BEIJING 北青传媒 MEDIA

HK Stock Code: 1000

2013 ANNUAL REPORT

Beijing Media Corporation Limited

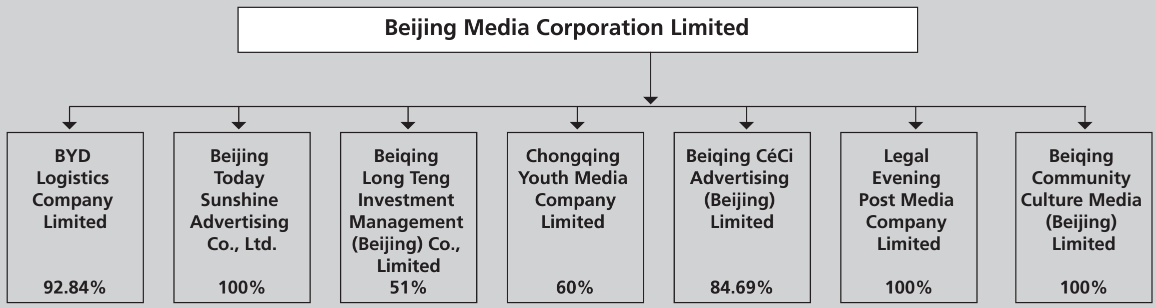
A joint stock company incorporated
in the People's Republic of China with limited liability

Content

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. Upon the approval of the Board on 6 March 2013, the Company contributed RMB18,000 thousand and established Chongqing Media together with Chongqing Youth Industrial Co., Ltd. Chongqing Media was officially established on 12 July 2013, and the Company owns 60% equity interests of Chongqing Media.

2. The Company contributed RMB15,000 thousand as sole shareholder to establish Beiqing Community Media upon the approval of the Board on 23 August 2013. Beiqing Community Media was officially established on 25 October 2013.

COMPANY WEBSITE:

www.bjmedia.com.cn

STOCK INFORMATION

- Stock Code: 1000
- Board Lot: 500 shares
- Number of Shares Issued (as at 31 December 2013): 197,310,000
- Market Capitalisation (as at 31 December 2013): HKD953.01 million
- Financial Year End: 31 December
- Bloomberg's Stock Machine Search Code: 1000 HK Equity
- Reuters Stock Machine Search Code: 1000. HK

As at 31 December 2013

EXECUTIVE DIRECTORS
Zhang Yanping *(Chairman)*
Yu Haibo *(Vice Chairman)* [1]
Sun Wei *(President)* [1]
He Xiaona *(Executive Vice President)*

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

INDEPENDENT NON-EXECUTIVE DIRECTORS
Song Jianwu
Cui Baoguo
Wu Tak Lung [2]
Cui Enqing [2]
Chen Ji [2]

JOINT COMPANY SECRETARIES
Shang Da
Yu Leung Fai

AUDIT COMMITTEE [3]
Wu Tak Lung *(Chairman)*
Chen Ji
Liu Han

REMUNERATION COMMITTEE [3]
Cui Baoguo *(Chairman)*
Yu Haibo
Cui Enqing

NOMINATION COMMITTEE [3]
Zhang Yanping *(Chairman)*
Song Jianwu
Cui Baoguo

AUTHORISED REPRESENTATIVES
Zhang Yanping
Sun Wei [1]

ALTERNATIVE AUTHORISED REPRESENTATIVES
Shang Da
Yu Leung Fai

REGISTERED OFFICE
Building A, No. 23 Baijiazhuang Dongli,
Chaoyang District, Beijing, the PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG
7/F, Hong Kong Trade Centre,
161-167 Des Voeux Road Central, Hong Kong

LEGAL ADVISER
(as for Hong Kong Law)
DLA Piper Hong Kong
17/F, Edinburgh Tower,
The Landmark,
15 Queen's Road Central, Central,
Hong Kong

AUDITORS
ShineWing Certified Public Accountants
(Special General Partnership)
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 Due to having reached the age of retirement, Mr. Sun Wei ceased to be the president of the Company with effect from 7 March 2014, and will also cease to be the executive director of the Company, with effect from the date of convening the 2013 annual general meeting. On 7 March 2014, the Board resolved to appoint Mr. Yu Haibo as the president of the Company, and the authorized representative of the Company in replace of Mr. Sun Wei. The Board of the Company has nominated Mr. Wang Lin as the non-executive director of the Company, subject to the approval of the shareholders at annual general meeting. For details, please refer to the announcement of the Company dated 7 March 2014.

2 Upon the approval of the annual general meeting on 15 May 2013, Mr. Wu Tak Lung, Mr. Cui Enqing and Mr. Chen Ji were appointed as the independent non-executive directors of the Company. Please refer to the announcement of the Company dated 15 May 2013 for details.

3 Upon the approval of the Board on 15 May 2013, the Audit Committee of the Board of the Company comprised of Mr. Wu Tak Lung, Mr. Chen Ji and Mr. Liu Han and chaired by Mr. Wu Tak Lung; the Remuneration Committee of the Board comprised of Mr. Cui Baoguo, Mr. Yu Haibo and Mr. Cui Enqing and chaired by Mr. Cui Baoguo; the Nomination Committee of the Board comprised of Mr. Zhang Yanping, Mr. Song Jianwu and Mr. Cui Baoguo and chaired by Mr. Zhang Yanping. Please refer to the announcement of the Company dated 15 May 2013 for details.

DEAR SHAREHOLDERS,

On behalf of the Group, I am pleased to present the report on results of the Group for the year 2013.

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 2013 was RMB667,428 thousand (2012: RMB690,276 thousand), representing a decrease of 3.31% as compared with 2012. Net profit attributable to shareholders of the Company was RMB20,377 thousand (2012: RMB64,987 thousand), representing a decrease of 68.64% as compared with 2012. Earnings per share was RMB0.10 (2012: RMB0.33). The Board recommends the distribution of a final dividend of RMB0.14 per share (2012: RMB0.30 per share) to shareholders.

According to the ranking list published by the Periodical Sub-Committee under the China Association of Advertising with respect to the value for placement of advertisement in periodicals of the PRC 2012-2013, Beijing Youth Daily ranked No.6 amongst the metropolitan newspapers in the PRC, and ranked No.1 in Beijing for 5 concessive years. Meanwhile, in 2013, the Beijing Municipal Government continued to maintain the macro control over real estate market and enforce stringent restrictive policies on automobile purchase, which persistently generated pressure on the advertising sales to real estate and automobile sectors; these pressures intensified the competition in print media industry of metropolitan newspapers.

In the face of the severe situation of market competition and emerging media, as a popular mainstream media, Beijing Media fully consolidated resources within the Group. With our foundation in advertising segment and enhancing cross-segment cooperation, the Group actively explored new businesses, established new marketing models, the Company integrated its marketing capability by aligning with Legal Evening Post and Civil Aviation Administration of China News (Inflight Edition) (《中國民航報TOP時空》) to gain more advertising placement by covering morning posts, evening posts and aviation media in Beijing. The advertising business in real estate section and automobile section was still the major advertising business of the Company in 2013. In 2013, the real estate team of the Company actively explored real estate markets outside Beijing and increased advertising sales amount by way of the establishment of the sales centre. The automobile team of the Company held large exhibitions such as the "2013 Beijing Auto Exhibition" and participated in "2013 Shanghai International Auto Exhibition". The travel and construction team also held a variety of promotion activities respectively, effectively improving advertising sales volume. The advertisement by the real estate, appliances, home decorations, recruitment, living services, education, private collection and entertainment witnessed year-on-year growth to different extents. As the revenue base of above-mentioned sections is comparatively small, the increase in the advertising placement volume only has limited effect to the overall income. The increase in sales indicated the beginning of the Company's adjustment in advertising structure and balanced development of income.

Affected by overall economic situation and various regulatory policies of the Government, and together with the challenge from emerging media such as internet, although the Company has excellent performance in 2013, compared with other metropolitan print media, total operating revenue still decreased slightly by RMB22,848 thousand compared with the same period of 2012. With the effort made by the Company, the decrease in total operating revenue of the Company in 2013 slowed down by 3.31% compared with the same period in 2012. The decrease in revenue was mainly caused by the decrease in advertising revenue from the automobile industry and the luxury industry. The amount of reduction in advertising revenue of these two industries were similar to the amount of reduction in the Group's revenue. The Beijing Municipal Government introduced more stringent vehicle control policy in 2013. The annually vehicle purchasing quota was reduced to 150,000 from 240,000, which reduced the expectation of automobile producers in the future automobile market in Beijing and led to a drastic drop in the placement of advertisement by the automobile industry in Beijing. The advertising revenue of the Company was therefore adversely affected. Besides, given the anti-corruption measures were intensified in 2013, luxury goods producers significantly reduced placement of advertisements. The profit of the Company was lower than the same period of 2012, was mainly because: (1) the revenue of the Company decreased to a small extent; (2) the three newly invested companies Chongqing Media, Beiqing Community Media and Hebei E-Commerce Company Limited were still in the rearing period with the amount of RMB11,879 thousand's loss and (3) a decrease in the return in investment in 2013. The adverse effects brought by the recent stringent control policies of the Government is expected to be largely reduced and the advertising market is expected to be rebounded gradually which will then improve the confidence of advertising owner on the market. It is expected that advertisement placement volume for the year ending 2014 will have better performance than 2013.

In 2013, several subsidiaries and associates of the Company experienced a healthy growth period, a number of which recorded growth both in operating revenue and profit. During the reporting period, the CéCi 《茜茜姐妹CéCi》 magazine maintained excellent sales records, among which revenue from advertising sales increased by 16.43% year-on-year. The operating results of Today Sunshine, a wholly-owned subsidiary of the Company, improved significantly. Leveraging on its wide coverage of 15 airports and operation of over 70 large LED/LCD screens in the airports, BQTM, an associate of the Company, further consolidated its position as the largest airport LED operator in China. BQTM and China Aviation Media Advertising Company (中國航空傳媒廣告公司) entered into the agreement to jointly operate the television programs on the aircrafts of Air China Limited (中國國際航空股份有限公司) ("Air China"), pursuant to which BQTM obtained the exclusive advertising right of all television programs on the aircrafts of Air China. It is expected to be more profitable in the future.

The Company injected RMB18,000 thousand (owned as to 60% equity interest), RMB15,000 thousand (owned as to 100% equity interest) and RMB7,120 thousand (owned as to 44.5% equity interest) respectively, and established Chongqing Media, Beiqing Community Media and Hebei Jujingcai E-Commerce Company Limited which operate Chongqing Youth Daily, Beiqing Community Daily (北青社區報) and Caicai.cc, an online shopping platform. Revenue generated from the advertising of Chongqing Youth Daily increased 200% as compared to the previous year. Beiqing Community Media has produced 5 community papers respectively for Shunyi District, Fangzhuang District, Chaoqing District, Tongzhou District and Shiji Cheng District in 2013. It is expected to produce 25 community papers by the end of 2014 and dominate scattered channels of print media of Beijing metropolitan newspapers. Caicai.cc performed online trail operation on 3 December 2013, and became the first agricultural products online shopping platform established by a media group in Beijing.

We believe that in 2014, the macroscopic policies will be similar to that of 2013 and the Group will continue to explore new media business segment. On 27 February 2014, with approval by the Board, the Company contributed RMB60,000 thousand to establish Beijing Qingyou Information Technology Company Limited (北京青游信息技術有限公司) and recruit a senior technical management team to operates web game platform,"Qingyou online". At the same time, leveraging on the media advantage and influence of the Group, a precise marketing advertising network service platform for different operations was established. The game platform at present has completed the online trail testing and is now under stable operation with around 200,000 users. It is expected that it could be the new profit growth point for the Group. The Group will continue to accelerate the development of outdoor advertisement. In March 2014, we successfully won the bid of single column billboards from Beijing Municipal Commission of City Administration and Environment, acquiring the advertising operation permit for multiple single column billboards in East 4th Ring and East 5th Ring in Beijing. The Group will continue to attempt film and television production operation. Following the successful production of TV series "The Story of Zheng Yang Gate" (《正陽門下》) and film "Silent Witness" (《全民目擊》) which won good reputation and earned corresponding revenue. On 27 February 2014, with approval by the Board, the Company jointly invested and produced TV series "Henqiu" (《恨球》) with Evergrande Entertainment Co., Ltd and Guangdong Guangshi Media Co., Ltd. (a wholly-owned subsidiary of Guangdong Television, principally engaging in TV and film production). Currently, several satellite television stations have intended to purchase the broadcasting right. In addition, the Company has jointly invested and produced "All Quiet in Peking" (《北平無戰事》) and "Starring Actor" (《頭牌》) with Beijing Spring Film TV Culture Co,.Ltd. and Taihai Pictures Co., Ltd, respectively, in order to get more profit opportunities. In response to the fierce competitions in metropolitan newspapers industry and emerging media, the Company adequately estimated market environment, while further diversified market of the original businesses, and at the same time, actively developed new emerging business, and adopted a diversified marketing means to construct a comprehensive complex management structure. The Company continued to consolidate and take advantage of our relationship with Beijing Youth Daily to promote the development of the Group, with the aim to become a company which has cross-media platform in China and a leading media group among its peers.

The Group's performance in 2013 is heavily dependent on the concerted efforts of our management and staff in each business unit. 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 business unit within the Group.

Zhang Yanping
Chairman

24 March 2014
Beijing, the People's Republic of China


北京青年报
全面深化改革总目标敲定"路线图"
全城争抢 1号难求
8082 9933
3000万元优惠等你来！全场翡翠玉石2折销售！


北京青年报
嫦娥今奔月 要飞13天


北京青年报
BEIJING YOUTH DAILY
生死时刻
救人！救人！


北京青年报
累计摇号25次 购车中签率翻番
本市首个自住房项目明起网上申购

BUSINESS REVIEW OF THE GROUP

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 business of this part mainly generated from the revenue of the printing of publications arranged by BYD Logistics; and (3) trading of print-related materials, the business of this part 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 2013 was RMB667,428 thousand (2012: RMB690,276 thousand), representing a decrease of approximately 3.31% as compared with that for the corresponding period of 2012. Net profit attributable to shareholders of the Company was RMB20,377 thousand (2012: RMB64,987 thousand), representing a decrease of approximately 68.64% as compared with that for the corresponding period of 2012.

In 2013, according to market observation data provided by third party, affected by the macroeconomy, the Beijing Municipal Government continued to maintain macro control policies over the real estate market and enforce stringent restrictive policies on automobile purchase, which persistently exerted pressure on the advertising sales to real estate and automobile sectors; coupled with challenge from the emerging media, the competition was intensified in print media industry of metropolitan newspapers.

In the face of competition, the Company took an active role in exploring an integrated marketing channel by aligning with Legal Evening Post and Civil Aviation Administration of China News (Inflight Edition) (《中國民航報TOP時空》) to establish Beijing Media Advertisement Center based on the existing advertising business model, through which the advertisement services will be expanded to cover morning posts, evening posts and aviation media in Beijing in order to diversify the promotion model for our customers and provide customized solutions with full coverage and value-added services.

BUSINESS REVIEW OF THE GROUP *(Continued)*

In 2013, the advertising business in real estate sector was still the major advertising business of the Company. To cope with the needs of market and clients, the Company actively innovated new marketing model and initially attempted the "sales linked business" mode, by combining advertising sales and property sales by making use of the public trustiness of the brand name of Beijing Media, to provide more extra services to clients. With the continuous improvement of living standard, the demands for properties related to regimen, vacation and housing investment were growing. Besides, properties in other cities became appealing to the high net worth individuals in Beijing as it would not be affected by Beijing's stringent restrictive policies on property purchase. To accommodate the demands of this target group, the Company actively explored the property sources in other cities and further developed customers in Beijing with real estate sectors in other cities leveraging on its own media advantages. This could help us to formulate the comprehensive and customized marketing solutions for our customers and further improve the supporting services. At the end of the year, the Company had successfully organized several property tours with remarkable response.

In addition, the Company moved the housing exhibition into home furnishing plaza for the first time, focusing on housing exhibition, and created a cross-industry collaboration business model which integrated the industrial chain including but not limited to the home decoration, home appliances and finance etc. to become the main feature of the exhibition. This not only strengthened the promotion for Beijing Media's brand image, but also promoted the placement of advertisement of the Company in other related industries.

In 2013, advertisement income from real estate industry and other related industries witnessed year-on-year growth to different extent.

BUSINESS REVIEW OF THE GROUP *(Continued)*

In 2013, placement volume of advertisement in automobile industry was in the top ranking among the total placement volume of advertisement of the Company. Starting from the first half of 2011, a restrictive policy on automobile purchase was launched in Beijing, which had a continuous adverse impact on the placement of advertisement in automobile industry. According to the market observation data provided by third party surveyors, in 2013, the total volume of advertisement placed by automobile industry in the print media of Beijing metropolitan newspapers showed a significant decrease of 17.67% as compared with the same period of last year. According to the most recent restrictive policies on vehicles purchase in Beijing, the total allocated sales quota of limousines by way of free lottery has been decreased from 240,000 to 150,000 each year. Recently, demand for replacing used automobile by the new one gradually increased the market of car purchase beyond the quota has been formed. The Company has quickly identified this target market and designed combined marketing solutions for customers supplemented by other resources to provide value-added services. Besides, with a lot of used cars being replaced, second-hand car transactions which mainly aimed at sales in peripheral areas became an emerging market with rapid growth. Following "the First Beijing, Tianjin and Hebei Second-hand Car Forum" successfully held last year which built the first communication platform in second-hand car industry, the Company initiated "the Second Beijing Car Replacement Roundtable Forum" to promote the setting up of integrity system for second-hand car transactions and create a fair, honest and harmonious market environment for second-hand car trading. It also played a positive role in promoting advertisement placement in automobile industry.

Under the continuous market downturn of the automobile industry, the Company utilized its own media resources and strengthened its traditional business advantage to organize this year's Automobile Exhibition. Around 20 local and foreign well known automobile producers, including BMW, Audi, Mercedes-Benz, FAW-Volkswagen, Shanghai-Volkswagen, Dongfeng Peugeot, Beijing-Hyundai, Dongfeng-Nissan, GAC-Toyota and GAC-Honda, were invited to the exhibition and the number of models displayed in the exhibition recorded a new high. The exhibition further consolidated the brand image of Beijing Media as a "Real Luxurious Automobile Exhibition" perceived by consumers. The Automobile Exhibition 2013 achieved outstanding results in terms of onsite vehicle sales, potential customers, number of visitors and ticket sales.

Furthermore, the Company further connected its advertisement production to the publication platform. At the Shanghai International Automobile Industry Exhibition 2013, it was the first time the Company issued an extra edition with all the editing, designing and printing procedures completed in the exhibition venue, enabling readers to receive the first hand news of the exhibition in abundant copies and successfully overcame the challenge against traditional media about the timeliness of advertisement. Such model became appealing to our customers. In addition, the Company was the first enterprise to pray for the victims of Ya'an earthquake and our reputation as a socially reasonbile enterprise was widely recognized.

In 2013, the market observation data provided by third party surveyors showed that, benefited from the efforts of the Company in different aspects, the placement volume of advertisement in automobile industry of the Company still maintained a leading advantage in the industry compared with other print media of Beijing Metropolitan newspapers (market share in 2013 of placement volume of advertisement of the Company in automobile industry among print media of Beijing metropolitan newspapers was 36.84%).

BUSINESS REVIEW OF THE GROUP *(Continued)*

The Group endeavoured in different aspects to minimize the impact from the declining advertising income from automobile and luxury industries. Revenue from advertising sales of the Group for 2013 was RMB339,805 thousand (2012: RMB361,299 thousand), representing a decrease of 5.95% as compared with 2012.

In face of the difficult situation, the Company made detailed projection of the market, reinforced its existing client base and continued to develop new selling points for its business, explored diversified business models and seized opportunities to strengthen its own advantage in media and its strong operating position in the industry. In 2013, the monitoring data provided by third party surveyors showed that market share of advertisement in Beijing Youth Daily was still in the top ranking among major Beijing metropolitan newspapers (market share was 34.97%).

In 2013, the Company also actively promoted the strategic development of outdoor advertisement business. Among tenders for outdoor billboards invited by Beijing Municipal Commission of City Administration and Environment, the advertisement operations of the 6 outdoor billboards which the Company successfully acquired were in good operating condition and generated additional income for the Company.

Besides, the Company also extended its operation in different directions and continued to expand the cultural market while consolidating its current business. The Company set foot on the film and television production operations and invested in the TV series of "The Story of Zheng Yang Gate" (《正陽門下》). This television series have been broadcasted on China Central Television, Beijing Television and some local Satellite Televisions in succession, and distribution through a number of channels or platforms such as local, overseas and networks were completed and received good response from TV commentators with high ratings. On this basis, the Company continued to look for joint investment model in filming. The Company entered into joint investment agreement in filming with Beijing Century 21 Wink Films Investment Co., Ltd in July 2013 to produce the film "Silent Witness" (《全民目擊》). After the film was released, it won a good reputation from audience and industry insiders.

RESULTS OF SUBSIDIARIES AND ASSOCIATES OF THE GROUP

BYD Logistics is a 92.84%-owned subsidiary of the Company. Operating revenue of the Group from the printing and the trading of print-related materials businesses for the year 2013 was RMB22,330 thousand and RMB266,786 thousand (corresponding period of 2012: RMB47,147 thousand and RMB272,208 thousand), respectively, representing a decrease of 52.64% and 1.99% as compared with those of the corresponding period of 2012. Meanwhile, BYD Logistics increased its input in the new sector of digital printing and further expanded its market in respect of on-site publication and network personalization. In November 2013, the service of "digitalized publication-on-demand project" was showcased at China New Media Development Zone in the 8th China Beijing International Cultural & Creative Industry Expo, promoting the new concept of instant publication in digital printing. In 2013, BYD Logistics successfully implemented purchase and cost control, net profit for the period increased 62.66% as compared with the same period last year.

RESULTS OF SUBSIDIARIES AND ASSOCIATES OF THE GROUP *(Continued)*

Beiqing CéCi, a 84.69%-owned subsidiary of the Company which focused on advertising business in CéCi (《CéCi姐妹科學》) magazine, is a premium women's magazine for fashion mavens distributed across major cities of China including Hong Kong. CéCi magazine is the first Korean-style trendy magazine introduced into the PRC. Its lively writing and easygoing style give the best annotation to the orient trendy life of Chinese professional women with its advocation of a modern culture combining innovation and pragmatism in Asia. Through five years' operation, CéCi, being the favourite magazine of urban white-collar women with a sound track record in sales since its launching, achieved a year-on-year growth of 16.43% in revenue from advertising sales in 2013, realized net profit of RMB4,171 thousand and a year-on-year growth of 380.13%. In the First Half of 2013, the community project, "Asian New Youth Growth Programme: My Dream-Elite Talent Training Programme", was jointly organized by CéCi magazine, "Youth Weekend AIRTIME", a high-end fashion lifestyle weekly magazine, "YOBOOM", a campus lifestyle magazine. Together with Starwood Hotels International Management Group, these projects focused on university graduates and talents were recommended to enterprises, which effectively raised the brand influence and attraction of Beijing Media. On 6 June 2013, CéCi magazine and YOBOOM magazine, together with Poly Film and Coca-Cola Company, held the first "CéCi Sisters Festival" movie carpet show in Beijing; On 2 November 2013, in the new product launch held in Shenyang in cooperation with Shiseido and EE-Media, Mr. Zhang Han, the popular artist in China, was invited to extend his support. Beiqing CéCi continuously enhanced the reputation and influence of CéCi magazine through new marketing initiatives.

Today Sunshine is a wholly-owned subsidiary of the Company. In order to keep extending the outdoor billboard advertising market business, the Company won the bid of operations of outdoor single column billboards from Beijing Municipal Commission of City Administration and Environment and acquired the operation permit in the facilities of 6 outdoor single column billboards for 3 years which was then granted to Today Sunshine. In 2013, the operations of outdoor billboards was smooth and the operation efficiency of Today Sunshine was significantly raised. As a result, the operating revenue achieved a year-on-year growth of 77.17% over 2012. Today Sunshine continued the effort in 2014 and successfully won the bid of outdoor single column billboards from Beijing Municipal Commission of City Administration and Environment, acquiring the operation right of multiple single column billboards in sections in East 4th Ring and East 5th Ring in Beijing. Meanwhile, Today Sunshine expanded its operation team and the operation efficiency was further enhanced through standardised and innovative management. On this basis, Today Sunshine planned to actively develop its new strategic business by exploring the "digital outdoor" advertisements to achieve the combined marketing model, which opened up a new economic growth point while striving to achieve development on the expanded and continual operations in its advertisement on single column business.

BQTM is an associate of the Company. In 2013, relying on its wide coverage of 15 airports and operation of over 70 large LED/LCD screens in the airports, BQTM further consolidated its position as the largest airport LED operator in China. On this basis, BQTM is actively expanding the business of new media and in other new fields. Meanwhile, it has launched a full range cooperation in business and capital with several big domestic aviation media operators. In May 2013, BQTM and China Aviation Media Advertising Company (中國航空傳媒廣告公司) entered into the contract to jointly operate the television programs on the aircrafts of Air China Limited (the "Air China",中國國際航空股份有限公司), pursuant to which BQTM obtained the exclusive general agent rights of all television programs on the aircrafts of Air China as well as the right to participate in and make suggestions to the contents of the television programs on the aircrafts of Air China. BQTM will unswervingly continue to develop airports video media and to actively carry out business cooperation with the airlines based on cabin entertainment in the air, using mobile internet technology as a link to achieve the communications between air media and airport media as well as between media and travellers. In 2013, consolidated net profit of RMB43,556 thousand was realized.

RESULTS OF SUBSIDIARIES AND ASSOCIATES OF THE GROUP *(Continued)*

On 28 February 2013, LEP Media, a wholly owned subsidiary of the Company, entered into a limited partnership agreement as a limited partner with Beijing Runxin Bohua Investment Management Co., Ltd., Beijing Runxin Dingtai Assets Management Co., Ltd., Shannan Runxin Investment Management Centre (Limited Partnership) (the "Fund") and other investors to form Beijing Runxin Dingtai Investment Centre (Limited Partnership), with capital contribution of RMB50,000 thousand committed by LEP Media, to focus on investment in the equity of companies to be listed, depending on China Securities Co., Ltd.. The first project launched by the Fund after establishment was online games, which has great potential of development with rapid growth. In 2013, the Fund strictly adhered to the principles of prudent investment and further intensified efforts to develop the projects. Some project enterprises in which the Fund had invested had begun implementation of the backdoor listing plan, or had chosen a sponsor to tackle the problems related to their listing.

In order to promote diversification of the Company's media business, further implement the strategic goal of cross-regional development and enhance the influence of the brand of Beijing Media, with the approval from the Board, the Company accepted the invitation of Chongqing municipal League, Chongqing Youth Daily Agency and Chongqing Youth Industrial Co., Ltd. (重慶青春實業有限公司) to establish a joint venture, in the first half of 2013. Thus, with an investment of RMB18,000 thousand by the Company (holding 60% equity interests) and an investment of RMB12,000 thousand by Chongqing Youth Industrial Co., Ltd. (holding 40% equity interests), the Company and Chongqing Youth Industrial Co., Ltd. jointly established Chongqing Youth Media Company Limited, with exclusive operating rights to the Chongqing Youth Daily (《重慶青年報》), including but not limited to, distribution, advertising agency and publishing business of the Chongqing Youth Daily(《重慶青年報》). After its reorganization, Chongqing Youth Daily(《重慶青年報》) was positioned as a weekly newspaper rooted in Chongqing and aimed at development in the Southwest with influence in the Chongqing mainstream society and coverage of the middle and high income group in Chongqing. Since its establishment, Chongqing Media was relaunched and impressed readers with idea of "broad coverage of the world and in-depth coverage of Chongqing" and attained good market response. At the end of 2013, the subscription of Chongqing Youth Daily (《重慶青年報》) for 2014 reached 29,000 copies. At the beginning of 2014, the circulation of Chongqing Youth Daily (《重慶青年報》) has reached 50,000 copies.

Beiqing Long Teng is a 51%-owned subsidiary of the Company. The relevant capital injection in November 2013 and corresponding changes in registration with the industrial and commercial administration authorities were all completed. Beiqing Long Teng put efforts on investment management and capital market businesses. Based on the Group's background in the cultural and media industry, and capital strength, Beiqing Long Teng will explore a multi-channel and multi-model investment approach which suits the characteristics of Beijing Media and build a unique investment brand in the cultural market to establish a new investment and financing platform for the Group. It is expected that in 2014, Beiqing Long Teng will establish and run various project investment funds that focus on different sectors.

To realize the strategic transformation and respond to the dynamic change of the business environment of media industry, on 25 October 2013, the Company solely established Beiqing Community Culture Media (Beijing) Limited (北青社區文化傳媒(北京)有限責任公司) with registered capital of RMB15,000 thousand which is responsible for the operation of Beiqing Community Daily (《北青社區報》), Relying on government advantages, Beiqing Community Daily (《北青社區報》) entered into different communities. Major business districts and popular gathering places were of first priority. Through interaction between newspapers, microblog, Weixin and APP, specific districts were covered, and formed a platform which can provide a variety of services. At the same time, a link can be formed between different media , through which large data marketing were carried out. Through which the Company is able to occupy a strong focus on print media channels, Beiqing Community Daily (《北青社區報》) represents a new profit growth point of the Group. At the end of 2013, Beiqing Community Daily (《北青社區報》) has produced 5 free community papers for Shunyi District, Fangzhuang District, Chaoqing District, Tongzhou District and Shiji Cheng District, the circulation of each of which was about 50,000 copies which was extensively distributed in almost 100 communities in total. Each newspaper has established their corresponding sub-district. At present, the circulation of Beiqing Community Daily (《北青社區報》) is 10 community papers, it is expected that there will increased to 25 community papers under the name of Beiqing Community Daily (《北青社區報》) by the end of 2014.

RESULTS OF SUBSIDIARIES AND ASSOCIATES OF THE GROUP *(Continued)*

To get access to the e-commence operation, further develop the company's cross-region development, achieve a win-win situation by way of strong coalition and sharing resources, on 22 November 2013, the Company, together with Hebei Xinhua Bookstone Co., Ltd. (河北省新華書店有限責任公司) established Hebei Jujingcai E-commerce Company Limited (河北聚精采電子商務股份有限公司) with registered capital of RMB16,000 thousand, of which RMB7,120 thousand, representing 44.5% equity interests, was contributed by the Company. Hebei Jujingcai E-commerce Company Limited (河北聚精采電子商務股份有限公司) primarily operates CaiCai.cc, an online shopping platform starting trial operation on 3 December 2013. CaiCai.cc focuses on new, special and prime green agricultural products by virtue of the advanced resources in Beijing and Hebei, and plans to extend to regional tourism and cultural products with an aim to build a most famous and powerful regional online shopping platform in Beijing, Tianjin and Hebei.

The Group is committed to diversify investment portfolio and set up extensive media platforms with comprehensive audience group, covering newspapers, magazines, LED internet, 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.

EVENTS ORGANIZED DURING THE YEAR

During 2013, the "2013 Beijing Auto Exhibition" hosted by BYDA and the Group was successfully held at the National Conference Centre of Beijing Olympic Park from 9 August to 12 August 2013. During the four-day exhibition period, the number of visitors reached a record high of 100,000 and 913 vehicles were sold. With the participation of approximately 20 famous international and domestic automobile producers, including BMW, Audi, Mercedes-Benz, FAW-Volkswagen, Shanghai Volkswagen, Dongfeng Peugeot, Beijing-Hyundai, Dongfeng-Nissan, GAC-Toyota and GAC Honda, the number of automobile model reached a historical high which in turn further deepened the image of such exhibition as a "true exhibition with valuable yield" from the perspective of consumers. The exhibition achieved outstanding performance in terms of the number of cars sold on site, number of potential customers, pedestrian flow and ticket sales.

In January 2013, the Company cooperated with the Municipal Government of Sanya and B.F industry (八方會展公司) to establish the cross-media cooperation organization named "The National Media Home" ("全國媒體之家") and organized the kick-off ceremony in Sanya. This provides a great opportunity for the Company to expand into the real estate advertising market in Hainan.

On 6 July 2013, leveraging on the strong influence of the brand of Beijing Media and our own marketing resources, the Company attempted to cultivate a professional sales platform for tourism industry and organized "Beijing Media Travel Exhibition" for the first time. Relying on its experience of operating Beijing Media Tourism Reader Club (北青遊友會讀者俱樂部) for three years, the event attracted 13 travel agencies, and 32 travel plans for both international and domestic destinations were sold out on site and a total of 95 products were sold on that day which demonstrated remarkable results.

Meanwhile, capitalising on its media strengths and integrating and consolidating its interal resources, the Group established a platform for communications between readers (consumers) and advertising customers (exhibitors). In 2013, Beijing Media organized a number of large-scale exhibitions including Real Estate Group Exhibition, known as "beautiful life beautiful home" and participated in Shanghai International Auto Exhibition, which effectively facilitated placement of advertisements by the respective industries.

PROSPECTS AND FUTURE PLANS

While maintaining its existing core businesses in 2014, 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 BYDA, in order to stand out from its peers as a leading cross-media group in the PRC.

In 2014, the Group will seize opportunities in the development of cultural industry and restructuring of non-current affairs type newspapers and periodicals in the PRC to push ahead with capital operations, aiming at a new move in business expansion.

In 2014, the Group will continue its acquisition of related assets and business of LEPA, a subsidiary of BYDA to further boost the development of advertisement business.

In 2014, the Group will continue to exploring emerging media business segment, on 27 February 2014, with approval from the Board, the Company will proposed to invest RMB60,000 thousand to form Beijing Qingyou Information Technology Company Limited (北京青游信息技術有限公司) and recruit senior technical management team to operate web game platform "Qingyou online". At the same time, relying on the media advantage and influence of the Group, a precise marketing advertising network service platform for different operations was established. The game platform at present has completed the online trail testing and is now under stable operation. It has around 200,000 users, it is expected to be the new profit growth point of the Group.

In 2014, the Group will base on Today Sunshine to accelerate the development of outdoor advertisement. With our headquarters in Beijing, we will extend our business all over the country with focus on channel development and outdoor advertisement in emerging media form. In March 2014, the Company and Today Sunshine successfully won the bid of outdoor single column billboards from Beijing Municipal Commission of City Administration and Environment for the operation right of multiple single column billboards in sections in East 4th Ring and East 5th Ring in Beijing, respectively.

In 2014, the Group will continue to expand the cultural industry market, setting foot on the film and television production operations. Based on the successful production of TV series "The Story of Zheng Yang Gate" (《正陽門下》) and film "Silent Witness" (《全民目擊》) which won good reputation and earned corresponding revenue, on 27 February 2014, with approval by the Board, the Group jointly invested and produced TV series "Henqiu" (《恨球》) with Evergrande Entertainment Co., Ltd and Guangdong Guangshi Media Co., Ltd. (a wholly-owned subsidiary of Guangdong Television, principally engaging in TV and film production). Currently, several satellite television stations have intented to purchase the broadcasting right; In addition, the Company has jointly invested and produced TV series "All Quiet in Peking" (《北平無戰事》) and "Starring Actor" (《頭牌》) with Beijing Spring Film TV Culture Co,.Ltd. and Taihai Pictures Co., Ltd, respectively, in order to get more profit opportunities.

FINANCIAL POSITION AND OPERATIONAL RESULTS

1. *Total Operating Revenue*

Total operating revenue of the Group for 2013 was RMB667,428 thousand (2012: RMB690,276 thousand), representing a decrease of 3.31% as compared with 2012. Of which, revenue from advertising sales was RMB339,805 thousand (2012: RMB361,299 thousand), representing a decrease of 5.95% as compared with 2012; revenue from printing was RMB22,330 thousand (2012: RMB47,147 thousand), representing a decrease of 52.64% as compared with 2012; and revenue from trading of print-related materials was RMB266,786 thousand (2012: RMB272,208 thousand), representing a decrease of 1.99% as compared with 2012.

RESULTS OF SUBSIDIARIES AND ASSOCIATES OF THE GROUP *(Continued)*

2. ***Operating Cost and Sales Tax and Surcharges***

   Operating cost of the Group for 2013 was RMB573,686 thousand (2012: RMB608,474 thousand), representing a decrease of 5.72% as compared with 2012. Of which, cost of advertising sales was RMB268,198 thousand (2012: RMB308,070 thousand), representing a decrease of 12.94% as compared with 2012; cost of printing was RMB17,320 thousand (2012: RMB42,212 thousand), representing a decrease of 58.97% as compared with 2012; and cost of trading of print-related materials was RMB251,790 thousand (2012: RMB257,642 thousand), representing a decrease of 2.27% as compared with 2012. Sales tax and surcharges was RMB13,087 thousand (2012: RMB23,678 thousand), representing a decrease of 44.73% as compared with 2012.

3. ***Gross Profit***

   Gross profit of the Group for 2013 was RMB93,742 thousand (2012: RMB81,802 thousand), representing an increase of 14.60% as compared with 2012; gross profit margin of the Group for 2013 was 14.05% (2012: 11.85%).

4. ***Selling Expenses***

   Selling Expenses of the Group for 2013 was RMB17,682 thousand (2012: RMB14,494 thousand), representing an increase of 22% as compared with 2012.

5. ***Administrative Expenses***

   Administrative expenses of the Group for 2013 was RMB56,797 thousand (2012: RMB50,362 thousand), representing an increase of 12.78% as compared with 2012.

6. ***Financial Expenses***

   Financial expenses of the Group for 2013 was RMB-23,417 thousand (2012: RMB-31,314 thousand), representing a decrease of 25.22% in absolute value as compared with 2012. Of which, interest income was RMB23,960 thousand (2012: RMB32,508 thousand), representing a decrease of 26.30% as compared with 2012; and foreign exchange gain was RMB108 thousand (2012: foreign exchange loss RMB510 thousand), representing an increase of 121.18% in absolute value as compared with 2012.

7. ***Share of Profit of Associates***

   Share of profit of associates of the Group for 2013 was RMB10,347 thousand (2012: RMB13,633 thousand), representing a decrease of 24.10% as compared with 2012.

8. ***Operating Profit***

   Operating profit of the Group for 2013 was RMB32,062 thousand (2012: RMB68,716 thousand), representing a decrease of 53.34% as compared with 2012.

9. ***Income Tax Expenses***

   Income tax expenses of the Group for 2013 was RMB2,174 thousand (2012: RMB6,778 thousand), representing a decrease of 67.93% as compared with 2012. 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 2013 was RMB17,273 thousand (2012: RMB63,459 thousand), representing a decrease of 72.78% as compared with 2012. Of which, net profit attributable to shareholders of the Company was RMB20,377 thousand (2012: RMB64,987 thousand), representing a decrease of 68.64% as compared with 2012.

RESULTS OF SUBSIDIARIES AND ASSOCIATES OF THE GROUP *(Continued)*

11. Final Dividend

The Board recommends the distribution of a final dividend of RMB0.14 per share (2012: RMB0.30 per share).

12. Net Current Assets

As at 31 December 2013, net current assets of the Group was RMB770,537 thousand (31 December 2012: RMB1,023,603 thousand). Current assets mainly comprised of bank balances and cash of RMB562,219 thousand (31 December 2012: RMB828,850 thousand), financial assets held for trading of RMB15 thousand (31 December 2012: RMB22 thousand), accounts receivable of RMB338,400 thousand (31 December 2012: RMB213,437 thousand), prepayments of RMB48,653 thousand (31 December 2012: RMB16,322 thousand), interest receivable of RMB4,780 thousand (31 December 2012: RMB7,355 thousand), other receivables of RMB36,847 thousand (31 December 2012: RMB80,705 thousand), inventories of RMB56,045 thousand (31 December 2012: RMB50,087 thousand), and other current assets was nil (31 December 2012: RMB150,600 thousand). Current liabilities mainly comprised of notes payable of RMB95,980 thousand (31 December 2012: RMB89,357 thousand), accounts payable of RMB120,771 thousand (31 December 2012: RMB108,530 thousand), receipts in advance of RMB37,676 thousand (31 December 2012: RMB21,660 thousand), employee benefit payables of RMB7,645 thousand (31 December 2012: RMB6,776 thousand), tax payable of RMB-14,494 thousand (31 December 2012: RMB-6,370 thousand), dividend payable was nil (31 December 2012: RMB398 thousand), other payables of RMB21,478 (31 December 2012: RMB92,215 thousand), non-current liabilities due within one year was nil (31 December 2012: RMB3,670 thousand), and other current liabilities of RMB7,366 thousand (31 December 2012: RMB7,539 thousand).

FINANCIAL RESOURCES AND LIQUIDITY

As at 31 December 2013, current assets of the Group was RMB1,046,959 thousand (31 December 2012: RMB1,347,378 thousand), including bank balances and cash of RMB562,219 thousand (31 December 2012: RMB828,850 thousand). Non-current assets of the Group was RMB565,560 thousand (31 December 2012: RMB338,447 thousand).

As at 31 December 2013, current liabilities of the Group was RMB276,422 thousand (31 December 2012: RMB323,775 thousand) and non-current liabilities was RMB2,583 thousand (31 December 2012: RMB3,616 thousand).

As at 31 December 2013, shareholders' equity of the Group was RMB1,333,514 thousand (31 December 2012: RMB1,358,434 thousand).

GEARING RATIO

As at 31 December 2013, gearing ratio of the Group was 20.92% (31 December 2012: 24.10%) (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 2013, bank loans of the Group was nil (31 December 2012: RMB3,670 thousand).

The currency unit of cash and cash equivalent held by the Group was RMB.

FINANCE COST

Finance cost of the Group for 2013 was RMB482 thousand (2012: RMB587 thousand).

FIVE-YEAR RESULTS HIGHLIGHTS

	For the year ended 31 December				
	2013	2012	2011	2010	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Restated)	*RMB'000* (Restated)
Total operating revenue	**667,428**	690,276	757,574	769,497	842,300
Net profit	**17,273**	63,459	122,713	100,298	149,233
Net profit attributable to shareholders of the Company	**20,377**	64,987	119,894	99,715	150,664
Earnings per share – basic and diluted (RMB)	**0.10**	0.33	0.61	0.51	0.76

	As at 31 December				
	2013	2012	2011	2010	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Restated)	*RMB'000* (Restated)
Total assets	**1,612,519**	1,685,825	1,667,463	1,743,426	1,750,615
Total liabilities	**279,005**	327,391	237,814	312,430	349,577
Equity attributable to shareholders of the Company	**1,302,238**	1,341,054	1,397,115	1,394,296	1,363,993
Shareholders' equity per share as at the end of the year (RMB)	**6.60**	6.80	7.08	7.07	6.96

Note: As the Group has adopted PRC Accounting Standards from 2011, the above financial information includes the data restated in accordance with PRC Accounting Standards before 2010. In 2011, the Company carried out a business combination under common control, and acquired 55% equity interests in Beijing Today Sunshine Advertising Co., Ltd, therefore, the above data, including years before 2010, have been restated according to requirements of PRC Accounting Standards.

USE OF PROCEEDS FROM THE LISTING

The Company raised a total net proceeds of HKD889,086 thousand from the initial global offering in 2004. The following table sets forth a breakdown of the proposed use of proceeds as disclosed in the prospectus and the subsequent announcement, and the actual use of proceeds as at 31 December 2013:

Proposed use of proceeds	**Amounts proposed** *HKD*	**Amounts used** *HKD*
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 726.575 million
General working capital of the Group	approximately 130 million	approximately 130 million

USE OF PROCEEDS FROM THE LISTING *(Continued)*

With approval from the Board, the Company jointly established Hebei Jujingcai E-Commerce Company Limited with Hebei Xinhua Bookstore Co., Ltd. on 27 September 2013 by way of utilization of proceeds of RMB 7.12 million (approximately HKD 8,978,000 equivalent), holding 44.5% equity interest.

With approval from the Board, the Company completed the capital injection by way at utilization of proceeds of RMB 95.60 million (approximately HKD 121,135,300 equivalent) into BQTM on 18 December 2013. After the capital injection, the shareholding of the Company in BQTM increased from 31.09% to 36.12%.

For the year ended 31 December 2013, the Company utilized the proceeds of approximately HKD 50 million to supplement the general working capital.

The proceeds utilized during the year was HKD180,113,300 in total. As at 31 December 2013, the balance of proceeds of the Company was HKD8,921,000.

SHARE 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%
Domestic Shares in issue (sub-total)	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 and intangible assets, of the Group for 2013 was RMB16,876 thousand (2012: RMB2,344 thousand). Capital expenditures of the Group for 2013 was mainly comprised of the expenditures consistent with business strategies.

CONTINGENT LIABILITIES AND PLEDGE OF ASSETS

As at 31 December 2013, the Group did not have any contingent liabilities, nor did it have any plans relating to contingent liabilities.

As at 31 December 2013, there was no pledge over the assets of the Group.

MATERIAL INVESTMENTS

On 28 February 2013, LEP Media (a wholly owned subsidiary of the Company), as a limited partner, entered into a limited partnership agreement with Beijing Runxin Bohua Investment Management Co., Ltd., Beijing Runxin Dingtai Assets Management Co., Ltd., Shannan Runxin Investment Management Centre (Limited Partnership) and other investors to form the Fund with the capital contribution of RMB50,000 thousand committed by LEP Media. Please refer to the announcement of the Company dated 28 February 2013 for details.

Save as disclosed above, during the year 2013, the Group had no material investment, nor any plan relating to material investment or acquisition of assets.

MATERIAL ACQUISITION AND DISPOSAL OF ASSETS

The Company entered into a capital increase agreement with Beiyang Media, Hebei Publishing & Media Group Co. Ltd. and Hebei Jikang Investment Co. Ltd. on 21 June 2013, pursuant to which the Company agreed to invest into Beiyang Media in the amount of RMB55,000 thousand in cash. Upon capital injection, the Company's shareholding in Beiyang Media increased from 1.5% to 2.58%. The capital injection will be further used in the expansion of the business in Hebei Province and will generate more returns for the Company through Beiyang Media when it becomes more profitable in the future. Please refer to the announcement of the Company dated 21 June 2013 for details.

On 12 December 2013, the Company entered into a capital increase agreement with BQTM and other shareholders of BQTM, pursuant to which the Company has agreed to make the capital contribution to BQTM in the amount of RMB95,600 thousand in cash. The equity interest of the Company in BQTM will increase from 31.09% to 36.12% accordingly. The Company is of the view that the capital increase will generate higher returns to the Group in future, should BQTM become more profitable in future. For more details, please refer to the announcement of the Company dated 12 December 2013.

Save as disclosed above, during the year 2013, the Group had no material acquisition or disposal of assets.

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, 56, is the chairman of the Board and an executive Director. Mr. Zhang is currently the president of the BYDA. He graduated in 1988 from 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 33 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 became a member of Beijing Municipal Committee of the CPPCC since 21 January 2013. Mr. Zhang was appointed as a Director on 16 May 2001.

Mr. Yu Haibo, 41, is the president, the vice chairman of the Board and an executive Director. Mr. Yu obtained his bachelor's degree and master's degree of journalism from Renmin University of China in July 1993 and June 1996, respectively. Since 1 December 2009, Mr. Yu had been granted the technical position of news senior editor. From July 1996 to June 2000, Mr. Yu had served as an editor of the General Editorial Department of Guangming Daily Agency and had been appointed as the chief editor of the second session of Guangming Daily Agency from June 2000 to September 2006. From September 2006 to May 2009, Mr. Yu had served as the chief editor of the News Planning Department of Guangming Daily Agency. Mr. Yu had served as the Deputy Director of the News Planning Department of Guangming Daily Agency from May 2009 to January 2010 and from January 2011 to August 2011, and had served in the News Coordination Group of Central Propaganda Department of PRC from January 2010 to January 2011. From August 2011 to June 2012, Mr. Yu had served as the Vice General Editor of Beijing Daily Group. Since June 2012, Mr. Yu has served as the Deputy Secretary of Party Committee and the General Editor of BYDA. Mr. Yu was appointed as a Director on 21 December 2012.

Mr. Sun Wei, 60, is an executive Director and a senior editor. 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 the president of the Company from 15 September 2004 to 7 March 2014. Mr. Sun was appointed as a Director on 23 August 2004.

Ms. He Xiaona, 51, is the executive vice president and an executive Director. Ms. He graduated from Tsinghua University majoring in publishing in 2003. Joining BYDA in 1988, Ms. He has once served as a chief of editorial department of Y Weekend, chief editor of life magazine, and started working in BYDA administrative system since 2004, and served as office manager, an assistant to the president and the vice president of BYDA. Ms. He was appointed as a Director on 15 May 2012.

NON-EXECUTIVE DIRECTORS

Mr. Li Shiheng, 54, is a vice chairman and a 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 Director of the Company on 7 June 2010.

Mr. Liu Han, 55, 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 degree 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 reporter, 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.

Ms. Wu Peihua, 53, is a non-executive Director and is a member of the Party Committee of BYDA and the Chairman of China Open Promotion Company Limited (中國網球公開賽體育推廣有限公司). 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 was also been the president of Legal Evening Post Agency from 2005 to February 2014. Ms. Wu has been the chairman of China Open Promotion Company Limited since August 2012. Ms. Wu was appointed as a Director of the Company on 7 June 2010.

Mr. Li Xiaobing, 44, is a non-executive Director. Mr. Li obtained an Executive Master degree of Business Administration from Tsinghua University in 2007. From 1996 to 2003, Mr. Li served as a vice secretary and a secretary to Commission of Communist Youth League in Daxing District Beijing. From August to December in 2003, Mr. Li served as a vice secretary to Publicity Department of Daxing District Committee in Beijing of Communist Party of China (中國共產黨北京大興區委宣傳部). From January to August in 2004, Mr. Li served as a director of Volunteer Service Instructing Center of the Communist Youth League Beijing Municipal Committee (共青團北京市志願服務指導中心). Since September 2004, Mr. Li has served as a vice president of BYDA, and since December 2011, he has served as a standing vice president of BYDA. Mr. Li was appointed as a Director on 15 May 2012.

Mr. Xu Xun, 58, 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, and as the director of Sinolink Securities Co., Ltd. (Stock Code: 600109), a listed company of A Shares in November 2011. Mr. Xu was appointed as a Director on 16 May 2001.

NON-EXECUTIVE DIRECTORS *(Continued)*

Mr. Li Yigeng, 51, 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 Director on 16 June 2009.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Song Jianwu, 50, is an independent non-executive Director. Mr. Song graduated from the School of Journalism of Renmin University of China (中國人民大學) in 1984 and obtained a doctor's degree in 2005. Mr. Song currently serves as a professor, a PhD supervisor in China University of Political Science and Law. Mr. Song has also served as a chief editor of Cultural Industry Guide (《文化產業導刊》) magazine since 2010, as an independent director of Zhejiang Daily Media Group Co., Ltd. (浙報傳媒集團股份有限公司) and Hunan Happigo Co. Ltd. (湖南快樂購物股份有限公司), respectively, since 2011, as an independent director of Shanghai Eastnet Print Enterprise Management Co., Ltd. (上海東方網股份有限公司) since 2012, and as an independent director of Xiao Hong Mao Corporations (小紅帽發行股份有限公司) since 2004, and as a consultant in several newspaper groups. Mr. Song was appointed as a Director on 15 May 2012.

Mr. Cui Baoguo, 51, is an independent non-executive Director. Mr. Cui obtained a bachelor's degree of Art from Nanjing Normal University (南京師範大學) in 1984 and he studied in Japan afterwards and obtained a master's degree of Information Science in 1995 and a doctor's degree of Information Science in 1998 from Tohoku University, Japan (日本東北大學). Mr. Cui joined Tsinghua University in 2000 and has served as a professor in School of Journalism and Communication of Tsinghua University since 2001, as a director and a PhD supervisor of Media Marketing and Management Research Center (媒介經營與管理研究中心) of Tsinghua University since 2002, has served as a vice dean of School of Journalism and Communication of Tsinghua University since 2009. Mr. Cui was appointed as a Director on 15 May 2012.

Mr. Wu Tak Lung, 48, is an independent non-executive Director. Mr. Wu is a member of Hong Kong Institute of Certified Public Accountants and Hong Kong Securities Institute, a fellow member of the Association of Chartered Certified Accountants, the Taxation Institute of Hong Kong and the Hong Kong Institute of Chartered Secretaries. Mr. Wu was awarded the bachelor degree of business administration in Accounting by the Hong Kong Baptist University and the master degree of business administration in Finance jointly awarded by the University of Manchester and the University of Wales. Mr. Wu has worked in an international accounting firm Deloitte Touche Tohmatsu for five years, and was then employed by several listed and private companies in Hong Kong as head of corporate finance and/or executive director. Mr. Wu currently served as an independent non-executive director of China Machinery Engineering Corporation and Aupu Group Holding Company Limited, both of which are companies listed on the Hong Kong Stock Exchange, and Valuetronics Holdings Limited, a company listed on Singapore Stock Exchange and First Tractor Company Limited, a company listed on both the Hong Kong Stock Exchange and Shanghai Stock Exchange. Mr. Wu once served as the independent non-executive director of China Water Industry Group Limited, Neo-Neon Holdings Limited and iMerchants Limited, all of which are companies listed on Hong Kong Stock Exchange. Mr. Wu currently is the member of the committee of Jiangsu Provincial People's Political Consultative Conference, Honorary Member of the Court of Hong Kong Baptist University, the Honorary Chairman of the North Kwai Chung Scout Association and the standing committee member of Zhaoqing and Shaoguan Youth Association. Mr. Wu was appointed as a Director on 15 May 2013.

INDEPENDENT NON-EXECUTIVE DIRECTORS *(Continued)*

Mr. Cui Enqing, 70, is an independent non-executive Director. Mr. Cui is a senior economist. Mr. Cui graduated from the School of Economics in Peking University (one-year advanced course) in 1975 and graduated from Training School of Beijing Communist Party Committee with a college degree of Economics and Management in 1991. Mr. Cui had worked in Communist Party Committee of Shijing Shan District in Beijing and had served as the deputy office head of district committee and the secretary of the youth league district committee, during 1965 to 1983. From 1983 to 1996, Mr. Cui served as the president of Beijing Youth Daily Agency for 13 years, and also served as deputy chairman and the manager of its operation and management committee of China Youth Newspaper Association (中國青年報刊協會). Mr. Cui also served as a part-time professor of school of journalism and communication of Renmin University of China. From 1998 to 2004, Mr. Cui served as the deputy secretary of Party Committee of Beijing Literary Federation (北京市文聯) and the standing deputy chairman and general secretary of Beijing Lao She Arts Foundation (北京老舍文藝基金會). In 2000, Mr. Cui established Beijing Star Daily (北京娛樂信報) and served as the president until 2004. Mr. Cui was appointed as a Director on 15 May 2013.

Mr. Chen Ji, 62, is an independent non-executive Director. Mr. Chen graduated from Beijing Normal University majoring in Chinese Language in 1976 and graduated from Beijing Administrative College with a postgraduate degree of economics and management in 1999. Mr. Chen, having over 40 years work experiences, is a senior economist. From March 1981 to 1983, Mr. Chen successively served as a reporter, head of school team, and director of supplement department of Beijing Youth Daily Agency. Mr. Chen served as the deputy chief editor of Beijing Youth Daily Agency in 1983 and served as the chief editor of Beijing Youth Daily Agency in 1988. Mr. Chen had served as the deputy general manager of Beijing North Star Industrial Group Company (北京北辰實業集團公司) and held a concurrent position as the general legal counsel since 1995. Since 1997, he served as the deputy general manager (July 1997-June 2000) and executive director (July 1997-June 2000, June 2005-31 May 2012) of Beijing North Star Company Limited (a company listed on Hong Kong Stock Exchange and Shanghai Stock Exchange). Mr. Chen was appointed as a Director on 15 May 2013.

SUPERVISORS

Mr. Tian Kewu, 44, 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 Laws, 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. Tian was appointed as a Supervisor on 23 August 2007.

SUPERVISORS *(Continued)*

Mr. Zhang Chuanshui, 62, 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. Mr. Zhang was appointed as a Supervisor on 7 June 2010.

Mr. Zhao Meng, 39, is currently the deputy manager of the department of enterprise development of China Satellite Communications Co. Ltd.. Mr. Zhao graduated from Shandong University with a bachelor degree of Electronics Engineering in 1998 and graduated from University of International Business and Economics with a master degree of Business Administration in 2006. From 1998 to 1999, Mr. Zhao served as the project manager of Shandong Post And Telecom Engineering Co. Ltd.. From 1999 to 2004, Mr. Zhao served as the project manager of Shandong Mobile Communication Engineering Department. From 2006 to 2007, Mr. Zhao served as the strategy and planning manager of the department of enterprise development of China Satellite Communication Co. Ltd.. From 2008 to March 2009, Mr. Zhao served as the head of the department of strategy development of China Direct Broadcast Satellite Co., Ltd.. Since March 2009, Mr. Zhao has served as the deputy manager of the department of enterprise development of China Satellite Communications Co. Ltd.. Mr. Zhao was appointed as a Supervisor on 15 May 2013.

Ms. Yan Mengmeng, 50, 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. Ms. Yan was appointed as a Supervisor on 7 June 2010.

Ms. Ma Chundan, 42, is the manager of the internal audit department of the Company and the deputy chairman of the Labor Union of the Company. Ms. Ma graduated from Liaoning Normal University with a postgraduate diploma majoring in law. She is an accountant, certified public accountant of the PRC and certified international internal auditor. She successively served in Bureau of Sports of Jinzhou City, Liaoning Province, Hengda Certified Public Accountant Limited Company, Jingdu Tax Agent Co., Ltd. and etc.. Ms. Ma joined the Company in 2006, and has served as the manager of the internal audit department of the Company since May 2007. Ms. Ma was appointed as a Supervisor on 15 March 2013, and effective on 15 May 2013.

SENIOR MANAGEMENT

Mr. He Pingping, 59, 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 Beijing Youth Service Center. Mr. He then became the deputy chief editor and vice president of Beijing Youth Audio-visual Press in February 1991. He joined 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.

SENIOR MANAGEMENT *(Continued)*

Mr. Du Min, 46, 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, graduated from Wuhan University in 2013 with a doctoral degree and is currently a part-time professor at Hunan Institute of Science and Technology. Mr. Du 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 appointed as the executive vice president of the Company in October 2004.

Mr. Duan Gang, 46, is the vice president of the Company. Mr. Duan graduated from the Guanghua School of Management of Peking University 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 reporter of news department, 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 and director of editorial department of Sports Weekly, director of the economic news editorial department and director of editorial department of Securities Weekly, editor-in-chief of financial section and, a director and general manager of BYD Logistics Company Limited. Mr. Duan was appointed as the vice president of the Company on 13 December 2011.

Mr. Peng Liang, 41, 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 was also the PRC Certified Public Accountant, the PRC Certified Tax Agent and the PRC Certified Public Valuer. Mr. Peng served as the manager of the financial department of a subsidiary of Datang Telecom Technology Co. Ltd. from July 1999 to December 2004. 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, 52, is the vice president of the Company, the joint company secretary and the secretary to the Board. Mr. Shang graduated from Capital University of Economics and Business with a bachelor degree majoring in trade and economics in 1987. Mr. Shang studied master degree majoring in finance in Renmin University of China before he joined BYDA in 1999, and he served as the secretary to the Board since 28 May 2001. Mr. Shang was appointed as the vice president of the Company on 13 December 2011 and joint company secretary on 19 March 2012, respectively. Mr. Shang has also been an associate member of HKICS since 2005.

The Board is pleased to present the annual report and audited consolidated financial statements for the year ended 31 December 2013.

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 HKD18.95 per share.

The highest and lowest trading prices of the Company's H Shares per share were HKD5.6 and HKD4.1 respectively for the year ended 31 December 2013. On 31 December 2013, there was no H Share trading volume and the closing price was HKD4.83 per share.

ACCOUNTS

Financial position of the Group as at 31 December 2013 are set out on pages 56 to 57 of the consolidated balance sheet.

Results of the Group for the year ended 31 December 2013 are set out on page 58 of the consolidated income statement.

Cash flows of the Group for the year ended 31 December 2013 are set out on pages 59 to 60 of consolidated cash flow statement.

Changes in equity of the Group for the year ended 31 December 2013 are set out on page 61 of the consolidated statement of changes in shareholders' equity.

The Board proposed a final dividend of RMB0.14 per ordinary share to the shareholders on the register of members on Wednesday, 28 May 2014, amounting to RMB27,623.40 thousand.

PRINCIPAL BUSINESS

The Group is principally engaged in the sales of advertising space, production of newspapers, printing and trading of print-related materials. Details of the business 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 2013 was approximately RMB667,428 thousand. Net profit attributable to shareholders of the Company was approximately RMB20,377 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, 24 March 2014 to propose a resolution recommending distribution of final dividend of RMB0.14 per share (tax inclusive) in an aggregate amount of approximately RMB27,623.40 thousand for the year ended 31 December 2013. If the profit distribution proposal is approved by the shareholders in the annual general meeting of 2013 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 Wednesday, 28 May 2014.

MAJOR SUPPLIERS AND CUSTOMERS

For the year ended 31 December 2013, the total purchase by the Group from its five largest suppliers was RMB156,318 thousand (2012: RMB267,316 thousand), accounting for 28.10% of its total purchase for the year of 2013 (2012: 43.89%); and the purchase from the largest supplier was RMB44,496 thousand (2012: RMB73,644 thousand), accounting for 8% of its total purchase for the year of 2013 (2012: 12.09%).

For the year ended 31 December 2013, the total sales by the Group to its five largest customers was RMB164,770 thousand (2012: RMB147,373 thousand), accounting for 24.69% of its total sales for the year of 2013 (2012: 21.35%); and the amount of sales to the largest customer was RMB42,955 thousand (2012: RMB38,229 thousand), accounting for 6.44% of its total sales for the year of 2013 (2012: 5.54%).

For the year ended 31 December 2013, the purchase by the Group from BYD was RMB44,496 thousand. Besides, as far as the Directors are aware, none of the Directors, their associates or shareholders who are interested in more than 5% of the Company'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 2013, the subsidiaries of the Company include BYD Logistics, Beiqing Long Teng, Beiqing CéCi, LEP Media, Beiqing Community Media, Today Sunshine and Chongqing Media.

As at 31 December 2013, the associates of the Company include BQTM, Beiqing Top, Beijing Leisure Trend Advertising Company Limited, Beijing Beiqing Shengda Automobile Service Company Limited, Beijing Beisheng United Insurance Agency Co., Ltd., BY Time Consulting Co., Ltd., Hebei Jujingcai E-commerce Company Limited.

For details of principal subsidiaries, jointly-controlled entities and associates of the Company, please refer to note VII.1 and VIII.10 to the financial statements in this annual report.

PROFIT DISTRIBUTION

For details of profit distribution, please refer to note VIII.36 to the financial statements in this annual report.

SHAREHOLDERS' EQUITY

The changes in shareholders' equity during the year of 2013 are set out on page 61 of the consolidated statement of changes in shareholders' equity in this annual report.

RESERVES

The change in reserve is set out in the consolidated statement of changes in shareholders' equity on page 61 of this annual report.

According to applicable PRC Company Laws and the Articles of Association of the Company, reserves consist of capital reserves, surplus reserves and undistributed profits.

FIXED ASSETS

The movements in investment properties and fixed assets during the year are set out in note VIII.11 and VIII.12 to the financial statements in this annual report, respectively.

SHARE CAPITAL, SHARE CAPITAL STRUCTURE AND NUMBER OF SHAREHOLDERS

As at 31 December 2013, 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.

Class of Shares	Number of Issued Shares	Percentage	Shareholders*
Domestic shares	142,409,000	72.18%	5
H Shares	54,901,000	27.82%	398
Total	197,310,000	100%	403

* The above mentioned percentage figures are based on the records in the Company's register of members as at 31 December 2013.

Changes in Company's share capital for the year are set out in note VIII.24 to the financial statements.

PUBLIC FLOAT

Based on the public information 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 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 2013, so far as the Directors, the supervisors and chief executive of the Company are aware, according to the register of interests and/or short positions in shares required to be kept pursuant to Section 336 of Part XV of the Securities and Futures Ordinance (the "SFO"), the persons in the following table had an interest and/or short position in the shares or underlying shares of the Company:

Name	Class of Shares	Nature of Interest	Number of Shares Held	% of Class Issued Share Capital	% of Total Share Capital
Beijing Youth Daily Agency	Domestic	N/A	124,839,974	87.66	63.27
Beijing Zhijin Science and Technology Investment Co., Ltd.	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 best knowledge of the Directors, Supervisors and chief executive of the Company, as at 31 December 2013, there was no other person with interests and/or short positions in shares or underlying shares of the Company which would fall to be recorded under section 336 of the SFO.

ULTIMATE CONTROLLING SHAREHOLDER

BYDA is the ultimate controlling shareholder of the Company. As at 31 December 2013, 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 "Directors, Supervisors and Senior Management" and "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 no more than 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 management of the overall business or the material part of the business of the Company.

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, SUPERVISORS AND SENIOR MANAGEMENT

Details of the emoluments of Directors, Supervisors and Senior Management are set out in note VIII.34 to the financial statements.

During the reporting period, there was no arrangement that 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 2013, 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 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 2013, 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

Ms. Ma Chundan was appointed as the employee representative supervisor after democratic election by the meeting of the employee representatives of the Company on 15 March 2013, and the appointment was effective from 15 May 2013.

On 15 May 2013, Mr. He Daguang and Mr. Zhou Fumin retired from their positions as the Supervisors of the Company, and Mr. Tsang Hing Lun, Mr. Wu Changqi and Mr. Liao Li retired from their positions as independent non-executive Directors. Upon approval on the annual general meeting on the same date, Mr. Wu Tak Lung, Mr. Cui Enqing and Mr. Chen Ji were appointed as independent non-executive Directors, and Mr. Zhao Meng was appointed as the Company's supervisor.

Save as disclosed above, there was no change in the members of the Board and the Supervisory Committee during the reporting period.

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 of the Company 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 2013 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

As at 31 December 2013, the bank borrowings of the Group was nil.

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.

   During the reporting period, no decision was made by the Directors (including the independent non-executive Directors) to exercise the option and/or pre-emptive right.

CONNECTED TRANSACTIONS *(Continued)*

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

2. ***Mutual Property Tenancy Agreement***

   The Company entered into the Mutual Property Tenancy Agreement with BYDA on 31 October 2012 for a term of three years from 1 January 2013 to 31 December 2015. Each party under the Mutual Property Tenancy Agreement was granted the right to extend their tenancies by giving two months' written notice to the counterparty before the expiration. Pursuant to the Mutual Property Tenancy Agreement, the Parent agreed to lease from the Company the whole of 8th, 19th and 23rd floors of the Beijing Youth Daily Agency Building amounting to a total floor area of 2,340 square meters; whereas the Company agreed to lease from the Parent the whole of 7th floor of the Beijing Youth Daily Agency Building amounting to a total floor area of 830 square meters. The annual rental of RMB3,843,450 payable by the parent company and the annual rental of RMB1,363,275 payable by the Company throughout the tenancy period are calculated based on a daily rental of RMB4.50 per square meter. The details are set out in the Company's announcement dated 31 October 2012.

   BYDA is 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 rental payable by the Parent to the Company was RMB3,843,450. The actual rental received by the Company was RMB3,843,450. The annual cap for rental payable by the Company to the Parent was RMB1,363,275. The actual rental received by the Parent was RMB1,363,275.

3. ***Distribution Services Framework Agreement***

   The Company entered into the Distribution Services Framework Agreement with BYDA on 31 October 2012 for a term of three years from 1 January 2013 to 31 December 2015, pursuant to which BYDA and its subsidiaries were engaged by the Company to distribute its direct mail advertisements and its wrap-around advertisements to the subscribers of Beijing Youth Daily. The distribution fee for the direct mail advertisement should be RMB0.08 per page, and the distribution fee for the wrap-around advertisements shall be determined according to the market conditions, but in any event shall fall within the range of RMB0.08 and RMB0.50 per page. The distribution fee shall be payable by the Company on a monthly basis. The pricing mechanism under the Distribution Services Framework Agreement is comparable to the fees charged by the PRC public postal services. The details are set out in the Company's announcement dated 31 October 2012.

   The Parent is 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 fees payable by the Company to BYDA and its subsidiaries was RMB9,000,000, and the actual amount paid was RMB2,512,021.07.

4. ***Advertising Agency Framework Agreement***

   The Company and LEPA entered into the Advertising Agency Framework Agreement on 27 February 2013 for a term from 27 February 2013 until 31 December 2015, pursuant to which, (i) LEPA shall authorize the Group to act as its advertising agent to sell advertising space in the Legal Evening Post; and (ii) the Company shall authorize the LEPA to act as its advertising agent to sell advertising space in the Beijing Youth Daily.

CONNECTED TRANSACTIONS *(Continued)*

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

4. *Advertising Agency Framework Agreement* *(Continued)*

Under the Advertising Agency Framework Agreement, the price shall be determined in accordance with the following pricing principles:

a) state-prescribed price;

b) where there is no state-prescribed price, then according to relevant market price by reference to the market practice in the advertising industry; and

c) where there is no state-prescribed price or relevant market price, then the contract price agreed by the Company and LEPA, which shall be no less favourable to the Company than those available from independent third parties as well as no more favourable to LEPA than those provided by the Company to independent third parties. The contract price shall be determined through arm's length negotiations between the Company and LEPA according to unit price set out in the standard advertising price lists of the Company and LEPA (subject to applicable discounts), actual placement quantity, size and other factors.

The details are set out in the Company's announcements dated 27 February 2013.

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

During the reporting period, the annual cap of advertising placement fee payable by LEPA to the Company was RMB32,000,000 and the actual amount paid was RMB25,985,757.37. The annual cap of advertising placement fee payable by the Company to LEPA was RMB32,000,000 and the actual amount paid was RMB464,435.84.

5. *Beijing Media Advertising Business Agreement*

The Company and BYDA entered into an agreement in relation to the exclusive right to sell the advertising space and the call option of certain business granted by the Parent ("Beijing Media Advertising Business Agreement") and the supplemental agreement 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 of 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 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 31 October 2012, the Company renewed the annual caps of the transactions for the three years ending 31 December 2015. The details are set out in the Company's announcement dated 31 October 2012.

BYDA is 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 fees payable by the Company to the Parent was RMB100,000,000, and the actual fees paid were RMB44,496,184.82.

CONNECTED TRANSACTIONS *(Continued)*

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

6. Printing Framework Agreement

On 31 October 2012, BYD Logistics and BYDA entered into a printing framework agreement for a term of three years from 1 January 2013 to 31 December 2015, pursuant to which BYD Logistics has agreed to provide printing services and printing materials to the Parent in respect of the relevant newspapers and magazines of the Parent (excluding Beijing Youth Daily) and other newspapers and magazines of the Parent which may be introduced by it from time to time.The consideration for the transactions contemplated under the Printing Framework Agreement (i) shall be settled by the Parent from its internal resources by cash in a lump sum or by installments according to the specific and separate implementation agreements; (ii) shall be conducted on normal commercial terms, being on terms which a party could obtain if the transactions were on arm's length basis and on terms no less favorable to BYD Logistics than terms available from third parties for providing such services; and (iii) shall be calculated based on the actual volume of the newsprint printed and the quality of the printing services and printing materials. The details are set out in the Company's announcement dated 31 October 2012.

BYDA is 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 fees payable by the parent company to BYD Logistics was RMB100,000,000, and the actual fees paid were RMB9,115,435.72.

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 2 to 6, 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, for the Group, on terms not less favourable than those to or from independent third parties; and (C) based on agreements regulating relevant 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 "No.3101 of the Chinese Institute of Certified Public Accountants other verifying business standards – verifying businesses other than the audit or review of historical financial information" issued by Ministry of Finance of the PRC 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 that constitutes a disclosable 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 2013, 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% of the employees' basic salaries for the year ended 31 December 2013 (2012: 20%), which is subject to certain cap as stipulated by the relevant local government. Under this scheme, the Group has no obligation for other retirement benefit beyond the annual contributions.

STAFF

As at 31 December 2013, the Group had a total of 357 staff (31 December 2012: 302). The increase in the number of the staff as compared with 2012 was mainly due to the reasonable growth of the normal business needs of the Company. For the 12 months ended 31 December 2013, the Group's employee remuneration amounted to RMB52,493 thousand. The staff remuneration and benefits of the Group are both determined by reference to market rates, national policies and individual performance. The Group actively encouraged the self-development of the employees, and carried out extensive staff training activities. In 2013, the Group carried out a number of trainings on connected transactions, and also conducted various trainings in respect of marketing, financial system and administrative management system, lecture on financial knowledge and wealth, etc..

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 remunerations 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 remunerations of non-executive Directors, independent non-executive Directors and Supervisors of the Company were 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 responsibilities 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 amount 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 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, among which 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 15 May 2013 that ShineWing Certified Public Accountants (Special General Partnership) was appointed as the auditor of the Company for the year 2013, 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 2013 prepared in accordance with the PRC GAAP were audited by ShineWing Certified Public Accountants (Special General Partnership), 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

24 March 2014
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 corporate governance documents of the Company include 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 the requirements of code provisions set out in the Code on Corporate Governance and Corporate Governance Report (hereinafter Code on Corporate Governance) under Appendix 14 to the Listing Rules.

2 CORPORATE GOVERNANCE CODE AND CORPORATE GOVERNANCE REPORT

The Company has been in full compliance with the code provisions set out in the Code on Corporate Governance and Corporate Governance Report under Appendix 14 to the Listing Rules for the year ended 31 December 2013.

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 2013.

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	56	Chairman	15 May 2013 to the annual general meeting of the Company for 2015	Yes
Yu Haibo	M	41	Vice Chairman	15 May 2013 to the annual general meeting of the Company for 2015	Yes
Sun Wei[1]	M	60	President	15 May 2013 to the annual general meeting of the Company for 2015	Yes
He Xiaona	F	51	Executive vice president	15 May 2013 to the annual general meeting of the Company for 2015	Yes
Non-executive Directors					
Li Shiheng	M	54	Vice Chairman	15 May 2013 to the annual general meeting of the Company for 2015	Yes
Liu Han	M	55		15 May 2013 to the annual general meeting of the Company for 2015	Yes
Wu Peihua	F	53		15 May 2013 to the annual general meeting of the Company for 2015	Yes
Li Xiaobing	M	44		15 May 2013 to the annual general meeting of the Company for 2015	Yes
Xu Xun	M	58		15 May 2013 to the annual general meeting of the Company for 2015	Yes
Li Yigeng	M	51		15 May 2013 to the annual general meeting of the Company for 2015	No
Independent Non-Executive Directors					
Wu Tak Lung[2]	M	48		15 May 2013 to the annual general meeting of the Company for 2015	Yes
Cui Enqing[2]	M	70		15 May 2013 to the annual general meeting of the Company for 2015	Yes
Chen Ji[2]	M	62		15 May 2013 to the annual general meeting of the Company for 2015	Yes
Cui Baoguo	M	51		15 May 2013 to the annual general meeting of the Company for 2015	Yes
Song Jianwu	M	50		15 May 2013 to the annual general meeting of the Company for 2015	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. Sun Wei will cease to be the executive Director of the Company with effect from the date of the 2013 annual general meeting as he reached the retirement age. The Board of the Company nominated Mr. Wang Lin as a non-executive Director of the Company on 7 March 2014 subject to approval of shareholders at the annual general meeting. The details are set out in the Company's announcement dated 7 March 2014.

2 Mr. Tsang Hing Lun, Mr. Wu Changqi and Mr. Liao Li retired as the Company's Directors on 15 May 2013. On the annual general meeting held on 15 May 2013, the resolutions in respect of the appointment of Mr. Wu Tak Lung, Mr. Cui Enqing and Mr. Chen Ji as independent non-executive directors were approved by the Company's shareholders. The details are set out in the Company's announcement dated 15 May 2013.

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 structure of the Company;
- appointment, replacement and recommendation on the shareholder's representatives, directors or supervisors to subsidiaries or associated companies of the Company.

4 THE BOARD *(Continued)*

A total of thirteen Board meetings were convened during the year of 2013, 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	13	–
Yu Haibo	13	–
Sun Wei	13	–
He Xiaona	13	–
Non-executive Directors		
Li Shiheng	10	3
Liu Han	13	–
Wu Peihua	13	–
Li Xiaobing	13	–
Xu Xun	13	–
Li Yigeng	12	1
Independent Non-executive Directors		
Tsang Hing Lun [1]	5	–
Wu Changqi [1]	4	1
Liao Li [1]	4	1
Song Jianwu	13	–
Cui Baoguo	13	–
Wu Tak Lung[1]	8	–
Cui Enqing[1]	7	1
Chen Ji[1]	7	1

During the reporting period, 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 three independent non-executive Directors on board, with Rule 3.10A of the Listing Rules, which requires independent non-executive directors to represent at least one-third of the 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.

Notes:

1 Mr. Tsang Hing Lun, Mr. Wu Changqi and Mr. Liao Li retired as the Company's Directors on 15 May 2013. The resolution regarding the appointment of Mr. Wu Tak Lung, Mr. Cui Enqing and Mr. Chen Ji as independent non-executive Directors of the Company was considered and passed by the shareholders of the Company at the annual general meeting dated 15 May 2013. The details are set out in the Company's announcement dated 15 May 2013.

4 THE BOARD *(Continued)*

During the report period, all Directors actively participated in continuing professional development and attended the professional training courses provided by the Company to develop and update their knowledge and skills, in order to ensure they contribute to the Board with comprehensive information under appropriate situation.

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 in the Company.

A total of one general meeting of the Company were convened during the year of 2013, and the attendance rate of individual directors at the general meetings is as follows:

	Attendance in person *(times)*	**Attendance by proxy** *(times)*
Executive Directors		
Zhang Yanping	1	–
Yu Haibo	1	–
Sun Wei	1	–
He Xiaona	1	–
Non-executive Directors		
Li Shiheng	1	–
Liu Han	1	–
Wu Peihua	1	–
Li Xiaobing	–	–
Xu Xun	1	–
Li Yigeng	1	–
Independent Non-executive Directors		
Tsang Hing Lun [1]	1	–
Wu Changqi [1]	–	–
Liao Li [1]	1	–
Song Jianwu	1	–
Cui Baoguo	1	–
Wu Tak Lung [1]	1	–
Cui Enqing [1]	1	–
Chen Ji [1]	1	–

Notes:

1 Mr. Tsang Hing Lun, Mr. Wu Changqi and Mr. Liao Li retired as the Company's Directors on 15 May 2013. The resolutions regarding the appointment of Mr. Wu Tak Lung, Mr. Cui Enqing and Mr. Chen Ji as independent non-executive Directors of the Company was considered and passed by the shareholders of the Company at the annual general meeting dated 15 May 2013. The details are set out in the Company's announcement dated 15 May 2013.

5 CHAIRMAN AND PRESIDENT

During the reporting period, the posts of Chairman and President of Beijing Media are assumed by Mr. Zhang Yanping and Mr. Sun Wei, respectively. On 7 March 2014, the Board of the Company considered and approved the appointment of Mr. Yu Haibo as President, as substitute for Mr. Sun Wei.

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 two independent non-executive Directors and one executive director. The Remuneration Committee was chaired by Mr. Cui Baoguo with Mr. Yu Haibo and Mr. Cui Enqing 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.34 to the financial statements.

7 REMUNERATION COMMITTEE *(Continued)*

The principal duties of the Remuneration Committee include but not limited to:

- 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 advise the Board on the remuneration packages of individual executive directors and senior management;
- to advise the Board on the remuneration of non-executive directors;
- to review and approve the management's remuneration proposals with reference to the corporate goals and objectives established by the Board;
- to review and approve compensation arrangements relating to dismissal or removal of directors for misconduct or any compensation payable to executive directors and senior management in connection with any loss or termination of their office or appointment;
- to ensure the Board to review its performance on a regular basis;
- to ensure that the Directors or any of their associates are not involved in the determination of their own remuneration.

A total of two meetings of the Remuneration Committee were convened during 2013, 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	1	–
Tsang Hing Lun	1	–
Liao Li	1	–
Cui Baoguo [1]	1	–
Yu Haibo [1]	1	–
Cui Enqing [1]	1	–

Notes 1:

Upon approval at the Board meeting held on 15 May 2013, the fifth Remuneration Committee of the Board comprises of Mr. Cui Baoguo, Mr. Yu Haibo and Mr. Cui Enqing and is chaired by Mr. Cui Baoguo. The details are set out in the Company's announcement dated 15 May 2013.

The Remuneration Committee of the Company held a meeting on 23 January 2013. At the meeting, the year-end bonus for executive Directors was considered and passed.

Remuneration Committee of the Company held a meeting on 15 May 2013, considered and approved the remunerations of Chairman, vice Chairman and executive director, executive director (except for the chairman and vice chairman), and annual service remunerations of non-executive Director (excluding Mr. Li Yigeng) and independent non-executive Director.

8 NOMINATION COMMITTEE

The Board has 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. Song Jianwu and Mr. Cui Baoguo as members.

The principal duties of the Nomination Committee include but not limited to:

(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 formulate criteria, procedures and methods for screening candidates for Directors and senior management of the Company and its investees and make recommendations to the Board.

A total of one meeting of the Nomination Committee was convened during 2013, and the attendance rate of individual members at the meeting of the Nomination Committee is as follows:

Name	**Attendance in person** *(times)*	**Attendance by proxy** *(times)*
Zhang Yanping [1]	1	–
Wu Changqi	1	–
Liao Li	1	–
Song Jianwu [1]	–	–
Cui Baoguo [1]	–	–

Note 1:

Upon approval at the Board meeting held on 15 May 2013, the fifth Nomination Committee of the Board comprises of Mr. Zhang Yanping, Mr. Song Jianwu and Mr. Cui Baoguo and is chaired by Mr. Zhang Yanping. Please refer to the announcement of the Company dated 15 May 2013 for details.

Nomination Committee of the Company held a meeting on 28 February 2013, considered and approved the proposed re-election of Mr. Zhang Yanping, Mr. Yu Haibo, Mr. Sun Wei and Ms. He Xiaona as executive Directors, the re-election of Mr. Li Shiheng, Mr. Liu Han, Ms. Wu Peihua, Mr. Li Xiaobing, Mr. Li Yigeng and Mr. Xu Xun as non-executive Directors, the re-election of Mr. Song Jianwu and Mr. Cui Baoguo as independent non-executive Directors, and the nomination of Mr. Wu Tak Lung, Mr. Cui Enqing and Mr. Chen Ji as candidates of independent non-executive Directors.

9 REMUNERATION OF THE AUDITORS

The Company has appointed ShineWing Certified Public Accountants (Special General Partnership) as the auditors for the year 2013. For the year ended 31 December 2013, annual fees for the audit services provided by ShineWing Certified Public Accountants (Special General Partnership) to the Company amounted to RMB1,350 thousand. The fees for providing special accounting services to the Group amounted to RMB420 thousand.

ShineWing Certified Public Accountants (Special General Partnership) has provided audit service for five 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. Wu Tak Lung with Mr. Chen Ji and Mr. Liu Han as members.

The principal duties of the Audit Committee include but not limited to:

- to be responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;
- to examine annual audit plan submitted by the external auditor and provide opinions;
- to review and monitor the external auditor's independence and objectivity;
- to develop and implement policy engaging an external auditor to supply non-audit services;
- to monitor integrity of financial statements of the Company and its annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgements contained in them;
- to review the Company's financial controls, internal control and risk management systems;
- to discuss with the management the system of internal control to ensure that the management has discharged its duty to have an effective internal control system;
- to review the Company's financial and accounting policies and practices.

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

The work details of the Audit Committee during the year are as follows:

- reviewed and considered the results of the Group for the year of 2012;
- reviewed and considered the results of the Group for the first half of 2013;
- 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 2013, and the attendance rate of individual members at the meeting of the Audit Committee is as follows:

Name	Attendance in person *(times)*	Attendance by proxy *(times)*
Tsang Hing Lun	1	–
Wu Changqi	1	–
Liu Han [1]	2	–
Wu Tak Lung [1]	1	–
Chen Ji [1]	1	–

Note 1:

Upon approval at the Board meeting held on 15 May 2013, the fifth Audit Committee of the Board comprises of Mr. Wu Tak Lung, Mr. Chen Ji and Mr. Liu Han and is chaired by Mr. Wu Tak Lung. Please refer to the announcement of the Company dated 15 May 2013 for details.

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 2013.

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 2013, 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 a going concern basis for preparation of financial statements. For the statement of reporting responsibility issued by ShineWing Certified Public Accountants (Special General Partnership), the auditors of the Company, please refer to the auditors' report set out in the consolidated financial statements.

JOINT COMPANY SECRETARIES

Both of Mr. Shang Da and Mr. Yu Leung Fai, as the joint company secretaries of the Company, have confirmed their completion of relevant professional training of not less than 15 hours.

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 enquiries to the Board, and the Company shall provide sufficient contact information (For details, please refer to the Company's website: www.bjmedia.com.cn) so as to have the Shareholders' enquiries properly handled. The Shareholders may raise their relevant proposals 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 2013.

Article 114 of the Articles of Association, which read:

"The supervisory committee shall comprise one shareholder representative and one employee representative. The shareholder representative shall be elected and dismissed at general meetings, and employee representative shall be elected and dismissed democratically by the employees of the Company.

If necessary, the supervisory committee shall set an office for handling the daily affairs of the supervisory committee."

was proposed to be amended as follows:

"The supervisory committee shall comprise at least one shareholder representative and employee representatives representing no less than one third. The shareholder representative shall be elected and dismissed at general meetings, and employee representative shall be elected and dismissed democratically by the employees of the Company.

If necessary, the supervisory committee shall set an office for handling the daily affairs of the supervisory committee."

For details please refer to the Company's announcements dated 15 March 2013 and 15 May 2013.

12 INVESTOR RELATIONS *(Continued)*

(2) Classes of shareholders and total shareholding

Capital structure

For details, please refer to "Capital Structure" in section "Management Discussion and Analysis".

(3) General Meetings

During the reporting period, the Company convened one general meeting.

The annual general meeting for 2012 was held at 2:00 p.m. on 15 May 2013 at the meeting room of 21st floor, Beijing Youth Daily Agency Building, Chaoyang District, Beijing, the PRC, the resolutions in relation to the Company were passed, including the resolution of the report of the Board of the Company for the year ended 31 December 2012, the resolution of the report of the Supervisory Committee of the Company for the year ended 31 December 2012, the resolution of the audited consolidated financial statements of the Company for the year ended 31 December 2012, the resolution of the profit distribution proposal, the resolution of the reappointment of the auditors for the year 2013, the resolution of the amendment to the rules of procedure of the Board of the Company, the resolution of re-election of executive directors, non-executive directors and independent non-executive directors of the Company and appointment of independent non-executive director of the Company, the resolution of reappointment and appointment of shareholder representative supervisor, and the resolution of amendment to the articles of associations of the Company. For details, please refer to the announcement of the Company dated 15 May 2013.

(4) Important matters for Shareholders for the financial year of 2013

The general meeting for 2013 will be held at 2: 00 p.m. on 20 May 2014 at the meeting room of 21st floor, Beijing Youth Daily Agency Building, Chaoyang District, Beijing, the PRC.

(5) Market capitalization of public float

The highest and lowest trading prices of the Company's H Shares during 2013 were HKD5.60 and HKD4.1 per share respectively. On 31 December 2013, there was no H Share trading volume and the closing price was HKD4.83 per share.

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 strengthen 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 systems of the Company and its subsidiaries are 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 may assess the financial positions and prospect of the Company and its subsidiaries in a proper manner.

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.

14 CORPORATE GOVERNANCE

Pursuant to the resolutions passed at the annual general meeting, the Board shall be responsible for the following duties of corporate governance:

- develop and review the Company's policies and practice on corporate governance and make recommendations to the Board;
- review and monitor the training and continuous professional development of Directors and senior management of the Company;
- review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

14 CORPORATE GOVERNANCE *(Continued)*

- develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors;

- review the Company's compliance with the Code and disclosure in the Corporate Governance Report of the Company;

- set up policy for communication with shareholders and ensure its effect through regular review.

During the reporting period, the Board reviewed and amended the rules of procedure of the Board of the Company, such amendment has been passed at the general meeting; reviewed and supervised from time to time a series of corporate governance documents, including "Articles of Association of Beijing Media Corporation Limited", "Rules of Procedures of the Board", "Rules of Procedures for the Audit Committee", "Rules of Procedures for the Remuneration Committee" and "Rules of Procedures for the Nomination Committee"; reviewed and actively organized training and continuing professional development for Directors and Senior Management; reviewed and monitored the company whether there was any violation of laws and regulatory requirements; approved the Corporate Governance Report of the Company for the year 2012, and approved the disclosure on the website of the Hong Kong Stock Exchange and the Company's website; formulated, reviewed and supervised shareholder communications policy to ensure its effectiveness.

15 BOARD DIVERSITY POLICY

The Board of the Company adopted the following board diversity policy:

Statement of the policy: in order to achieve sustainable and balanced development, the Company recognizes an increasing diversity at the Board level as a key element in supporting the Company to reach its strategic objectives and maintaining sustainable development. All Board appointments will be based on merits, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Measurable objectives: when determining the composition of the Board, the Company will consider board diversity on a range of perspectives, including but not limited to gender, age, cultural and educational background, expertise and experience, skills, knowledge and term of service. The final decision will be based on the specific needs in talents in different stages of the Company's business development and strategic planning, the advantage of the candidates and contribution the candidates will bring to the Board. The composition of the Board (including gender, age and term of service) shall be disclosed annually in the "Corporate Governance Report".

Review of this Policy: the Nomination Committee will review this Policy, as appropriate, to ensure the effectiveness of this Policy. The Nomination Committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

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.

1 CHANGES IN MEMBERS OF THE SUPERVISORY COMMITTEE IN 2013

Ms. Ma Chundan was appointed as the employee representative supervisor upon democratic election in the meeting of the employee representatives of the Company on 15 March 2013, and the appointment was effective from 15 May 2013.

On 15 May 2013, Mr. He Daguang and Mr. Zhou Fumin retired from their positions as the supervisors of the Company, and Mr. Zhao Meng was appointed as the Company's supervisor upon approval on the general meeting on the same date.

Save as disclosed above, there was no change in members of the Supervisory Committee during the reporting period.

2 INDEPENDENT OPINIONS OF THE SUPERVISORY COMMITTEE ON RELEVANT MATTERS OF THE COMPANY IN 2013

Over the past year, the Supervisory Committee continued to make improvement in 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 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 2013 *(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 and the announcement of the Company dated 24 June 2011.

(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

24 March 2014

"Articles of Association"	The articles of association of the Company as amended from time to time
"Audit Committee"	Audit Committee of the Board
"Beiqing CéCi"	Beiqing CéCi Advertising (Beijing) Limited, a subsidiary of the Company
"Beiqing Community Media"	Beiqing Community Culture Media (Beijing) Limited (北青社區文化傳媒（北京）有限責任公司), a subsidiary of the Company
"Beiqing Long Teng"	Beiqing Long Teng Investment Management (Beijing) Co., Limited (formerly known as Beijing Zhong Wang Shi Tong Technologies Co., Ltd.), 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
"Chongqing Media"	Chongqing Youth Media Company Limited, a subsidiary of the Company
"Company", or "us" or "Beijing Media"	Beijing Media Corporation Limited, a joint stock limited company incorporated under the laws of the PRC and whose H share are listed and traded on the Hong Kong Stock Exchange
"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
"Fund"	Beijing Runxin Dingtai Investment Centre (Limited Partnership)
"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
"HK$" or "HKD"	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

"LEP Media"	Legal Evening Post Media Company Limited, a subsidiary of the Company
"LEPA"	Legal Evening Post Agency, a subsidiary of the BYDA
"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

信永中和 ShineWing

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

XYZH/2013A7002

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 consolidated 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 2013, 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. AUDIT 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 2013, and of their consolidated operating results and their consolidated cash flows for the year then ended.

ShineWing Certified Public Accountants
(Special General Partnership)

Chinese Certified Public Accountant: Liu Jingwei

Chinese Certified Public Accountant: Ji Sheng

24 March 2014

Beijing, PRC

As at 31 December 2013

RMB'000

Item	*Notes*	**As at 31 December 2013**	As at 31 December 2012
Current assets:			
Bank balances and cash	*VIII.1*	**562,219**	828,850
Financial assets held for trading	*VIII.2*	**15**	22
Accounts receivable	*VIII.3*	**338,400**	213,437
Prepayments	*VIII.4*	**48,653**	16,322
Interest receivable	*VIII.5*	**4,780**	7,355
Other receivables	*VIII.6*	**36,847**	80,705
Inventories	*VIII.7*	**56,045**	50,087
Other current assets	*VIII.8*	**–**	150,600
Total current assets		**1,046,959**	1,347,378
Non-current assets:			
Financial assets available-for-sale	*VIII.9*	**139,560**	59,560
Investments in associates	*VIII.10*	**248,097**	135,171
Investment properties	*VIII.11*	**53,435**	54,499
Fixed assets	*VIII.12*	**12,592**	11,082
Intangible assets	*VIII.13*	**39,103**	27,652
Goodwill	*VIII.14*	**47,377**	47,377
Long-term deferred expenses		**1,227**	1,788
Deferred income tax assets	*VIII.15*	**4,137**	1,318
Other non-current assets	*VIII.16*	**20,032**	–
Total non-current assets		**565,560**	338,447
Total assets		**1,612,519**	1,685,825

RMB'000

Item	Notes	As at 31 December 2013	As at 31 December 2012
Current liabilities:			
Notes payable		**95,980**	89,357
Accounts payable	*VIII.18*	**120,771**	108,530
Receipts in advance		**37,676**	21,660
Employee benefit payables	*VIII.19*	**7,645**	6,776
Tax payables	*VIII.20*	**(14,494)**	(6,370)
Dividend payable		**–**	398
Other payables	*VIII.21*	**21,478**	92,215
Non-current liabilities due within one year	*VIII.22*	**–**	3,670
Other current liabilities	*VIII.23*	**7,366**	7,539
Total current liabilities		**276,422**	323,775
Non-current liabilities:			
Deferred income tax liabilities	*VIII.15*	**2,583**	3,616
Total non-current liabilities		**2,583**	3,616
Total liabilities		**279,005**	327,391
Shareholders' equity:			
Share capital	*VIII.24*	**197,310**	197,310
Capital reserves		**891,179**	891,179
Surplus reserves		**130,931**	130,931
Undistributed profits		**82,818**	121,634
Equity attributable to shareholders of the Company		**1,302,238**	1,341,054
Non-controlling interests		**31,276**	17,380
Total shareholders' equity		**1,333,514**	1,358,434
Total liabilities and shareholders' equity		**1,612,519**	1,685,825
Net current assets		**770,537**	1,023,603
Total assets less current liabilities		**1,336,097**	1,362,050

For the year ended 31 December 2013

RMB'000

Items	*Notes*	**For the year ended 31 December 2013**	For the year ended 31 December 2012
Total operating revenue	*VIII.25*	**667,428**	690,276
Total operating costs		**644,501**	668,288
Operating costs	*VIII.25*	**573,686**	608,474
Sales tax and surcharges		**13,087**	23,678
Selling expenses		**17,682**	14,494
Administrative expenses		**56,797**	50,362
Financial expenses	*VIII.26*	**(23,417)**	(31,314)
Impairment loss of assets	*VIII.27*	**6,666**	2,594
Gain on changes in fair value	*VIII.28*	**(1,071)**	10,739
Share of profit of associates	*VIII.29*	**10,347**	13,633
Other investment income	*VIII.29*	**(141)**	22,356
Operating profit		**32,062**	68,716
Add: non-operating income	*VIII.30*	**5,921**	1,530
Less: non-operating expenses	*VIII.31*	**18,536**	9
Total profit		**19,447**	70,237
Less: Income tax expenses	*VIII.32*	**2,174**	6,778
Net profit		**17,273**	63,459
Other comprehensive income		**–**	–
Total comprehensive income		**17,273**	63,459
Net profit attributable to:			
Shareholders of the Company		**20,377**	64,987
Non-controlling shareholders		**(3,104)**	(1,528)
		17,273	63,459
Total comprehensive income attributable to:			
Shareholders of the Company		**20,377**	64,987
Non-controlling shareholders		**(3,104)**	(1,528)
		17,273	63,459
Earnings per share:			
Basic earnings per share (RMB per share)	*XIV.1*	**0.10**	0.33
Diluted earnings per share (RMB per share)	*XIV.1*	**0.10**	0.33
Dividends	*VIII.36*	**59,193**	118,386

For the year ended 31 December 2013

RMB'000

Items	*Notes*	**For the year ended 31 December 2013**	For the year ended 31 December 2012
I. Cash flows from operating activities:			
Cash received from the sales of goods and the rendering of services		**447,793**	512,458
Tax refund received		**14**	–
Other cash receipts relating to operating activities		**31,700**	89,032
Sub-total of cash inflows from operating activities		**479,507**	601,490
Cash paid for goods purchased and services received		**486,383**	395,015
Cash paid to and on behalf of employees		**52,493**	42,560
Payments of taxes and surcharges		**25,516**	43,701
Other cash payments relating to operating activities		**71,970**	81,160
Sub-total of cash outflows from operating activities		**636,362**	562,436
Net cash flows from operating activities	*VIII.37*	**(156,855)**	39,054
II. Cash flows from investing activities:			
Cash received from investments		**184,600**	80,600
Cash received from returns on investment		**18,269**	25,077
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		**616**	54
Other cash receipts relating to investing activities		**270,554**	222,764
Sub-total of cash inflows from investing activities		**474,039**	328,495
Cash paid to acquire fixed assets, intangible assets and other long-term assets		**16,278**	2,344
Cash paid on investment		**204,720**	162,739
Other cash payments relating to investing activities		**8,280**	32,280
Sub-total of cash outflows from investing activities		**229,278**	197,363
Net cash flows from investing activities		**244,761**	131,132

RMB'000

Items	Notes	**For the year ended 31 December 2013**	For the year ended 31 December 2012
III. Cash flows from financing activities:			
Cash received from investments		**17,000**	–
Other cash receipts relating to financing activities		**29,513**	251
Sub-total of cash inflows from financing activities		**46,513**	251
Cash paid for borrowings repayment		**3,670**	3,670
Cash paid for distribution of dividends or profits or interest expense		**58,509**	136,831
Including: dividends and profits paid by subsidiaries to non-controlling shareholders		**398**	–
Other cash payments relating to financing activities		**90,585**	21,901
Sub-total of cash outflows from financing activities		**152,764**	162,402
Net cash flows from financing activities		**(106,251)**	(162,151)
IV. Effect of exchange rate changes on cash and cash equivalents		**(2)**	1
V. Increase/(Decrease) in cash and cash equivalents	*VIII.38*	**(18,347)**	8,036
Add: Balance of cash and cash equivalents at the beginning of the period		**178,486**	170,450
VI. Balance of cash and cash equivalents at the end of the period	*VIII.39*	**160,139**	178,486

RMB'000

Item	Share capital	Capital reserves	Surplus reserves (note)	Undistributed profits	Subtotal	Non-controlling interests	Total shareholders' equity
	For the year ended 31 December 2013 Attributable to shareholders of the Company						
Balance as at 1 January 2013	**197,310**	**891,179**	**130,931**	**121,634**	**1,341,054**	**17,380**	**1,358,434**
Net profit	–	–	–	20,377	20,377	(3,104)	17,273
Shareholder's investment	–	–	–	–	–	17,000	17,000
Dividends to shareholders of the Company	–	–	–	(59,193)	(59,193)	–	(59,193)
Sub-total of the changes for the year	–	–	–	**(38,816)**	**(38,816)**	**13,896**	**(24,920)**
Balance as at 31 December 2013	**197,310**	**891,179**	**130,931**	**82,818**	**1,302,238**	**31,276**	**1,333,514**

Item	Share capital	Capital reserves	Surplus reserves (note)	Undistributed profits	Subtotal	Non-controlling interests	Total shareholders' equity
	For the year ended 31 December 2012 Attributable to shareholders of the Company						
Balance as at 1 January 2012	197,310	893,841	130,931	175,033	1,397,115	32,534	1,429,649
Net profit	–	–	–	64,987	64,987	(1,528)	63,459
Dividends to shareholders of the Company	–	–	–	(118,386)	(118,386)	–	(118,386)
Share of capital reserves in associates	–	(1,866)	–	–	(1,866)	–	(1,866)
Disposal of partial interest in an associate	–	302	–	–	302	–	302
Acquisition of non-controlling interests in subsidiaries	–	(1,098)	–	–	(1,098)	(13,626)	(14,724)
Sub-total of the changes for the year	–	(2,662)	–	(53,399)	(56,061)	(15,154)	(71,215)
Balance as at 31 December 2012	197,310	891,179	130,931	121,634	1,341,054	17,380	1,358,434

Note: In accordance with the People's Republic of China ("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 ("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 for the year ended 31 December 2013 have been prepared on a going concern basis and based on the actual transactions and matters incurred, in accordance with Accounting Standards for Business Enterprises and other relevant regulations issued by the Ministry of Finance of the People's Republic of China ("PRC Accounting Standards"), including early adoption of the following revised and new Accounting Standards for Business Enterprises ("ASBE") by MOF from January to March 2014 in the financial statements: ASBE No.2 – Long-term equity investment, ASBE No.9 – Employee benefits, ASBE No.30 – Presentation of financial statements, ASBE No.33 – Consolidated financial statements, ASBE No.39 – Fair value measurement and ASBE No.40 – Joint arrangements ("New and Revised 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".

Effect on the Group's financial statements regarding adoption of the New and Revised PRC Accounting Standards is detailed in note V.1 Changes in accounting policies and their effect.

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 2013 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. Business combination

A 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 involving entities under common control

Assets and liabilities that are obtained through a business combination involving entities under common controlare 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 reserve in capital reserve and with any excess over capital reserve being adjusted against undistributed profits.

Direct costs that are directly incurred during business combination by the absorbing party are charged to profit or loss in the period in which they are incurred.

(2) Business combination involving entities not under common control

For a business combination involving 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 acquirer's 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 acquirer's 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.

5. Preparation of consolidated financial statements

(1) Determination of the scope of consolidation

The scope of consolidated financial statements is determined on the basis of control. Control is achieved when the Company has power over the investee; is exposed, or has rights to achieve returns from its involvement with the investee; and has the ability to use its power to affect its returns. The date of acquisition or disposal shall be the day on which the Group obtains or loses the controlling right over its subsidiaries.

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

5. Preparation of consolidated financial statements *(Continued)*

(2) Accounting method for consolidated financial statements

The consolidated financial statements are prepared in accordance with the ASBE No. 33 – Consolidated financial statements and relevant requirements. On consolidation, all the significant intra-group transactions and balances are eliminated in the preparation of the consolidated financial statements. The shareholders' equity of the subsidiaries, which is not attributable to the parent company, is separately presented as non-controlling interests in the 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 period presented as if the business combinations had occurred at the beginning of the comparative period presented.

For the disposed subsidiary, operating results and cash flows before the disposal date have been properly included in the consolidated income statement and consolidated cash flow statement; for the disposed subsidiary during the reporting period, the opening balances of the consolidated balance sheet shall not be adjusted. For the subsidiary acquired from business combinations not under common control, its operating results and cash flows after the acquisition date have been properly included in the consolidated income statement and consolidated cash flow statements, and the opening balances of the consolidated financial statements and comparative figures shall not be adjusted. For the subsidiary acquired from business combinations under common control, its operating results and cash flows from the beginning to the end of the reporting period in which combinations take place have been properly included in the consolidated income statement and consolidated cash flow statements, and the comparative figures of the consolidated financial statements are adjusted simultaneously.

Acquisition of non-controlling interests or disposal of interest in a subsidiary that does not result in the loss of control over the subsidiary is accounted for as equity transactions. The carrying amounts of the Company's interests and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. The difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is adjusted to capital reserve. If the capital reserve is not sufficient to absorb the difference, the excess are adjusted against retained profits.

6. 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.

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

7. 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 into RMB 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.

8. 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.

Fair value refers to measurement of orderly transaction by market participants at the date of measurement occurred in the daily transaction, the price that will be received when selling an asset or the price to be paid to transfer a liability in an orderly transaction between market participants on the date of measurement, no matter the price can be directly observable or using valuation techniques to evaluate its fair value. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, reference to the current fair value of another instrument that is substantially the same, Generic pricing model using discounted cash flow as basis or using prices from observable current market transactions.

For financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3 inputs are unobservable inputs for the asset or liability.

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

8. 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 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)*

9. 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)*

9. Provisions 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)*

9. Provisions 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

10. 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.

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

11. Long-term equity investments

Long-term equity investments mainly include the equity investments in the invested company over which the Group has control, or significant influence and the equity investments in joint ventures.

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 by equity method when preparing consolidated financial statements. Investments in jointly controlled entities and associates are accounted for using equity method, when there is any inconsistency on the accounting policies or accounting period adopted between jointly controlled entities and associates and the Group, the financial statements of jointly controlled entities and associates are adjusted according to the accounting policies or accounting period adopted by the Group when preparing the consolidated financial statement, then recognise the Group's gain or loss on this basis.

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

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

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.

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. The remaining investment after investment reduction will be accounted using equity method in accordance with financial assets and financial liabilities in this Note IV.8; or where the Group has control over the invested company shall be accounted for using equity method, in accordance with the value of equity investment of financial assets and financial liabilities determined in notes IV.8, and plus the new investment cost, which is the initial investment cost of such equity-accounting method. The original equity investment held was classified as financial assets available-for-sale, the difference between its fair value and it's the carrying value and its accumulated fair value change which is originally included into other consolidated income shall be accounted for using equity method and included in the profit or loss, 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. In respect of such remaining equity it shall be accounted using equity method once the it is obtained.

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)*

12. Joint Arrangement

Joint venture represents the contract agreement which the Group and other parties perform together a jointly controlled economic activities. The financial and operation strategies related to joint venture required Unanimously agreement to be made by sub-line control. Joint arrangements are classified as joint ventures and jointly controlled.

Joint venture is the joint arrangement in which the Group and other investors have rights in respect of the net assets, and it is accounted as stated in Note IV.11 using the principles of joint ventures accounted for long-term equity investments.

Joint control represents a contractual agreed common control over an economic activity. Joint control exists when either party does not have individual power to control the operating activities and the decisions relating to the operating activities of the jointly controlled entity require unanimous consent of the parties. The Group enjoy the future economic benefits brought by the assets share from its controlled entity, according to the contract or agreement with the recognition of revenue and costs relating to jointly controlled operations.

13. 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.

(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)*

14. 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 and have useful lives of 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.

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 average lives 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.

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

14. Fixed assets *(Continued)*

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.

15. 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.

16. Intangible assets

Intangible assets of the Group, including land use rights operation 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.

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

16. Intangible assets *(Continued)*

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.

17. 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)*

18. 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.

19. Long-term deferred expenses

Long-term deferred 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 deferred expenses are no longer beneficial to the subsequent accounting periods, the unamortized balance is then fully transferred to profit or loss for the period.

20. 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 contractor 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.

21. 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 and consultation service and rental income. The principles of revenue recognition are as follows:

(1) Revenue from sale of advertising spaces

Revenue from advertising spaces is generally recognized pro rata over the period in which the advertisement is cancelled (net of VAT). 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.

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

21. Principles of revenue recognition *(Continued)*

(2) Revenue from printing

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

(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 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.24).

22. 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.

23. 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.

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

24. 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.

25. 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.

26. 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; (3) 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.

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

27. Key accounting estimates and judgments

In the application of the Group's accounting policies, 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.

(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.

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

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

(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.

(6) 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.

(7) 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.

(8) 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.

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

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

1. Changes in accounting policies and their effect

New and Revised PRC Accounting Standards will be effective from 1 July 2014, and listed enterprises out side China were encouraged to early adopt.

For the year ended 31 December 2013, the Group have early adopted the New and Revised PRC Accounting Standards in the financial statements, the section of comparable financial statements have been reclassified in accordance with the disclosure of the financial statements of the current period. The related change in accounting policy has no material effect to the Group's financial statements. Comparative figures are reclassified as follows:

Statement item	As at 31 December 2012	Reclassify	As at 31 December 2012 (Revised)
Other long-term equity investment	59,560	(59,560)	-
Financial assets available-for-sale	-	59,560	59,560

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.

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

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 companies of the Group which are general VAT taxpayers are subject to output VAT and sale tax at the rate of 17%.

The companies of the Group which are general VAT taxpayers are subject to VAT on adverting service business at the rate of 6%. According the regulation which Ministry of Finance and the SAT promulgated the Circular concerning Implementing the Pilot Plan for Imposition of Value-Added Tax to Replace Business Tax for Transport and Shipping Industry and Certain Modern Service Industries in Eight Provinces and Municipalities (including Beijing) (關於在北京等8省市開展交通運輸業和部分現代服務業營業税改征增值税試點的通知) (Cai Shui [2012] No. 71), with effective from 1 September 2012, VAT which applies to the additional range of advertising services business and no longer need to provide and pay sales tax.

VAT credited in form of purchase of raw materials and advertising fees by the companies of the Group which are general VAT taxpayers can offset sales tax, tax rates are 17% and 6% respectively.

The VAT payable shall be the balance of the output tax for the period after deducting the input tax 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 income from the rental income and interest 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%
Local education surcharge	Turnover tax payable	2%

(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

Name of company	Place of registration/ operation	Principle business operation	Registered capital	Business Scope	Amount of investment as at 31 December 2012	Proportion of shareholding (%)	Proportion of voting rights (%)	Whether consolidated
Subsidiaries obtained through business combination of entities under common control								
Beijing Today Sunshine Advertising Co., Ltd. (Today Sunshine)	PRC	Advertising	4,000	Design, production, agency, publication of domestic and foreign advertising	33,604	100.00	100.00	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)	PRC	Printing	30,000	Printing, sales of paper & ink, storage and transportation	44,815	92.84	92.84	yes
Legal Evening Post Media Company Limited (LEP Media)	PRC	Advertising	400,000	Wholesale and retail of books and newspapers, agency and publication of advertising	400,000	100.00	100.00	yes
Beiqing Long Teng Investment Management (Beijing) Company Limited (Beiqing Long Teng) (Note 3)	PRC	Investment management	50,000	Investment management, asset management, corporate image planning, organizing cultural and artistic exchanges, advertising, publishing, economic and trade consulting	21,100	80.84	80.84	yes
Chongqing Youth Media Company Limited (Chongqing Media) (Note 4)	PRC	Advertising	30,000	Newspapers wholesale, design, production, agents, advertising	18,000	60.00	60.00	yes
Beiqing Community Culture Media (Beijing) Limited (Beiqing Community Media) (Note 5)	PRC	Advertising	15,000	Organizational culture and art exchange activities, design, production, agents, advertising	15,000	100.00	100.00	Yes

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

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

1. Major subsidiaries *(Continued)*

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) Beijing Zhong Wang Shi Tong Technologies Co. Ltd. applied for procedures of registration of change with the industrial and commercial administration authorities on 30 August 2012. After the change, its name was changed to Beiqing Long Teng Investment Management (Beijing) Company Limited. The business scope was changed to investment management, asset management, corporate image planning, organizing cultural and artistic exchanges, advertising, publishing, economic and trade consulting, while the registered capital remains unchanged.

According to the Capital Injection Agreement entered into between the Company and Beijing Longteng Ruixiang Culture Development Co., Ltd, pursuant to which the Company jointly injected capital RMB30,000,000 to Beiqing Long Teng. The first phase of capital injection was completed on 13 November 2013. Beijing Longteng RuixiangCulture Development Co., Ltd. contributed RMB5,000,000, while Beijing Media contributed RMB1,100,000. Beiqing Long Teng completed the procedures of registration of change with the industrial and commercial administration authorities on 19 November 2013, and registered capital of RMB50,000,000. The shareholding of the Company was 51%. As of the end of the reporting period, the paid-up capital of Beiqing Long Teng was RMB26,100,000. Among which, the shareholding of the Company was 80.84%.

The second phase of capital injection will be paid before 12 November 2015. The shareholding of the Company in Beiqing Long Teng will decreased from 100% to 51% after the completion of capital injection.

4) On 6 March 2013, with approval by the 4th session of the 39th Board Meeting, the Company jointly contribute RMB30,000,000 to jointly establish Chongqing Medi with Chongqing Youth Industrial Co., Ltd. The capital contribution by the Company was RMB18,000,000, having a shareholding of 60% equity interest. The filing of the relevant registration with the industrial and commerce authorities was completed by Chongqing Media on 12 July 2013.

5) With the approval by the 5th session of the 6th Board meeting held on 23 August 2013, it was approved to contribute RMB15,000,000 to establish Beiqing Community Media. The Company holding 100% equity interest. Beiqing Community Media completed the procedures or registration of change with the industrial and commercial administration authorities on 25 October 2013.

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 The end of the year	Net profit for the year
Chongqing Media	Established by capital injection	60.00	20,422	-9,578
Beiqing Community Media	Established by capital injection	100.00	14,642	-358

(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

1. Bank balances and cash

	As at 31 December 2013	As at 31 December 2012
Bank balance and cash	**430,959**	178,486
Short-term bank deposits	**121,660**	611,708
Restricted bank deposits	**9,600**	38,656
Total	**562,219**	828,850

The Group's bank balances are deposited at banks in the PRC and carry interest at market interest rates of 0.35% (2012: 0.35% to 1.49%) 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 2.6% to 3.3% (2012: 2.85% to 3.50%) per annum.

Restricted bank deposits represent marginal deposit for bank acceptance notes and carry market interest rate of 0.35% (2012: 0.35% to 0.50%) per annum.

2. Financial assets held for trading

	As at 31 December 2013	As at 31 December 2012
Investment of equity shares listed in PRC, at fair value	**15**	22
Total	**15**	22

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

(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

	As at 31 December 2013	As at 31 December 2012
Accounts receivable	**351,065**	222,129
Less: Provision for bad debts	**12,665**	8,692
Net accounts receivable	**338,400**	213,437
For reporting purpose, analysis as:		
Non-current assets – long-term receivables	**–**	–
Current assets – accounts receivable	**338,400**	213,437
Total	**338,400**	213,437

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

	As at 31 December 2013	As at 31 December 2012
0-90 days	**52,043**	95,152
91-180 days	**63,936**	62,635
181-365 days	**165,454**	34,791
1-2 years	**42,714**	13,630
Over 2 years	**14,253**	7,229
Total	**338,400**	213,437

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) Analysis of accounts receivable by categories:

	As at 31 December 2013				As at 31 December 2012			
	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	251,831	71.73	10,064	4.00	175,682	79.09	4,088	2.33
Related party group	96,433	27.47	–	–	29,930	13.47	–	–
Non-risk group	–	–	–	–	11,913	5.36	–	–
Sub-total	348,264	99.20	10,064	2.89	217,525	97.92	4,088	1.88
Insignificant individual receivables but with bad debt provision made on individual basis	2,801	0.80	2,601	92.86	4,604	2.08	4,604	100.00
Total	351,065	100.00	12,665		222,129	100.00	8,692	

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

Accounts receivable with bad debt provision by aging method:

	As at 31 December 2013			As at 31 December 2012		
	Amount	Percentage (%)	Provision for bad debts	Amount	Percentage (%)	Provision for bad debts
Within 1 year	197,579	–	–	160,015	–	–
1-2 years	41,455	10.00	4,145	7,769	10.00	777
2-3 years	6,305	30.00	1,892	4,954	30.00	1,486
3-4 years	3,887	50.00	1,943	1,767	50.00	884
Over 4 years	2,605	80.00	2,084	1,177	80.00	941
Total	**251,831**		**10,064**	175,682		4,088

(3) The top five accounts receivable as at 31 December 2013 represented 32.15% of the total accounts receivable (2012: 25.40%).

(4) The ageing analysis of the accounts receivable which are past due but not impaired as at the balance sheet date are as follows:

Ageing	As at 31 December 2013	As at 31 December 2012
Within 6 months	50,418	32,613
6 months to 1 year	33,434	1,754
1-2 years	5,405	6,774
2-3 years	6,774	648
3-4 years	348	54
over 4 years	54	–
Total	**96,433**	41,843

Trade receivables which are past due but not impaired are related to independent customers and related parties such accounts have good credit records with the Group. According to the past experience, management of the Company is of the view that no provision is necessary with respect to such balances, as there is no significant change in credit quality and balances are still considered to be fully recovered.

(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)*

4. Prepayments

	As at 31 December 2013	As at 31 December 2012
Prepayments	**48,653**	16,322
Less: provision for bad debts	**–**	–
Net prepayments	**48,653**	16,322

5. Interest receivable

	As at 31 December 2013	As at 31 December 2012
Interest receivable	**4,780**	7,355
Total	**4,780**	7,355

6. Other receivables

	As at 31 December 2013	As at 31 December 2012
Other receivables	**38,177**	82,222
Less: provision for bad debts	**1,330**	1,517
Net other receivables	**36,847**	80,705

(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

(1) Analysis of other receivables by categories:

	As at 31 December 2013				As at 31 December 2012			
	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 other receivables with bad debt provision made on individual basis	–	–	–	–	–	–	–	–
Other receivables with bad debt provision made on group basis	–	–	–	–	–	–	–	–
Aging group	8,372	21.93	585	6.99	42,603	51.81	1,304	3.06
Related party group	20,181	52.86	–	–	151	0.18	–	–
Non-risk group	8,879	23.26	–	–	39,255	47.75	–	–
Sub-total	37,432	98.05	585	1.56	82,009	99.74	1,304	1.59
Insignificant individual other receivables but with bad debt provision made on individual basis	745	1.95	745	100.00	213	0.26	213	100.00
Total	38,177	100.00	1,330		82,222	100.00	1,517	

(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)

Other receivables with bad debt provision by aging analysis:

	As at 31 December 2013			As at 31 December 2012		
		Percentage			Percentage	
	Amount	(%)	Provision for bad debt	Amount	(%)	Provision for bad debt
Within 1 year	7,202	–	–	32,549	–	–
1-2 years	–	10.00	–	8,723	10.00	872
2-3 years	–	30.00	–	1,170	30.00	351
3-4 years	1,170	50.00	585	161	50.00	81
Total	8,372		585	42,603		1,304

7. Inventories

	As at 31 December 2013			As at 31 December 2012		
	Carrying amount	Provision for impairment	Net book value	Carrying amount	Provision for impairment	Net book value
Raw materials	56,106	61	56,045	50,148	61	50,087
Total	56,106	61	56,045	50,148	61	50,087

At 31 December 2013, no raw materials which had been written down to net realizable value in prior years were sold. (2012: a reversal of provision for impairment of certain raw materials of approximately RMB305,000 was recognized.)

8. Other current assets

	As at 31 December 2013	As at 31 December 2012
Entrusted loans	–	150,600
Total	–	150,600

Other current assets represents one-year entrusted loans that the Company provided to BQTM, Beiqing Top and Hebei Heqing Media Company Limited via banks for a term of one year, amounting RMB70,000,000, RMB25,600,000, and RMB55,000,000, respectively. As at 31 December, the above-mentioned entrusted loans have been wholly repaid.

(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. Financial assets available-for-sale

Type	As at 31 December 2013	As at 31 December 2012
Unlisted equity investments, China	**144,629**	64,629
Provision for impairment of Unlisted equity investments	**5,069**	5,069
Total	**139,560**	**59,560**

The fair value of unlisted equity investment and equity investment fund cannot be observed as there is no active market, therefore, they were measured at Level 3 fair value measurement.

Note 1: Upon the approval of the 37th Board meeting of the 4th Session of the Board held on 6 February 2013 by way of resolution, it was approved that the subsidiary of the Company, LEP Media, to entered into Limited Partnership Agreement with Beijing Runxin Bohua Investment Management Co., Ltd., Beijing Runxin Dingtai Assets Management Co., Ltd. and other investors, to establish Beijing Runxin Dingtai Investment Centre (Limited Partnership). LEP Media, as a Limited Partner, will be invested RMB50,000,000 to the Fund. As at 31 December 2013, LEP Media has contributed RMB25,000,000. For details, please refer to the announcement of the Company dated 28 February 2013.

The Company entered into a capital increase agreement with Beiyang Media, Hebei Publishing & Media Group Co. Ltd. and Hebei Jikang Investment Co. Ltd. on 21 June 2013, pursuant to which the Company agreed to invest into Beiyang Media in the amount of RMB55,000,000 in cash. Upon capital injection, the Company's shareholding in Beiyang Media increased from 1.5% to 2.58%. The capital injection will be further used in the expansion of the business in Hebei Province and will generate more returns for the Company through Beiyang Media when it becomes more profitable in the future. Please refer to the announcement of the Company dated 21 June 2013 for details.

10. Long-term equity investments

(1)

Type	As at 31 December 2013	As at 31 December 2012
Investments in associates – under equity method	**248,097**	135,171
Total	**248,097**	135,171

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

(2) Investments in associates

Item	As at 31 December 2013	As at 31 December 2012
Unlisted investments, at cost	**188,782**	91,294
Share of post-acquisition profit	**58,990**	43,552
Share of capital reserves of associates	**325**	325
Total	**248,097**	135,171

Associates of the Group are entities established and operated in the PRC. Details of the seven associates as at 31 December 2013 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 Limited ("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	36.12	–	36.12	Provision of designing, production and placement of advertisements and the related agency services
Beijing Beiqing Top Advertising Limited ("Beiqing Top")	PRC	Limited liability company	41.60	16.17	41.60	Design, production, agency and publication of advertisement
Beijing Beiqing Shengda Automobile Service Company Limited ("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
Hebei Jujingcai E-commerce Company Limited *(Note 2)*	PRC	Limited company	44.50	–	44.50	Sales of primary agricultural products

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

(2) Investments in associates (continued)

Notes:

1) On 12 December 2013, the Company, approved by the Board, entered into the Capital Increase Agreement with BQTM and other shareholders, pursuant to which the Company has agreed to make the capital contribution to BQTM in the amount of RMB95,600,000 in cash. The procedures of registration of change were completed by BQTM on 20 December 2013. The proportion of shareholding held by the Company increased from 31.09% to 36.12%. After transaction, BQTM is still an associate of the Group, and accounted for using equity method of accounting. For details, please refer to the announcement of the Company dated 12 December 2013.

2) On 23 August 2013, after the sixth meeting of the fifth session of the Board, and it was approved to enter into the Promoters Agreement with Hebei Xinhua Bookstore LLC (河北省新華書店有限責任公司), Le Qian and Zhang Qingliang, pursuant to which all parties jointly contributed RMB16,000,000 to establish Hebei Jujingcai E-commerce Company Limited (河北聚精采電子商務股份有限公司). The Company contributed RMB7,120,000, representing 44.5% interests. Hebei Jujingcai has completed business registration procedures on 16 October 2013.

The accounting policies adopted by the Group's associates are consistent with those adopted by the Group and the financial information of the Group's associates are summarized below:

	As at 31 December 2013	As at 31 December 2012
Total assets	**937,041**	588,792
Total liabilities	**(350,793)**	(184,091)
Net assets	**586,248**	404,701
Net assets attributable to the Group	**212,772**	128,909

	For the year ended 31 December 2013	For the year ended 31 December 2012
Operating revenue	**451,489**	299,923
Profit (loss) for the year	**22,759**	46,190
Profit (loss) associates for the year attributable to the Group	**13,011**	13,633

(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. Long-term Investments *(continued)*

(2) Investments in associates (continued)

Notes: (continued)

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

	As at 31 December 2013	As at 31 December 2012
Share of unrecognized profit of the associate for the year	**(6,419)**	(523)
Share of accumulated unrecognized loss of the associate	**(6,955)**	(536)

11. Investment properties

(1) Investment properties measured at fair value

	Fair value as at 1 January 2013	Increase during the year: Purchase	Increase during the year: Gain or loss arising from changes in fair value	Decrease during the year: Disposal	Decrease during the year: Change into owner-occupied property	Fair value as at 31 December 2013
Cost	**21,826**	**–**	**–**	**–**	**–**	**21,826**
Buildings	21,826	–	–	–	–	21,826
Changes in fair value	**32,673**	**–**	**(1,064)**	**–**	**–**	**31,609**
Buildings	32,673	–	(1,064)	–	–	31,609
Carrying value	**54,499**	**–**	**(1,064)**	**–**	**–**	**53,435**
Buildings	54,499	–	(1,064)	–	–	53,435

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 2013 have been arrived at by reference to recent market prices for similar properties in the same locations and conditions.

As at 31 December 2013, the carrying values of the investment properties for which the Group had not been granted formal title amounted to approximately RMB7,391,000 (2012: RMB9,037,000). 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.

During the year, the rental income generated from investment properties is RMB1,956,000 (2012: RMB1,886,000).

(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. Investment properties *(continued)*

(2) Details of the investment properties are as follows: (continued)

No.	Address	Usage
1	502-D-0201,Yuelianghe Chengbaogongyu, Xinwahdajie, Tongzhou District, Beijing.	Residential
2	502-C-0601, Yuelianghe Chengbaogongyu, Xinwahdajie, Tongzhou District, Beijing.	Residential
3	502-C-0301, Yuelianghe Chengbaogongyu, Xinwahdajie, Tongzhou District, Beijing.	Residential
4	No. 9, Section A, No.1 Floor, Jinyufenglinzhou, No.265 Yaojiayuanxikou, Chaoyang District, Beijing.	Office
5	No. 03, Section A, No.1 Floor, Jinyufenglinzhou, No.265 Yaojiayuanxikou, Chaoyang District, Beijing.	Office
6	No. 12, Section A, No.1 Floor, Jinyufenglinzhou, No.265 Yaojiayuanxikou, Chaoyang District, Beijing.	Office
7	C1501, No.5 Huizhong Road, Chaoyang District, Beijing.	Office
8	C1502, No.5 Huizhong Road, Chaoyang District, Beijing.	Office
9	C1503, No.5 Huizhong Road, Chaoyang District, Beijing.	Office
10	C1505, No.5 Huizhong Road, Chaoyang District, Beijing.	Office
11	C1506, No.5 Huizhong Road, Chaoyang District, Beijing.	Office

(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)*

12. Fixed assets

(1) Breakdown of fixed assets

	As at 1 January 2013	Increase during the year	Decrease during the year	As at 31 December 2013
Total cost	**34,680**	**3,846**	**2,263**	**36,263**
Buildings	15,775	–	–	15,775
Plant and machinery	3,793	413	–	4,206
Motor vehicles	5,126	1,544	1,283	5,387
Office equipment	384	104	–	488
Electronic equipment	9,602	1,785	980	10,407
Total accumulated depreciation	**23,598**	**2,305**	**2,232**	**23,671**
Buildings	9,461	757	–	10,218
Plant and machinery	736	417	–	1,153
Motor vehicles	4,160	449	1,252	3,357
Office equipment	165	94	–	259
Electronic equipment	9,076	588	980	8,684
Total net carrying amount	**11,082**			**12,592**
Buildings	6,314			5,557
Plant and machinery	3,057			3,053
Motor vehicles	966			2,030
Office equipment	219			229
Electronic equipment	526			1,723
Total provision for impairment loss	**–**	**–**	**–**	**–**
Buildings	–	–	–	–
Plant and machinery	–	–	–	–
Motor vehicles	–	–	–	–
Office equipment	–	–	–	–
Electronic equipment	–	–	–	–
Total net book value	**11,082**			**12,592**
Buildings	6,314			5,557
Plant and machinery	3,057			3,053
Motor vehicles	966			2,030
Office equipment	219			229
Electronic equipment	526			1,723

(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)*

12. Fixed assets *(continued)*

(1) Breakdown of fixed assets (continued)

The depreciation of fixed assets recognized in the income statement for the year is RMB2,305,000 (2012: RMB2,256,000).

The income from disposal of fixed assets recognized in the income statement for the year is RMB312,000 (2012: RMB69,000).

The rental income generated from fixed assets for the year is RMB3,843,000 (2012: RMB3,843,000).

13. Intangible assets

(1) Breakdown of intangible assets

	As at 1 January 2013	Increase during the year	Decrease during the year	As at 31 December 2013
Total cost	**41,306**	**12,876**	**–**	**54,182**
Land use rights	40,226	–	–	40,226
Operation rights	–	12,300	–	12,300
Software	1,080	576	–	1,656
Total accumulated amortization	**13,654**	**1,425**	**–**	**15,079**
Land use rights	13,212	888	–	14,100
Operation rights	–	205	–	205
Software	442	332	–	774
Total carrying amount	**27,652**			**39,103**
Land use rights	27,014			26,126
Operation rights	–			12,095
Software	638			882

The amortization of intangible assets recognized in the income statement for the year is RMB1,425,000 (2012: RMB964,000).

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

(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)*

14. Goodwill

	As at 31 December 2013	As at 31 December 2012
Goodwill arising from the acquisition of Beiqing CéCi	**47,377**	47,377
Less: provision for impairment loss	**–**	–
	47,377	47,377

Goodwill arising from the acquisition of Beiqing CéCi in 2011 was assessed for impairment at 31 December 2013.

For the purpose of impairment testing, goodwill has been allocated to the relevant group of asset – Beiqing CéCi (asset group). 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 of the most recent five years approved by management while the future cash flows for the sixth year onwards is projected based on zero growth rate. The discount rate is 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.

15. Deferred income tax assets and deferred income tax liabilities

	As at 1 January 2013	**Increase during the year**	**Decrease during the year**	**As at 31 December 2013**
Deferred income tax assets				
Provision for impairment of assets	1,318	3,079	260	4,137
Total	**1,318**	**3,079**	**260**	**4,137**
Deferred income tax liabilities				
Changes in fair value of investment properties	3,616		1,033	2,583
Total	**3,616**		**1,033**	**2,583**

(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)*

15. Deferred income tax assets and deferred income tax liabilities *(continued)*

Breakdown of deductible temporary difference and taxable temporary difference are as follows:

	As at 31 December 2013	As at 31 December 2012
Deductible temporary difference		
Provision for impairment of assets	**6,199**	5,272
Employee benefits payable	**978**	–
Changes in fair value of financial assets held for trading	**75**	–
Taxable difference of taxable income	**9,296**	–
Total deductible temporary difference	**16,548**	5,272
Taxable temporary difference		
Changes in fair value of investment properties	**10,331**	14,464

As at 31 December 2013, the Group has unused tax loses of approximately RMB13,308,000 (2012: RMB14,423,000) available for offset against future taxable profits. No deferred income tax assets has been recognised for these tax losses due to the uncertainty of future taxable profits streams. These tax losses will be expired at various dates up to 2018.

16. Other non-current assets

	As at 31 December 2013	As at 31 December 2012
Entrustment loan *(Note 1)*	**3,000**	–
Film project prepaid expenses *(Note 2)*	**17,032**	–
Total	**20,032**	–

Note 1: As at 31 December 2013, the Company provided entrusted loan in aggregate of RMB3,000,000 to Chongqing Youth Industrial Co., Ltd. via bank for a term of three years and carry fixed interest rates of 6.15% per annum.

Note 2: Film projects prepaid expenses related to the Company's participation in film and television production of "The Story of Zheng Yang Gate"（《正陽門下》）and "Silent Witness"（《全民目擊》）. The Company entered into agreements with Daqianmen (Beijing) Media Co. Ltd. pursuant to which the Company participated for the production and distribution of TV series "The Story of Zheng Yang Gate"; and Century 21 Wink Films Investment Co., Ltd. pursuant to which the Company involved in production of the Film "Silent Witness". As at 31 December 2013, the balances related to these two film and television projects prepaid expenses are RMB11,632,000 and RMB5,400,000, respectively.

(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)*

17. Breakdown of impairment provision of assets

		Increase during the year		Decrease during the year		
	As at 1 January 2013	Provision	Other transfers into the provision	Reversal	Other transfers out from the provision	As at 31 December 2013
Provision for bad debts	10,209	6,666	–	2,880	–	13,995
Provision for impairment of inventories	61	–	–	–	–	61
Provision for impairment of unlisted equity investments	5,069	–	–	–	–	5,069
Total	**15,339**	**6,666**	**–**	**2,880**	**–**	**19,125**

(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. Accounts payable

(1) The following is an aging analysis of accounts payable as at 31 December 2013 presented based on the invoice date:

	As at 31 December 2013	As at 31 December 2012
Within 90 days	**28,680**	66,334
91 to 180 days	**17,434**	24,611
181 to 365 days	**41,049**	2,572
Over one year	**33,608**	15,013
Total	**120,771**	108,530

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.

19. Employee benefit payables

	As at 1 January 2013	Increase during the year	Decrease during the year	As at 31 December 2013
Salaries, bonus, allowances and subsidies	3,305	40,371	40,075	3,601
Staff benefits	–	1,332	1,332	–
Social security insurance	644	8,291	8,283	652
Including: medical insurance fee	186	2,609	2,616	179
basic pension insurance	421	5,090	5,104	407
unemployment insurance	19	309	279	49
labor injury insurance	5	80	80	5
maternity insurance	13	203	204	12
Housing fund	–	2,812	2,803	9
Union fund and staff education fund	2,827	1,210	654	3,383
Total	**6,776**	**54,016**	**53,147**	**7,645**

20. Tax payables

	As at 31 December 2013	As at 31 December 2012
Value added tax	**(18,886)**	(9,029)
Business tax	**124**	303
Corporate Income Tax	**2,870**	974
Personal Income Tax	**220**	223
Urban maintenance and construction tax	**23**	27
Property tax	**–**	–
Education surcharge	**16**	19
Cultural Construction Fee	**1,139**	1,113
Total	**(14,494)**	(6,370)

(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. Other payables

	As at 31 December 2013	As at 31 December 2012
Other payables	**21,478**	92,215
Total	**21,478**	92,215

As at 31 December 2012, the balance of other payables included an amount of approximately RMB72,060,000 denominated in 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. The Company remitted the above-mentioned proceeds to the national social security fund on 28 January 2013.

As at 31 December 2013, foreign currency-denominated payables (2012: HKD 88,870,000, approximately RMB72,060,000) are not included in other payables.

22. Non-current liabilities due within one year

	As at 31 December 2013	As at 31 December 2012
Long-term borrowings – repayable within 1 year	**–**	3,670
Total	**–**	3,670

(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. Other current liabilities

	As at 31 December 2013	As at 31 December 2012
Deferred income of customer loyalty program	**7,366**	7,539
Total	**7,366**	7,539

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

24. Share capital

	As at 31 December 2013	As at 31 December 2012
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

25. Total operating revenue, operating costs

	For the year ended 31 December 2013	For the year ended 31 December 2012
Principal operating revenue	**629,250**	683,654
Other operating revenue	**38,178**	6,622
Total operating revenue	**667,428**	690,276
Principal operating costs	**541,185**	607,924
Other operating costs	**32,501**	550
Total operating costs	**573,686**	608,474
Gross Profit	**93,742**	81,802

(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. 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 2013		For the year ended 31 December 2012	
	Operating revenue	**Operating costs**	Operating revenue	Operating costs
Advertising	**339,805**	**268,198**	361,299	308,070
Printing	**22,330**	**17,320**	47,147	42,212
Trading of print-related materials	**266,786**	**251,790**	272,208	257,642
Distribution	**329**	**3,877**	–	–
Consultation service income	**–**	**–**	3,000	–
Total	**629,250**	**541,185**	683,654	607,924

(2) For the year ended 31 December 2013, the sum of operating revenue from the top five customers is RMB164,770,000 representing 24.69% of total operating revenue.

(3) Other operating revenue mainly includes the production revenue of RMB32,168,000 in respect of production of TV series "The Story of Zheng Yang Gate", by the Company and Daqianmen (Beijing) Media Co.,Ltd for production.

26. Financial expenses

	For the year ended 31 December 2013	For the year ended 31 December 2012
Interest expenses – on bank loans wholly repayable within 5 years	**482**	587
Less: Interest income	**23,960**	32,508
Add: Exchange loss	**(108)**	510
Add: Other expenses	**169**	97
Total	**(23,417)**	(31,314)

(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)*

27. Impairment loss of assets

	For the year ended 31 December 2013	For the year ended 31 December 2012
Loss for bad debts	**6,666**	2,899
Impairment loss on inventories	**–**	(305)
Total	**6,666**	2,594

28. Gain on changes in fair value

	For the year ended 31 December 2013	For the year ended 31 December 2012
Loss on changes in fair value of financial assets held for trading	**(7)**	(10)
Gain on changes in fair value of investment properties	**(1,064)**	10,749
Total	**(1,071)**	10,739

29. Investment income

(1) The investment income was arisen from:

	For the year ended 31 December 2013	For the year ended 31 December 2012
Share of profit of associates	**10,347**	13,633
Other investment income:		
Gain on disposal of partial interests in an associate	**–**	11,228
Other investment income	**(141)**	11,128
Sub-total of other investment income	**(141)**	22,356
Total	**10,206**	35,989

(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)*

30. Non-operating income

	For the year ended 31 December 2013	For the year ended 31 December 2012
Gain on disposal of fixed assets	**312**	75
Government grants *(Note)*	**2,000**	–
Compensation for removal of advertising board	**3,590**	18
Late payment charges	**–**	1,437
Others	**19**	–
Total	**5,921**	1,530

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.

31. Non-operating expenses

	For the year ended 31 December 2013	For the year ended 31 December 2012
Total loss on disposal of non-current assets	**–**	9
Including: Loss on disposal of fixed assets	**–**	9
Loss on payment to the Social Security Fund *(Note 1)*	**18,524**	–
Compensation and late payment charges expenses	**12**	–
Total	**18,536**	9

Note 1: When the Company was listed in 2004, according to the requirement of "Provisional Administrative Measures of Raising Social Security Funds by Reduction of the State Shares Holding" and relevant commitment, the Company should have to pay the social security fund in the amount of HKD88,870,000 for the reduction of state shares holding. Pursuant to the comment letter "Social Security Fund Fa (2013) No.15" issued by National Council for Social Security Fund in respect of the pay back of the funds of the reduction of state shares holding, the treasury fund that the Company has to pay was RMB90,585,000. During the reporting period, the Company has paid the above amount. The difference of RMB18,524,000 from the original amount payable for the reduction of state shares holding was included in non-operating expenses.

(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. Income tax expenses

(1) Income tax expenses

The reconciliation from income tax calculated based on the application tax rates and total profit presented in the consolidated financial statements to the income tax expenses is listed below:

	For the year ended 31 December 2013	For the year ended 31 December 2012
Current income tax expenses	**6,026**	4,566
Deferred income tax expenses	**(3,852)**	2,212
Total	**2,174**	6,778

(2) Current income tax expenses

	For the year ended 31 December 2013	For the year ended 31 December 2012
Current income tax – PRC	**6,071**	4,188
Under-provision in prior years – PRC	**(45)**	378
Total	**6,026**	4,566

There was no provisions for Hong Kong profits tax of the Group during the year, because no profits was generated from Hong Kong.

(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. Income tax expenses *(Continued)*

(3) Reconciliation table of total profit to income tax expense

	For the year ended 31 December 2013	For the year ended 31 December 2012
Total profit	**19,447**	70,237
Income tax calculated at the applicable tax rate of 25%	**4,862**	17,560
Tax effect of non-taxable income	**(5,710)**	(13,003)
Tax effect of non-deductible expenses	**2,025**	2,947
Tax effect of special tax exemptions	**(2,275)**	(2,475)
Tax effect of the subsidiary's losses in this year	**4,379**	1,681
Utilisation of previously unrecognized tax losses	**(1,062)**	(310)
Underprovision in prior years	**(45)**	378
Income tax expense	**2,174**	6,778

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)

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

33. Auditors' remuneration

The auditors' remuneration for the year was RMB1,350,000 (2012: RMB1,350,000).

34. Emoluments of Directors, Supervisors and Employees

(1) Emoluments of Directors and Supervisors

1) The paid or payable emoluments of the 25 (2012: 21) directors and supervisors are as follows:

For the year ended at 31 December 2013:

Name	Fees	Salary	Other benefits *(i)*	Employer's contribution to retirement benefits scheme	Total
Director					
ZHANG Yanping	–	537	43	36	616
YU Haibo	–	463	36	30	529
SUN Wei	–	431	43	36	510
HE Xiaona	–	391	43	36	470
LI Shiheng	38	–	–	–	38
WU Peihua	38	–	–	–	38
LIU Han	38	–	–	–	38
LI Xiaobing	32	–	–	–	32
XU Xun	38	–	–	–	38
LI Yigeng	–	–	–	–	–
TSANG Hing Lun	146	–	–	–	146
WU Changqi	146	–	–	–	146
LIAO Li	146	–	–	–	146
SONG Jianwu	158	–	–	–	158
CUI Baoguo	158	–	–	–	158
Cui Enqing (ii)	54	–	–	–	54
Wu Tak Lung (ii)	54	–	–	–	54
Chen Ji (ii)	54	–	–	–	54
Sub-total	1,100	1,822	165	138	3,225
Supervisor					
YAN Mengmeng	–	241	43	36	320
TIAN Kewu	38	–	–	–	38
HE Daguang	29	–	–	–	29
ZHOU Fumin	29	–	–	–	29
ZHANG Chuanshui	38	–	–	–	38
MA Chundan (ii)	–	204	43	35	282
ZHAO Meng (ii)	11	–	11	–	22
Sub-total	145	445	97	71	758
Total	1,245	2,267	262	209	3,983

(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)*

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

(1) Emoluments of Directors and Supervisors (Continued)

1) The paid or payable emoluments of the 25 (2012: 21) directors and supervisors are as follows: *(Continued)*

Note:

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

(ii) Appointed on 15 May 2013.

For the year ended at 31 December 2012:

Name	Fees	Salary	Other benefits *(i)*	Employer's contribution to retirement benefits scheme	Total
Director					
ZHANG Yanping	–	520	39	33	592
ZHANG Yabin (iv)	–	282	23	19	324
YU Haibo (ii)	–	–	–	–	–
SUN Wei	–	420	39	33	492
HE Xiaona (iii)	–	368	39	33	440
LI Shiheng	20	–	–	–	20
WU Peihua	20	–	–	–	20
LIU Han	20	–	–	–	20
LI Xiaobing (iii)	13	–	–	–	13
XU Xun	20	–	–	–	20
LI Yigeng	–	–	–	–	–
TSANG Hing Lun	100	–	–	–	100
WU Changqi	100	–	–	–	100
LIAO Li	100	–	–	–	100
SONG Jianwu (iii)	67	–	–	–	67
CUI Baoguo (iii)	67	–	–	–	67
Sub-total	527	1,590	140	118	2,375
Supervisor					
HE Daguang	–	20	–	–	20
ZHOU Fumin	–	20	–	–	20
TIAN Kewu	–	20	–	–	20
YAN Mengmeng	–	208	39	33	280
ZHANG Chuanshui	–	20	–	–	20
Sub-total	–	288	39	33	360
Total	527	1,878	179	151	2,735

(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)*

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

(1) Emoluments of Directors and Supervisors (Continued)

1) The paid or payable emoluments of the 25 (2012: 21) directors and supervisors are as follows: *(Continued)*

Notes:

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

(ii) Appointed on 21 December 2012.

(iii) Appointed on 15 May 2012.

(iv) Removed on 21 December 2012.

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 2013 was approximately RMB2,437,000 (2012: RMB2,520,000), 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 2013. 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, four (2012: three) were directors. The emoluments of the remaining one (2012: two) individual was as follows:

	For the year ended 31 December 2013	For the year ended 31 December 2012
Basis salaries and allowance	**423**	818
Employer's contributions to retirement benefit scheme	**36**	66
Total	**459**	884

(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)*

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

(2) Five highest paid individuals (Continued)

The remunerations of the above-mentioned one individual fall within the following band:

	For the year ended 31 December 2013	For the year ended 31 December 2012
NIL–HKD1,000,000 (equivalent to RMB786,200)	**1**	2
Total	**1**	2

During the year, 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.

(3) Emoluments of Senior Management

The remunerations of Senior Management fall within the following band:

	For the year ended 31 December 2013	For the year ended 31 December 2012
0 – HKD500,000 (equivalent approximately RMB405,400)	**0**	3
HKD500,001 – HKD1,000,000 (equivalent approximately RMB405,401 to RMB810,800)	**5**	2
Total	**5**	5

35. Retirement benefit scheme – defined contribution plans

All the full time employees of the Group are covered by a state-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 2013 (2012: 20%) of the employees' basic salaries, which is subject to certain cap as stipulated by relevant local authority. Contributions to this retirement scheme are charged to the consolidated statement of comprehensive income as and when incurred. Under this scheme, the Group has no obligation for post-retirement benefit beyond the annual contributions.

For the year ended 31 December 2013, contributions from retirement benefit scheme recognized in income statement was RMB5,090,000 (2012: RMB6,066,000)

(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)*

36. Dividends

	For the year ended 31 December 2013	For the year ended 31 December 2012
Dividends recognised as distribution during the year:		
Payment of 2012 final dividend – RMB0.30 (2012: 2011 final dividend RMB 0.60) per share *(Note)*	**59,193**	118,386
Total	**59,193**	118,386

Note: At the annual general meeting held on 15 May 2013, the shareholders approved the final dividends of RMB0.30 per ordinary share amounting to a total of RMB59,193,000 in respect of the year ended 31 December 2012.The amounts have been appropriated from retained earnings for the year ended 31 December 2013.

The final dividend for 2013 of RMB0.14 per share totaling RMB27,623,400 has been proposed by the directors and is subject to shareholders' approval in the forthcoming general meeting.

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

	For the year ended 31 December 2013	For the year ended 31 December 2012
Net profit	**17,273**	63,459
Add: Provision for assets impairment	**6,666**	2,594
Fixed assets depreciation, oil and gas depletion, productive biological assets depreciation	**2,305**	2,256
Amortisation of intangible assets	**1,425**	964
Amortisation of long-term deferred expenses	**715**	1,316
Gain on disposal of fixed assets, intangible assets and other long-term assets	**(312)**	(69)
Gain on from changes in fair value	**1,071**	(10,739)
Financial expenses	**(22,570)**	(28,222)
Investment income	**(10,206)**	(35,989)
Increase in deferred income tax assets	**(2,819)**	(112)
Increase (decrease) in deferred income tax liabilities	**(1,033)**	2,324
Increase of inventories	**(5,958)**	(146)
Increase in operating accounts receivable	**(49,834)**	(41,331)
Increase (decrease) in operating accounts payable	**(93,578)**	82,749
Net cash flows from operating activities	**(156,855)**	39,054

(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)*

38. Changes in cash and cash equivalents

	As at 31 December 2013	As at 31 December 2012
Bank balance and cash at end of year	**160,139**	178,486
Less: Bank balance and cash at beginning of year	**178,486**	170,450
Cash equivalents at end of year	**–**	–
Less: cash equivalents at beginning of year	**–**	–
Net change in cash and cash equivalents	**(18,347)**	8,036

39. Cash and cash equivalents

	For the year ended 31 December 2013	For the year ended 31 December 2012
Bank balances and cash	**562,219**	828,850
Less: short-term bank deposits with maturity more than 3 months	**392,480**	611,708
Restricted bank deposits	**9,600**	38,656
	160,139	178,486
Representing:		
Cash in hand	**101**	65
Deposits held at call with banks	**160,038**	178,421
Cash and cash equivalents at the end of the year	**160,139**	178,486

40. Major non-cash transactions

Nil.

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

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	Beiqing International Investment Consultancy (Beijing) Co. Limited
Subsidiary of BYDA	Beijing Beiqing Advertising Co. Limited
Subsidiary of BYDA	Beijing Youth Journal Agency
Subsidiary of BYDA	Beijing Legal Evening Agency
Subsidiary of BYDA	Beijing Science and Technology News Agency
Subsidiary of BYDA	Beijing Education Media Co. Limited
Subsidiary of BYDA	Beijing Youth Weekend Media Co. Limited
Subsidiary of BYDA	Beijing Beiqing Culture and Arts Company
Associate of the Company	Beiqing Transmedia Co. Limited
Associate of the Company	Beijing Beiqing Top Advertising Limited
Associate of the Company	Beijing Leisure Trend Advertising Company Limited
Associate of the Company	Beijing Beisheng United Insurance Agency Co. Limited
Associate of the Company	Beijing Beiqing Shengda Automobile Service Company Limited
Associate of the Company	Hebei Jujingcai E-commerce Company Limited (河北聚精采電子商務股份有限公司)
Other related parties	Shanghai China Business News Company Limited
Other related parties	Chongqing Youth Industrial Co., Ltd.

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 2013**	For the year ended 31 December 2012
BYDA *(Note 1)*	Contracted Price	**44,496**	51,763
Subsidiaries of BYDA	Contracted price	**3,044**	3,412
Associate of the Company	Contracted price	**66**	–
Total		**47,606**	55,175

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.

(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)*

(2) *Sales of goods/rendering of services*

Related Parties	Pricing policy of related party transaction	For the year ended 31 December 2013	For the year ended 31 December 2012
BYDA	Contracted price	**9,115**	22,560
Associates of the Company	Contracted price	**45,471**	10,422
Subsidiaries of BYDA	Contracted price	**27,991**	140
Other related parties	Contracted price	**7,836**	–
Total		**90,413**	33,122

(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	2013-1-1	2015-12-31	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	2013-1-1	2015-12-31	Contracted price	1,363

(5) *Entrusted Loan*

During the year ended 31 December 2013, the Company provided entrusted loan in aggregate of RMB3,000,000 to Chongqing Youth Industrial Co., Ltd. via bank, with terms from 29 October 2013 to 29 October 2016.

(6) *Remuneration for key management personnel*

	For the year ended 31 December 2013	For the year ended 31 December 2012
Remuneration for key management personnel	**5,843**	4,760

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*

Nil.

(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 2013 Carrying amount	As at 31 December 2013 Provision for bad debts	As at 31 December 2012 Carrying amount	As at 31 December 2012 Provision for bad debts
BYDA	**58**	**–**	77	–
Associates of the Company	**46,712**	**–**	5,919	–
Subsidiaries of BYDA	**46,867**	**–**	23,934	–
Other related parties	**2,796**	**–**	–	–
Total	**96,433**	**–**	29,930	–

(2) *Other receivables due from related parties*

Related parties	As at 31 December 2013 Carrying amount	As at 31 December 2013 Provision for bad debts	As at 31 December 2012 Carrying amount	As at 31 December 2012 Provision for bad debts
Associates of the Company	**20,182**	**–**	61	–
Subsidiaries of BYDA	**–**	**–**	90	–
Total	**20,182**	**–**	151	–

(3) *Accounts payable due to related parties*

Related parties	As at 31 December 2013	As at 31 December 2012
BYDA	**1,607**	5,593
Subsidiaries of BYDA	**2,214**	1,343
Total	**3,821**	6,936

(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 2013	As at 31 December 2012
BYDA	**5,410**	5,410
Associates of the Company	**–**	288
Subsidiaries of BYDA	**–**	100
Total	**5,410**	5,798

(5) *Receipts in advance due from related parties*

Related parties	As at 31 December 2013	As at 31 December 2012
BYDA	**–**	19
Associates of the Company	**1**	–
Subsidiaries of BYDA	**7**	
Other related parties	**–**	4,412
Total	**8**	4,431

(6) *Prepayment to related parties*

Related parties	As at 31 December 2013	As at 31 December 2012
Subsidiaries of BYDA	**761**	734
Total	**761**	734

(7) *Entrusted Loan*

Related parties	As at 31 December 2013	As at 31 December 2012
Associates of the Company	**–**	95,600
Other related parties	**3,000**	–
Total	**3,000**	95,600

The related party transactions in respect of (1) and (2) above constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The relevant transactions required for disclosures are detailed in the section "Connected Transactions" of the Report of the Board of Directors.

(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 2013	As at 31 December 2012
Within one year	**7,314**	5,424
1-2 years	**6,488**	4,746
2-3 years	**2,200**	4,030
After 3 years	**933**	2,814
Total	**16,935**	17,014

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 2013	As at 31 December 2012
Within one year	**5,729**	3,843
1-2 years	**5,729**	1,886
2-3 years	**314**	1,886
After 3 years	**–**	314
Total	**11,772**	7,929

XI. POST-BALANCE SHEET EVENTS

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. The segments are:

Segment	Principal activities
Advertising:	Sales of advertising spaces and outdoor advertising of the media or activities operated by BYDA Chongqing Youth Daily, Beiqing Community Newspaper (北青社區報) 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 newspaper that are mainly published by Chongqing Youth Daily.

Note: On 12 July 2013, the Company and Chongqing Youth Industrial Co., Ltd. jointly established a subsidiary Chongqing Media. Chongqing Media is included in the Group's scope of consolidation since that day. Therefore, newspaper publishing of Chongqing Youth Daily is included in the distribution business for the year ended 31 December 2013.

1. For the year ended 31 December 2013

	Advertising	Printing	Trading of print-related materials	Distribution	Other and unallocated amount	Elimination	Total
Operating revenue	342,435	91,436	360,230	329	38,626	(165,628)	667,428
Including: Revenue from external transactions	339,805	22,330	266,786	329	38,178	–	667,428
Revenue from intra-segment transactions	2,630	69,106	93,444	–	448	(165,628)	–
Operating expenses	330,608	88,262	360,524	5,490	25,245	(165,628)	644,501
Gain on changes in fair value	–	–	–	–	(1,071)	–	(1,071)
Investment income	–	–	–	–	19,306	(9,100)	10,206
Operating profit (loss)	11,827	3,174	(294)	(5,161)	31,616	(9,100)	32,062
Non-operating income and expenses, net	(12,883)	54	212	14	(12)	–	(12,615)
Total profit	(1,056)	3,228	(82)	(5,147)	31,604	(9,100)	19,447
Income tax expenses	(433)	159	628	–	1,820	–	2,174
Net profit	(623)	3,069	(710)	(5,147)	29,784	(9,100)	17,273
Total assets	1,180,263	30,030	236,749	6,075	869,215	(709,813)	1,612,519
Total liabilities	139,962	44,390	177,561	1,837	90,802	(175,547)	279,005
Supplementary information:							
Depreciation and amortization expenses	3,169	321	731	22	203	–	4,446
Capital expenditure	14,798	323	1,277	375	103	–	16,876
Impairment of assets	4,526	368	1,472	–	300	–	6,666
Non-cash expenses excluding depreciation and impairment of assets	–	–	–	–	–	–	–

(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 2012

	Advertising	Printing	Trading of print-related materials	Distribution	Other and unallocated amount	Elimination	Total
Operating revenue	361,400	118,937	377,090	–	9,622	(176,773)	690,276
Including: Revenue from external transactions	361,299	47,147	272,208	–	9,622	–	690,276
Revenue from intra-segment transactions	101	71,790	104,882	–	–	(176,773)	–
Operating expenses	360,870	118,045	375,329	–	(9,183)	(176,773)	668,288
Gain on changes in fair value	–	–	–	–	10,739	–	10,739
Investment income	–	–	–	–	44,889	(8,900)	35,989
Operating profit (loss)	530	892	1,761	–	74,433	(8,900)	68,716
Non-operating income and expenses, net	1,455	16	50	–	–	–	1,521
Total profit	1,985	908	1,811	–	74,433	(8,900)	70,237
Income tax expenses	2,155	305	965	–	3,353	–	6,778
Net profit	(170)	603	846	–	71,080	(8,900)	63,459
Total assets	1,113,548	45,961	145,543	–	903,358	(522,585)	1,685,825
Total liabilities	131,003	47,117	149,204	–	22,486	(22,419)	327,391
Supplementary information:							
Depreciation and amortization expenses	2,910	208	660	–	757	–	4,535
Capital expenditure	677	65	207	–	1,395	–	2,344
Impairment of assets	2,822	(55)	(173)	–	–	–	2,594
Non-cash expenses excluding depreciation and impairment of assets	–	–	–	–	–	–	–

The business of the Group mainly are located in Beijing, China.

(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 2013**	As at 31 December 2012
Investment properties and fixed assets	**47,289**	49,154
Total	**47,289**	49,154

XIV. SUPPLEMENTARY INFORMATION

1. Earnings per share

	For the year ended 31 December 2013	For the year ended 31 December 2012
Net profit for the year attributable to shareholders of the Company	**20,377**	64,987
Weighted average number of issued ordinary shares (thousand shares)	**197,310**	197,310
Earnings per share, basic (RMB)	**0.10**	0.33

Diluted earnings per share and basic earnings per share for the two years ended 31 December 2013 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 2013	As at 31 December 2012
Financial assets		
Investment at fair value through profit or loss, at fair value	**15**	22
Loan and receivables (including cash and cash equivalents)	**942,247**	1,280,947
Financial liabilities, at amortised cost	**231,380**	294,576

Major financial instruments of the Group include bank balances and cash, financial assets held for trading, accounts receivable, interest receivable, other current assets, other receivables, notes payable, accounts payable, employee benefit payables, tax payables, dividend payable, 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 2013	As at 31 December 2012
Liabilities – HKD	–	88,870

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% (2012: 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 2013	For the year ended 31 December 2012
Increase (decrease) in profit for the year		
– if RMB weakens against foreign currencies	–	(3,603)
– if RMB strengthens against foreign currencies	–	3,603

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 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 (2012: 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 (2012: 25) base points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2013 would increase/decrease by nil (2012: RMB446,000). 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 2013, 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	
	31/12/2013	31/12/2012	**31/12/2013**	31/12/2012	**31/12/2013**	31/12/2012	**31/12/2013**	31/12/2012
Notes payable	**95,980**	89,357	**–**	–	**95,980**	89,357	**95,980**	89,357
Accounts payable	**120,771**	108,530	**–**	–	**120,771**	108,530	**120,771**	108,530
Dividend payable	**–**	398	**–**	–	**–**	398	**–**	398
Other payables	**21,478**	92,215	**–**	–	**21,478**	92,215	**21,478**	92,215
Non-current liabilities due within one year	**–**	3,670	**–**	–	**–**	3,670	**–**	3,670
Long-term borrowings	**–**	–	**–**	–	**–**	–	**–**	–

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;

- 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; and

- 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 balance sheet 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 2013 Level 1	As at 31 December 2012 Level 1
Investments at fair value through profit or loss	**15**	22

(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 2013**	As at 31 December 2012
Current assets:		
Bank balances and cash	**168,074**	295,511
Accounts receivable	**193,992**	85,451
Prepayments	**39,270**	4,379
Dividend receivable	**–**	8,900
Interest receivable	**755**	2,633
Other receivables	**23,625**	76,781
Inventories	**5,484**	356
Other current assets	**5,000**	146,600
Total current assets	**436,200**	620,611
Non-current assets:		
Financial assets available-for-sale	**114,060**	59,060
Investment in subsidiaries	**587,304**	553,204
Investment in associates	**241,366**	128,441
Investment properties	**12,105**	9,037
Fixed assets	**8,040**	8,269
Intangible assets	**38,717**	27,476
Long-term deferred expenses	**29**	47
Other non-current assets	**20,032**	–
Total non-current assets	**1,021,653**	785,534
Total assets	**1,457,853**	1,406,145

(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 2013	As at 31 December 2012
Current liabilities:		
Short-term borrowings	**80,000**	–
Accounts payable	**92,036**	15,592
Receipts in advance	**22,858**	10,594
Employee benefit payables	**6,117**	4,828
Tax payables	**(15,057)**	(2,843)
Dividend payables	**101**	–
Other payables	**10,596**	84,715
Other current liabilities	**7,366**	7,539
Total current liabilities	**204,017**	120,425
Total liabilities	**204,017**	120,425
Shareholders' equity:		
Share capital	**197,310**	197,310
Capital reserves	**896,214**	896,214
Surplus reserves	**130,931**	130,931
Undistributed profits	**29,381**	61,265
Total shareholders' equity	**1,253,836**	1,285,720
Total liabilities and shareholders' equity	**1,457,853**	1,406,145

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

XIV. SUPPLEMENTARY INFORMATION *(Continued)*

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 2012	**197,310**	**897,778**	**130,931**	**119,389**	**1,345,408**
Net profit	–	–	–	60,262	60,262
Dividend to shareholders	–	–	–	(118,386)	(118,386)
Share of capital reserves of associates	–	(1,866)	–	–	(1,866)
Disposal of partial interest in an associate		302			302
Sub-total of increase/decrease for the year	**–**	**(1,564)**	**–**	**(58,124)**	**(59,688)**
As at 31 December 2012	**197,310**	**896,214**	**130,931**	**61,265**	**1,285,720**
Net profit	–	–	–	27,309	27,309
Dividend to shareholders	–	–	–	(59,193)	(59,193)
Sub-total of increase/decrease for the year	**–**	**–**	**–**	**(31,884)**	**(31,884)**
As at 31 December 2013	**197,310**	**896,214**	**130,931**	**29,381**	**1,253,836**

XV. APPROVAL OF FINANCIAL REPORT

This financial report was approved by the Board of the Company on 24 March 2014.

Beijing Media Corporation Limited

24 March 2014