) *Receipts in advance due from related parties*

Related parties	**As at 31 December 2011**	As at 31 December 2010
Associates of the Company	**25**	–
Other related parties	**3,437**	2,250
Total	**3,462**	2,250

(6) *Entrusted Loan*

Related parties	**As at 31 December 2011**	As at 31 December 2010
Other current assets:		
Associates of the Company	**25,600**	3,600
Held-to-maturity investments:		
Jointly controlled entities of the Company	**–**	25,000
Total	**25,600**	28,600

(Amounts expressed in thousands of RMB unless otherwise stated in the notes to the financial statements)

X. COMMITMENTS

1. The Group as Lessee

At the end of the year, the Group had contracted for the minimum lease payments under non-cancelable operating leases during following periods:

Period	As at 31 December 2011	As at 31 December 2010
Within one year	**3,897**	3,963
1-2 years	**1,687**	3,478
2-3 years	**976**	976
After 3 years	**804**	1,781
Total	**7,364**	10,198

2. The Group as Lessor

At the end of the year, the Group had contracted with tenants for the following future minimum lease payments:

Period	As at 31 December 2011	As at 31 December 2010
Within one year	**5,729**	5,729
1-2 years	**1,886**	5,729
2-3 years	**1,886**	1,886
After 3 years	**2,200**	4,086
Total	**11,701**	17,430

XI. POST-BALANCE SHEET EVENTS

1. The Group has no significant post-balance sheet events to be disclosed.

(Amounts expressed in thousands of RMB unless otherwise stated in the notes to the financial statements)

XII. SEGMENT INFORMATION

The price of intra-segment transactions is determined with reference to market rates. Expenses incurred from intra-segment transactions, other than those which are unable to be allocated reasonably, are allocated between different segments on the basis of revenue. The segments are:

Reporting Segments	Principal activities
Advertising:	Sales of advertising spaces and outdoor advertising of the media or activities operated by BYDA, HYDA and CéCi magazine.
Printing:	Provision of printing services.
Trading of print-related material:	Sales of paper, ink, lubricant, film, pre-coating photosensitive liquid plate and rubber plate used for printing and other print-related materials.
Distribution:	Distribution of newspapers that are mainly published by HYDA.

1. For the year ended 31 December 2011

	Advertising	Printing	Trading of print-related materials	Distribution	Unallocated amount	Elimination	Total
Operation revenue	452,251	264,888	234,860	11,754	9,660	(215,839)	757,574
Including: Revenue from external transactions	450,331	50,969	234,860	11,754	9,660	–	757,574
Revenue from intra-segment transactions	1,920	213,919	–	–	–	(215,839)	–
Operating expense	428,670	266,777	229,115	31,650	(7,489)	(215,839)	732,884
Gain from changes in fair value	–	–	–	–	4,151	–	4,151
Investment income	–	–	–	–	96,659	–	96,659
Operating profit (loss)	23,581	(1,889)	5,745	(19,896)	117,959	–	125,500
Non-operating income and expenses, net	–	–	–	–	2,918	–	2,918
Total profit	23,581	(1,889)	5,745	(19,896)	120,877	–	128,418
Income tax expenses	1,193	–	1,578	–	2,934	–	5,705
Net profit	22,388	(1,889)	4,167	(19,896)	117,943	–	122,713
Total assets	1,001,083	61,666	61,709	–	1,044,617	(501,612)	1,667,463
Total liabilities	130,947	59,548	52,806	–	11,809	(17,296)	237,814
Supplementary information							
Depreciation and amortization expenses	5,657	467	414	300	–	–	6,838
Capital expenditure	3,074	422	374	37	–	–	3,907
Impairment of assets	1,248	21	19	8	–	–	1,296
Non-cash expenses excluding depreciation and impairment of assets	3	–	–	–	–	–	3

(Amounts expressed in thousands of RMB unless otherwise stated in the notes to the financial statements)

XII. SEGMENT INFORMATION *(Continued)*

2. For the year ended 31 December 2010

	Advertising	Printing	Trading of print-related materials	Distribution	Unallocated amount	Elimination	Total
Operation revenue	483,537	244,969	219,337	11,490	8,321	(198,157)	769,497
Including: Revenue from external transactions	474,269	56,080	219,337	11,490	8,321	–	769,497
Revenue from intra-segment transactions	9,268	188,889	–	–	–	(198,157)	–
Operating expense	417,318	245,148	217,924	27,701	(5,397)	(198,157)	704,537
Gain from changes in fair value	–	–	–	–	1,063	–	1,063
Investment income	–	–	–	–	20,121	–	20,121
Operating profit (loss)	66,219	(179)	1,413	(16,211)	34,902	–	86,144
Non-operating income and expenses, net	–	–	–	–	17,036	–	17,036
Total profit	66,219	(179)	1,413	(16,211)	51,938	–	103,180
Income tax expenses	54	–	630	–	2,198	–	2,882
Net profit	66,165	(179)	783	(16,211)	49,740	–	100,298
Total assets	903,408	89,378	84,112	6,651	1,232,600	(572,723)	1,743,426
Total liabilities	168,839	105,677	93,713	4,129	64,406	(124,334)	312,430
Supplementary information							
Depreciation and amortization expenses	6,328	193	171	366	–	–	7,058
Capital expenditure	5,093	2,156	1,912	860	–	–	10,021
Impairment of assets	256	1,981	1,755	12	–	–	4,004
Non-cash expenses excluding depreciation and impairment of assets	7	–	–	3	–	–	10

(Amounts expressed in thousands of RMB unless otherwise stated in the notes to the financial statements)

XIII. OTHER SIGNIFICANT EVENTS

1. Leasing

Assets leased out under operating leases

Categories of assets leased out under operating leases	**As at 31 December 2011**	As at 31 December 2010
Investment properties	**36,164**	1,460
Total	**36,164**	1,460

XIV. SUPPLEMENTARY INFORMATION

1. Earnings per share

	For the year ended 31 December 2011	For the year ended 31 December 2010
Net profit for the year attributable to shareholders of the Company	**119,894**	99,715
Weighted average number of issued ordinary shares (thousand shares)	**197,310**	197,310
Earnings per share (RMB)	**0.61**	0.51

Basic earnings per share and diluted earnings per share for the two years ended 31 December 2011 are the same as there were no diluting events existed during both years.

2. Financial instruments and risk management

Classification of financial instruments

	As at 31 December 2011	As at 31 December 2010
Financial assets		
Investment at fair value through profit or loss, at fair value	**31**	744
Loan and receivables (including cash and cash equivalents)	**1,272,328**	1,369,632
Held-to-maturity financial assets	**–**	30,000
Financial liabilities, at amortised cost	**208,964**	265,691

Major financial instruments of the Group include bank balances and cash, financial assets held for trading, accounts receivable, interest receivables, other current assets, held-to-maturity investments, other receivables, notes payable, accounts payable, employee benefit payables, tax payables, interest payable, dividend payables, other payables and long-term borrowings etc. Details of the financial instruments are disclosed in their respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

(Amounts expressed in thousands of RMB unless otherwise stated in the notes to the financial statements)

XIV. SUPPLEMENTARY INFORMATION *(Continued)*

2. Financial instruments and risk management *(Continued)*

(1) Objective and policies of risk management

The Group engages in risk management with the aim of achieving an appropriate balance between risks and returns, where the negative effects of risks against the operating results of the Group are minimised, in order to maximise the benefits of shareholders and other stakeholders. Based on such objective in risk management, the underlying strategy of risk management of the Group is to ascertain and analyse all types of risks exposures of the Group, establish appropriate risk tolerance thresholds, carry out risk management procedures and perform risk monitoring on all kinds of risks in a timely and reliable manner, thus to confine risk exposures within a prescribed scope.

1) Currency risk

The Group's functional currency is RMB which most of the transactions are denominated in. However, certain other payables of the Group are denominated in foreign currencies.

The following table shows the Group's exposure at the end of the year to currency risk arising from liabilities denominated in a currency other than the functional currency of the entity to which they relate.

	As at 31 December 2011	As at 31 December 2010
Liabilities – HKD	**72,047**	75,622

The Group currently does not have a foreign currency hedging policy but the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Sensitivity analysis

The following table details the Group's sensitivity to a reasonably possible change of 5% in exchange rate of RMB against Hong Kong Dollars while all other variables are held constant. 5% (2010: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates.

The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of each year for a 5% change in foreign currency rates.

	For the year ended 31 December 2011	For the year ended 31 December 2010
Increase (decrease) in profit for the year		
– if RMB weakens against foreign currencies	**(3,602)**	(3,781)
– if RMB strengthens against foreign currencies	**3,602**	3,781

XIV. SUPPLEMENTARY INFORMATION *(Continued)*

2. Financial instruments and risk management *(Continued)*

(1) Objective and policies of risk management *(Continued)*

2) Interest rate risk

The Group is exposed to fair value interest rate risk through bank fixed deposits and bank loans (see Notes VIII.1 and VIII.21 for details respectively). The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

The Group is also exposed to cash flow interest rate risk in relation to variable interest rate bank balances (see Note VIII.1 for details) due to the fluctuation of the prevailing market interest rate. The management will continuously monitor interest rate fluctuation and will consider hedging significant interest rate risk should the need arise.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of base rate published by the People's Bank of China arising from the Group's RMB bank balances.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the year. For variable-rate bank balances, the analysis is prepared assuming the financial assets outstanding at the end of the year were unsettled for the whole year and the stipulated change that took place at the beginning of the financial year was held constant throughout the financial year. A 25 (2010: 25) base point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 25 (2010: 25) base points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2011 would increase/decrease by RMB426,000 (2010: RMB511,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank balances.

In management's opinion, the sensitivity analysis is not necessarily of the inherent interest rate risk as the year end exposure does not reflect the exposure during the year.

3) Credit risk

As at 31 December 2011, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from:

- the carrying amount of the respective recognised financial assets as stated in the consolidated balance sheet.

In order to minimise the credit risk, the Group's management continuously monitors the level of exposure to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of each year to ensure that adequate provision for impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

(Amounts expressed in thousands of RMB unless otherwise stated in the notes to the financial statements)

XIV. SUPPLEMENTARY INFORMATION *(Continued)*

2. Financial instruments and risk management *(Continued)*

(1) Objective and policies of risk management (Continued)

3) Credit risk *(Continued)*

The credit risk on current assets is limited because the majority of the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Group is subject to concentration risk on geographical location as it operates in the PRC market only. However, The Group has no significant concentration of credit risk as the Group's credit exposure spreads over a wide range of different counterparties and customers.

4) Liquidity risk

In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuation in cash flows. The management monitors the utilisation of bank loans and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from the interest rate curve at end of the reporting period.

Liquidity Table

	Less than 1 year		1-5 years		Total undiscounted cash flows		Carrying amount	
	31/12/2011	31/12/2010	**31/12/2011**	31/12/2010	**31/12/2011**	31/12/2010	**31/12/2011**	31/12/2010
Bills payable	**36,599**	50,222	**–**	–	**36,599**	50,222	**36,599**	50,222
Accounts payable	**63,315**	87,077	**–**	–	**63,315**	87,077	**63,315**	87,077
Interest payable	**–**	89	**–**	–	**–**	89	**–**	89
Dividend payables	**398**	2,087	**–**	–	**398**	2,087	**398**	2,087
Other payables	**91,201**	103,731	**–**	–	**91,201**	103,731	**91,201**	103,731
Non-current liabilities due within one year	**3,837**	3,816	**–**	–	**3,837**	3,816	**3,670**	3,660
Long-term borrowings	**–**	–	**4,106**	8,729	**4,106**	8,729	**3,670**	7,340

XIV. SUPPLEMENTARY INFORMATION *(Continued)*

2. Financial instruments and risk management *(Continued)*

(1) Objective and policies of risk management (Continued)

5) Fair value

The fair values of financial assets and liabilities are determined as follows:

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices and ask prices respectively; and

- The fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments;

- The fair value of financial guarantee contracts is determined by professional appraiser using default valuation model where the values of the liabilities associated with the guarantees are estimated based upon an analysis of the guaranteed companies' ability to repay their debts and the potential financial loss for the guarantors, assuming future defaults happen in different time periods.

The directors of the Company consider that the carrying amounts of the financial assets and financial liabilities recorded at amortised cost in the consolidated statement of financial position approximate their fair values.

Fair value measurements recognised in the statement of financial position

The following table provides an analysis of the financial instruments that are measured subsequent to their initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

- Level 2 fair value measurements are those derived from inputs other than the quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	As at 31 December 2011 Level 1	As at 31 December 2010 Level 1
Investments at fair value through profit or loss	**31**	744

(Amounts expressed in thousands of RMB unless otherwise stated in the notes to the financial statements)

XIV. SUPPLEMENTARY INFORMATION *(Continued)*

3. Balance sheet of the Company

Item	As at 31 December 2011	As at 31 December 2010
Current assets:		
Bank balances and cash	**460,511**	620,397
Accounts receivable	**56,823**	40,982
Prepayments	**31,481**	90,555
Dividend receivable	**18,000**	3,030
Interest receivable	**5,256**	4,852
Other receivables	**55,194**	32,847
Inventories	**369**	221
Other current assets	**71,600**	3,600
Total current assets	**699,234**	796,484
Non-current assets:		
Held-to-maturity investments	**–**	90,000
Long-term receivables	**369**	1,868
Investment in subsidiaries	**538,480**	453,150
Investment in jointly controlled entities and associates	**127,018**	111,733
Other long-term equity investments	**11,060**	4,500
Investment properties	**7,586**	9,676
Fixed assets	**9,313**	10,492
Intangible assets	**27,926**	28,849
Long-term prepaid expenses	**68**	113
Other non-current assets	**48,000**	–
Total non-current assets	**769,820**	710,381
Total assets	**1,469,054**	1,506,865

(Amounts expressed in thousands of RMB unless otherwise stated in the notes to the financial statements)

XIV. SUPPLEMENTARY INFORMATION *(Continued)*

3. Balance sheet of the Company *(Continued)*

Item	As at 31 December 2011	As at 31 December 2010
Current liabilities:		
Accounts payable	**10,006**	12,955
Receipts in advance	**12,361**	16,284
Employee benefit payables	**4,478**	4,178
Tax payables	**4,388**	4,582
Other payables	**83,900**	91,083
Other current liabilities	**8,513**	8,600
Total current liabilities	**123,646**	137,682
Total liabilities	**123,646**	137,682
Shareholders' equity:		
Share capital	**197,310**	197,310
Capital reserves	**897,778**	897,992
Surplus reserves	**130,931**	130,931
Undistributed profits	**119,389**	142,950
Total shareholders' equity	**1,345,408**	1,369,183
Total liabilities and shareholders' equity	**1,469,054**	1,506,865

4. Statement of changes in shareholders' equity of the Company

Item	Share capital	Capital reserves	Surplus reserves	Undistributed profits	Total shareholders' equity
As at 1 January 2010	**197,310**	**896,103**	**130,931**	**143,878**	**1,368,222**
Net profit	–	–	–	77,996	77,996
Dividend to shareholders	–	–	–	(78,924)	(78,924)
Share of capital reserves of jointly controlled entities	–	1,889	–	–	1,889
Sub-total of increase/decrease for the year	**–**	**1,889**	**–**	**(928)**	**961**
As at 31 December 2010	**197,310**	**897,992**	**130,931**	**142,950**	**1,369,183**
Net profit	–	–	–	75,094	75,094
Dividend to shareholders	–	–	–	(98,655)	(98,655)
Business combination under common control	–	(214)	–	–	(214)
Sub-total of increase/ decrease for the year	**–**	**(214)**	**–**	**(23,561)**	**(23,775)**
As at 31 December 2011	**197,310**	**897,778**	**130,931**	**119,389**	**1,345,408**

(Amounts expressed in thousands of RMB unless otherwise stated in the notes to the financial statements)

XIV. SUPPLEMENTARY INFORMATION *(Continued)*

5. Reconciliation of shareholders' equity and profit of the Group under HK GAAP to PRC Accounting Standards

(1) Reconciliation of profit of the Group for the year ended 31 December 2010

Item	Under HK GAAP (Restated) *(Note 1)*	Business combination under common control *(Note 2)*	Adjustments for accounting standard differences *(Notes 3 and 4)*	Under PRC Accounting Standards
Total operating revenues	**767,635**	**1,862**	**–**	**769,497**
Total operating costs	**701,595**	**2,942**	**–**	**704,537**
Operating costs	629,123	(3,235)	–	625,888
Business taxes and surcharges	35,897	714	–	36,611
Selling expenses	18,907	432	–	19,339
Administrative expenses	42,993	4,400	–	47,393
Financial expenses	(28,960)	262	–	(28,698)
Impairment loss on assets	3,635	369	–	4,004
Gain from changes in fair value	1,063	–	–	1,063
Share of profit of jointly controlled entities and associates	1,850	–	–	1,850
Other investment income	18,162	109	–	18,271
Operating profit	**87,115**	**(971)**	**–**	**86,144**
Add: Non-operating income	19,732	(2,519)	–	17,213
Less: Non-operating costs	163	14	–	177
Total profit	**106,684**	**(3,504)**	**–**	**103,180**
Less: Income tax expenses	3,002	(120)	–	2,882
Net profit	**103,682**	**(3,384)**	**–**	**100,298**
Other comprehensive income	**–**	**–**	**–**	**–**
Total comprehensive income	**103,682**	**(3,384)**	**–**	**100,298**
Net profit attributable to:				
Shareholders of the Company	101,644	(1,929)	–	99,715
Minority shareholders	2,038	(1,455)	–	583
	103,682	**(3,384)**	**–**	**100,298**
Total comprehensive income attributable to:				
Shareholders of the Company	101,644	(1,929)	–	99,715
Minority shareholders	2,038	(1,455)	–	583
	103,682	**(3,384)**	**–**	**100,298**
Earnings per share:				
Basic earnings per share (RMB per share)	0.52	(0.01)	–	0.51
Diluted earnings per share (RMB per share)	0.52	(0.01)	–	0.51

(Amounts expressed in thousands of RMB unless otherwise stated in the notes to the financial statements)

XIV. SUPPLEMENTARY INFORMATION *(Continued)*

5. Reconciliation of shareholders' equity and profit of the Group under HK GAAP to PRC Accounting Standards *(Continued)*

(2) Reconciliation of shareholders' equity of the Group as at 31 December 2010

Item	Under HK GAAP (Restated) *(Note 1)*	Business combination under common control *(Note 2)*	Adjustments for accounting standard differences *(Notes 3 and 4)*	Under PRC Accounting Standards
Current assets:				
Bank balances and cash	1,174,576	5,756	–	1,180,332
Held-for-trading financial assets	–	744	–	744
Accounts receivable	132,754	2,994	–	135,748
Prepayments	40,047	1,768	–	41,815
Interest receivable	7,666	–	–	7,666
Other receivables	33,729	1,689	–	35,418
Inventories	66,847	–	–	66,847
Other current assets	8,600	–	–	8,600
Total current assets	**1,464,219**	**12,951**	**–**	**1,477,170**
Non-current assets:				
Held-to-maturity investments	30,000	–	–	30,000
Long-term receivables	1,868	–	–	1,868
Investments in jointly controlled entities and associates	118,464	–	–	118,464
Other long-term equity investments	4,500	500	–	5,000
Investment properties	13,642	30,998	–	44,640
Fixed assets	14,885	1,109	–	15,994
Intangible assets	51,538	23	(5,306)	46,255
Long-term prepaid expenses	746	2,135	–	2,881
Deferred income tax assets	1,034	120	–	1,154
Total non-current assets	**236,677**	**34,885**	**(5,306)**	**266,256**
Total assets	**1,700,896**	**47,836**	**(5,306)**	**1,743,426**

(Amounts expressed in thousands of RMB unless otherwise stated in the notes to the financial statements)

XIV. SUPPLEMENTARY INFORMATION *(Continued)*

5. Reconciliation of shareholders' equity and profit of the Group under HK GAAP to PRC Accounting Standards *(Continued)*

(2) *Reconciliation of shareholders' equity of the Group as at 31 December 2010 (Continued)*

Item	Under HK GAAP (Restated) *(Note 1)*	Business combination under common control *(Note 2)*	Adjustments for accounting standard differences *(Notes 3 and 4)*	Under PRC Accounting Standards
Liabilities and shareholders' equity				
Current liabilities:				
Notes payable	50,222	–	–	50,222
Accounts payable	87,077	–	–	87,077
Receipts in advance	37,128	838	–	37,966
Employee benefit payables	8,676	3	–	8,679
Tax payables	2,427	379	–	2,806
Interest payable	89	–	–	89
Dividend payable	2,717	(630)	–	2,087
Other payables	97,651	6,080	–	103,731
Non-current liabilities due within one year	–	3,660	–	3,660
Other current liabilities	8,600	–	–	8,600
Total current liabilities	**294,587**	**10,330**	**–**	**304,917**
Non-current liabilities:				
Long-term borrowings	–	7,340	–	7,340
Deferred income tax liabilities	173	–	–	173
Total non-current liabilities	**173**	**7,340**	**–**	**7,513**
Total liabilities	**294,760**	**17,670**	**–**	**312,430**
Shareholders' equity:				
Share capital	197,310	–	–	197,310
Capital reserves	898,058	14,203	–	912,261
Surplus reserves	138,568	–	(7,637)	130,931
Undistributed profits	148,118	3,345	2,331	153,794
Total equity attributable to shareholders of the Company	**1,382,054**	**17,548**	**(5,306)**	**1,394,296**
Minority interests	24,082	12,618	–	36,700
Total shareholders' equity	**1,406,136**	**30,166**	**(5,306)**	**1,430,996**
Total liabilities and shareholders' equity	**1,700,896**	**47,836**	**(5,306)**	**1,743,426**

XIV. SUPPLEMENTARY INFORMATION *(Continued)*

5. Reconciliation of shareholders' equity and profit of the Group under HK GAAP to PRC Accounting Standards *(Continued)*

(2) Reconciliation of shareholders' equity of the Group as at 31 December 2010 *(Continued)*

Notes:

1) The figures presented in the financial statements prepared under HK GAAP were extracted from the audited financial statements for the year ended 31 December 2010 published by the Group. Certain figures have been reclassified to conform to this year's presentation.

2) The acquisition of the equity interest of Today Sunshine constitutes business combination of entities under common control (see Note II for details). In the preparation of consolidated financial statements, parties involving in the combination shall be deemed as entities subsisting in their current status when the ultimate holding company obtains control. Therefore, the comparative statements of prior period were adjusted accordingly.

3) The financial statements prepared under HK GAAP included the unamortized goodwill of RMB5,306,000 arising from the difference between the fair value of net assets and the consideration for the acquisition of assets and liabilities of BYDA in 2004. In accordance with the PRC Accounting Standards No. 38, such acquisition constitutes business combination of entities under common control. The unamortised amount of the goodwill recognized was written off in full and the retained earnings were adjusted accordingly.

4) According to the PRC Accounting Standards, surplus reserves set out in the consolidated financial statements shall include only the provision made for the Company. Hence, The provision of RMB7,637,000 attributable to the subsidiaries was written back to undistributed profits.

XV. APPROVAL OF FINANCIAL REPORT

This financial report was approved by the Board of the Company on 19 March 2012.

Beijing Media Corporation Limited

19 March 2012