BEIJING 北青传媒 MEDIA

HK Stock Code: 1000

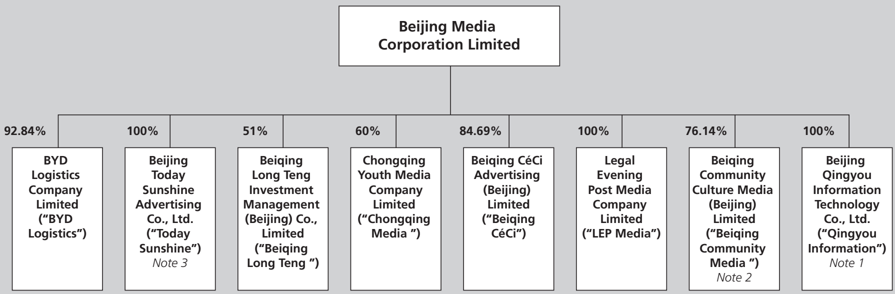
2014 INTERIM REPORT

Beijing Media Corporation Limited

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

COMPANY PROFILE

Beijing Media Corporation Limited (the "**Company**" or "**Beijing Media**", together with its subsidiaries collectively the "**Group**"), is one of the leading media companies in the People's Republic of China (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 Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") on 22 December 2004.



Notes:

1. Upon the approval of the Board on 27 February 2014, the Company contributed RMB30,000 thousand to establish Qingyou Information which has completed the business registration on 24 June 2014.

2. On 16 June 2014, the Company entered into a capital increase agreement with some of the employees of Beiqing Community Media and Beiqing Community Media, pursuant to which, the amount of RMB 4,700 thousand in cash has been invested into Beiqing Community Media and the Company's shareholding in Beiqing Community Media changed from 100% to 76.14%. The relevant capital injection and corresponding changes in registration with the industrial and commercial administration authorities were all completed on 30 June 2014.

3. On 18 July 2014, Today Sunshine has completed changes in registration with the industrial and commercial administration authorities, and changed its name to Beijing Beiqing outdoor Advertisement Co., Ltd.

COMPANY WEBSITE:

www.bjmedia.com.cn

STOCK INFORMATION

- Stock Code: 1000
- Board Lot: 500 shares
- Number of Shares Issued (as at 30 June 2014): 197,310,000
- Market Capitalisation (as at 30 June 2014): HK$907.63 million
- Financial Year End: 31 December
- Bloomberg's Stock Machine Search Code: 1000 HK Equity
- Reuters Stock Machine Search Code: 1000. HK

EXECUTIVE DIRECTORS
Zhang Yanping *(Chairman)*
Yu Haibo *(Vice Chairman and President)* *Note 1*
He Xiaona *(Executive Vice President)*

NON-EXECUTIVE DIRECTORS
Li Shiheng *(Vice Chairman)*
Liu Han
Wu Peihua
Li Xiaobing
Wang Lin *Note 2*
Xu Xun
Li Yigeng

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

JOINT COMPANY SECRETARIES
Shang Da
Yu Leung Fai

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

REMUNERATION COMMITTEE
Cui Baoguo *(Chairman)*
Yu Haibo
Cui Enqing

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

AUTHORISED REPRESENTATIVES
Zhang Yanping
Yu Haibo *Note 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 ceased to be the executive director of the Company, with effect from the 2013 annual general meeting held on 20 May 2014. 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. For details, please refer to the announcement of the Company dated 7 March 2014.

2. Upon the approval of the annual general meeting on 20 May 2014, Mr. Wang Lin was appointed as the non-executive director of the Company. Please refer to the announcement of the Company dated 20 May 2014 for details.

Dear Shareholders,

On behalf of the Group, I am pleased to present the report on interim results of the Group for the six months ended 30 June 2014 (the "First Half of 2014").

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 was 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 the First Half of 2014 was RMB341,453 thousand (corresponding period of 2013: RMB267,830 thousand), representing an increase of approximately 27.49% as compared with that for the corresponding period of 2013. Net profit attributable to shareholders of the Company was RMB8,331 thousand (corresponding period of 2013: RMB11,852 thousand), representing a decrease of approximately 29.71% as compared with that for the corresponding period of 2013.

BUSINESS REVIEW OF THE GROUP *(Continued)*

During the First Half of 2014, according to market observation data provided by third parties, total placement volume of advertisement in market of the print media of Beijing Metropolitan newspapers declined by 4.01% as compared to the same period of last year.

In the First Half of 2014, the business revenues of the Group increased by 27.49% as compared with the corresponding period of last year, mainly due to the increase in the income from advertisement and trading of printing materials. During the reporting period, the net profit attributable to Shareholders of the Company decreased by 29.71% as compared with that of the corresponding period of last year, which was mainly due to the following three reasons: 1) In the First Half of 2014, Beiqing Community Media, established with the investment by the Company, rapidly expanded its business and increased operation investment, resulting in a decrease in consolidated profits of the Company. Beiqing Community Media has completed the capital increase of shareholdings owned by the employees during the reporting period. The internal drive of the Company was sufficient and it is expected that there will be another capital operation. As the measures implemented for new business expansion and consolidation of product structures, the Company is endeavor to realize new structures for diversified profits, balanced products and risk diversification; 2) according to the relevant policies, the country has granted the Company to exempt from Enterprise Income Tax ("EIT") for a term of five years until 31 December 2013. Pursuant to the new policy for 5-year exemption of EIT, the Company meets the criteria for applying such exemption. The relevant approval procedures are in progress and are expected to be completed by the end of the year. Prior to the approval, the Company still had to pay for the EIT first. The Company will make application to tax authority in respect of the full refund of the EIT that previously paid by the Company upon the exemption of EIT granted to the Company. The increase of EIT expenses also contributed to the decrease in net profits of the Company. In the First Half of 2014, the Company has paid for the EIT of RMB2,678 thousand which had a corresponding impact on the net profits amounting to RMB2,678 thousand; 3) Chongqing Media and Beiqing Long Teng in which the Company invested last year and the previous years, operated in a good condition, but they are still under the rearing period which led to the decrease in consolidated profits of the Company.

BUSINESS REVIEW OF THE GROUP *(Continued)*

Beijing Media, as a dominating popular media, adhered to the media concept closest to customers and actively expanded brand new businesses which were closer to consumers' needs. There were 11 community papers established quickly in the First Half of the year, raising the number of community papers to 16 and 31 brand new community relay stations opened. Leveraging on the credibility of mainstream media, the Company could penetrate consumers and provide them with all-rounded and multi-level services. Meanwhile, a company for webgame platform was established to provide an interactive entertainment platform for youngsters. After the success of the TV drama program, "The Story of Zheng Yang Gate" (《正陽門下》), the Company continued to explore investment in film and television. It will gradually produce film and television works such as the TV drama programs. The above-mentioned new expansion is expected to gain higher revenue in the future. On top of the promotion of the original advertisement business, the Company provided a brand new comprehensive proposal for advertising and marketing for clients, relying on its media resources and talent reserve. The design and implementation of channels for advertisement placement and the multi-level planning for advertisement placement were provided for clients. In addition, small-scale "community shows" in valuable communities to display products such as property and automobile were organised. In the First Half of the year, the Company's series of display in Haidian District where education, hi-tech and scientific research are concentrated to attract the attention of consumers and advertising customers. In the second half of the year, the Company plans to start a series of community shows in Chaoyang District, which is a central business district, in order to obtain more attention and revenue.

Advertising Business

During the First Half of 2014, the revenue generated from the advertising business slightly increased as compared with that of the corresponding period of last year.

BUSINESS REVIEW OF THE GROUP *(Continued)*

The advertising business in real estate sector was still the major advertising business of the Company. In 2014, local governments relaxed their restrictive policy on real estate purchase to different degrees. The less restrictive policy on real estate purchase led to cautious and optimistic expectation in the real estate advertising industry. In the First Half of 2014, the Company actively explored real estate markets outside Beijing and increased advertising sales income by way of the establishment of the sales centre. During the period, the Company had successfully organized several property tours with remarkable response. The Company participated in series of activities of community shows, delivered real estate projects to various communities, promoted the direct communications between the advertisers and consumers, provided more extra services for clients and brought more advertisement sales for the Company.

With the continuous effort made by the Company, in the First Half of 2014, the market observation data provided by the third party showed that the placement volume of advertisement in real estate industry of the Company still maintains a leading advantage in the industry compared with other print media of Beijing Metropolitan newspapers (market share in the First Half of 2014 of placement volume of advertisement in real estate industry of the Company among print media of Beijing Metropolitan newspapers was 33.07%).

In the First Half of 2014, the placement volume of advertisement in automobile industry was in the top ranking among the total placement volume of advertisement of the Company. In the First Half of 2014, the Company's revenue generated from the advertisement in automobile industry slightly increased as compared with that of the corresponding period of last year. According to the market observation data provided by third party, in the First Half of 2014, the total volume of advertisement placed by Beijing automobile industry in the print media of Beijing Metropolitan newspapers showed a decrease of 8.97% as compared with the same period of last year. Under the continuous market downturn of the automobile industry, the Company actively adjusted business model. The first is to use underwriting to promote traditional advertising placement; the second is to actively hold various activities and auto shows, provide the advertising customers with diversified marketing plan and promote advertising campaign through a series of large scale on-site activities, thereby enhanced the influence of Beijing Media brand and increased the advertising sales income.

BUSINESS REVIEW OF THE GROUP *(Continued)*

In the First Half of 2014, the market observation data provided by third party 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 the First Half of 2014 of placement volume of advertisement of the Company in automobile industry among print media of Beijing Metropolitan newspapers was 32.90%).

Meanwhile, the market observation data provided by third party showed that the placement volume of advertisement in Beijing Youth Daily in industries such as living service, recruitment and finance and insurance which targeted at the high-income group had a high market share among the print media of Beijing Metropolitan newspapers, especially the performance of placement volume in living service industry (market share in the First Half of 2014 of placement volume of advertisement in living service, recruitment and finance and insurance industry of the Company among print media of Beijing Metropolitan newspapers were 55.21%, 49.46% and 42.72% respectively).

The Company made detailed projection of the economic situation and actively responded to the industrial competition, which still maintained its own advantage in media and strong operating position in the industry under unfavorable external market environment. In the First Half of 2014, the market observation data provided by third party showed that the consolidated market share of advertisement in Beijing Youth Daily still ranked top among the print media of Beijing Metropolitan newspapers (market share of Beijing Youth Daily among print media of Beijing Metropolitan newspapers was 27.91%).

RESULTS OF SUBSIDIARIES AND ASSOCIATES OF THE GROUP

Beiqing CéCi is a 84.69%-owned subsidiary of the Company. In the First Half of 2014, the revenue and net profit of Beiqing CéCi amounted to RMB13,676 thousand and RMB2,473 thousand, representing an increase of 8.30% and 52.16%, respectively as compared with that of the corresponding period of last year. Beiqing CéCi focused on the agency of advertising business in CéCi (《茜茜姐妹CéCi》) magazine, 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 the past six years' operation, CéCi is a favourite magazine of urban white-collar women with a sound track record in sales since its launching. In 2014, under the market environment that the overall placement volume of advertisement in print media decreased and the competition in the same industry was fierce, Beiqing CéCi explored customer needs in depth, used their keen sense on fashion and edit advantage to develop new business of making internal magazine for advertisers, making it a new profit growth point. To offset the decrease of placement budget of print advertising of customers, Beiqing CéCi actively implemented large-scale advertising on-site activities for customers. In March 2014, Beiqing CéCi and KENZO co-hosted a series of popular activities of walking into the Peking University for The 21st Beijing College Student Original Film Festival -"KENZO Flower in the Air (花舞飛揚)". In April 2014, Beiqing CéCi and Urara hosted activity of "Beauty Development Plan of YOBOOM and Urara in University–Dalian (YOBOOM携手悠萊美麗成長計劃校園行一大連站)" at Dalian University of Technology, Dongbei University of Finance and Economics, respectively. In June 2014, Beiqing CéCi held a forum themed "Brussels-Gateway to Europe" in Shanghai which was hosted by Mr. Nijs, the Belgian honorary ambassador. Beiqing CéCi strived to continuously enhance the reputation and influence of CéCi magazine through new marketing initiatives to respond to the increasingly fierce market competition and effectively increase revenue.

Today Sunshine is a wholly-owned subsidiary of the Company. Its principal business is operating urban outdoor single column billboards. In the First Half of 2014, the Company acquired the operation right for 3 years in the 2013 bid of Beijing Municipal Commission of City Administration and Environment and the operations of the 6 outdoor single column billboards granted to Today Sunshine are smooth. The operating revenue of Today Sunshine achieved a year-on-year growth of 105.59% over the same period of 2013, while net profits achieved a year-on-year growth of 1.99%. In order to keep extending the outdoor billboard advertising market business, in the First Half of 2014, the Company and Today Sunshine successfully won the bid of outdoor single column billboards from Beijing Municipal Commission of City Administration and Environment, acquiring the operation right for 3 years of more than 10 single column billboards in advantageous locations in sections such as West 4th Ring and East 5th Ring in Beijing, Jingkai Highway and Beijing-Harbin freeway. At present, the early presale of the outdoor billboards was smooth and the outdoor billboards will soon be sold out.

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

Beiqing Community Media is a 76.14%-owned subsidiary of the Company. 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 Media with investment of RMB15,000 thousand. Some employees of Beiqing Community Media entered into a capital increase agreement with Beiqing Community Media and the Company on 16 June 2014, pursuant to which the Company agreed to invest into Beiqing Community Media in the amount of RMB4,700 thousand in cash to enhance group cohesiveness and driving force. Therefore, the Company's equity interests in Beiqing Community Media reduced from 100% to 76.14%. Beiqing Community Media is dedicated to develop Beiqing Community Daily（《北青社區報》), a new media focusing a small group of people. 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 and Weixin, particularly the offline activities conducted in specific districts, the cohesion of community users was enhanced and solid foundation for large data marketing was laid. In the First Half of 2014, Beiqing Community Daily（《北青社區報》）had produced 16 free community papers for Shunyi District, Fangzhuang District, Chaoqing District, Tongzhou District, Shiji Cheng District, Shangdi District, Sanjianfang District, Wangjing District, Beiyuan District, Daxing District, Chongwenmen District, Youanmen District, Shichahai District, Jinsong District, Tiantongyuan District and Yongding Road District, the circulation of each of which was approximately 50,000 copies and the total publication amount as a weekly newspaper was approximately 800,000 copies which covered over 3 million readers. Each newspaper has established their corresponding sub-districts. It is expected that it will expand circulation to 30 copies of community newspapers by the end of 2014. Through the Company's ability to occupy a strong focus on print media channels, Beiqing Community Daily（《北青社區報》）will become another major profit growth point of the Group as soon as possible.

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

LEP Media is a wholly owned subsidiary of the Company. In 2013, LEP Media, as a limited partner, formed Beijing Runxin Dingtai Investment Centre (Limited Partnership) (the "Fund") by participating in capital contribution and focused on investment in the equity of companies to be listed, depending on China Securities Co., Ltd.. In the First Half of 2014, the Fund strictly adhered to the principles of prudent investment and further intensified efforts to develop the projects and continuously dug project resources. Some enterprises in which the Fund had invested had begun implementation of the listing plan, or had chosen a sponsor to tackle the problems related to their listing. On 17 June 2014, the first online games project launched by the Fund after establishment, namely the backdoor listing plan of Tianshenhudong.com, was conditionally passed by the Review Committee of Merger, Acquisition and Reorganization of Listing Companies of the CSRC.

Qingyou Information is a wholly-owned subsidiary of the Company. In order to explore emerging media business segment, the Company fully invested RMB30,000 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 over 900,000 users, and it is expected to be the new profit growth point of the Group.

Beiqing Long Teng is a 51%-owned subsidiary of the Company. In the First Half of 2014, Beiqing Long Teng actively improved its internal management system, put efforts on asset management and financial consultant business and reserved a large number of high-quality projects. Besides, it had entered into letter of intent with multiple institutions. Beiqing Long Teng, which was under the rearing period, is consolidating its foundation and expanding business in order to realize profits as soon as possible.

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

Chongqing Media is a 60%-owned subsidiary of the Company. In 2014, according to the operation principle of "based on market, emphasizing quality, strengthening management", Chongqing Media strived to make Chongqing Youth Daily as a quality material different from other metropolitan newspapers. At present, the circulation of Chongqing Youth Daily has reached more than 50,000 copies. In the First Half of 2014, Chongqing Youth Daily conducted multiple times of high quality exclusive reports. Many articles of which were reprinted by overseas media and spread in international social media. Its brand influence gradually appeared. Chongqing Media is currently striving to reduce the rearing period in order to realize profits as soon as possible.

BYD Logistics is a 92.84%-owned subsidiary of the Company. Operating revenues from the printing and the trading of print-related materials businesses for the First Half of 2014 were RMB12,807 thousand and RMB128,780 thousand, respectively, representing a decrease of 19.65% and an increase of 45.23% as compared with those of the corresponding period of 2013.

As the largest operator of airport LED in the country, Beiqing Transmedia Advertising Limited ("BQTM"), an associate of the Company, is dedicated to operate the large LED screen in several domestic airports led by the capital airport. In the First Half of 2014, BQTM took the lead to realize the LED internet cross-media communication in the airport while obtaining the exclusive mandate from the National Meteorological Center (國家氣象臺) to provide global real time meteorological services to all aviation passengers. In the First Half of 2014, the capital airport developed various advertising spots in different forms around the original large LED screen operated by BQTM which affected the advertising income of large LED screen received by BQTM and resulted in the decline in its results. In view of this, BQTM is negotiating with the capital airport in respect of a better solution of large LED screen.

PROSPECTS AND FUTURE PLANS

In the second half of 2014, on the basis of steadily promoting existing business, the Company will enrich product type, actively expand operations on community new media and community service, webgame platform, all-round advertising solution marketing services and film and television production.

In the second half of 2014, the Company will actively promote the operation of Beiqing Community Daily, and facilitate new expansion of business scope through capital operation. It is expected that there will be 30 community newspapers which will cover approximately 6 million readers by the end of the year.

In the second half of 2014, the Group will strive to explore emerging media business segment. Relying on the media advantage and influence of the Group, Qingyou Information will establish a precise marketing advertising network service platform for different operations while operating web game platform "Qingyou online" to create a new profit growth point on the basis of over 900,000 users.

In the second half of 2014, the Company will further consolidate the media resources and realize cross-media marketing to provide customers with promotional and marketing mix based on the approach of adopting internal media and other media while at the same time design, circulate and implement the marketing mix of other media in addition to the Group for the clients. The provision of extended services along the industrial chain will generate more revenues for the Company.

In the second half of 2014, the Group will continue to expand the cultural industry market, setting foot on the film and television production operations.

PROSPECTS AND FUTURE PLANS *(Continued)*

From 14 August to 17 August 2014, the Company held "Beijing Automotive Exhibition 2014" at Beijing Exhibition Center. A total of 17 automobile brands participated in this exhibition, displaying more than 180 models. Many high-end and market mainstream automobile brands actively participated in this exhibition, which continued the profound influence and attraction of the Group in automobile industry. In addition, in the second half of 2014, the Company will concentrate its efforts on organizing a series of on-site activities of Beijing New Energy Automobile. Through strengthening the cooperation between various teams from advertising industry, such as automobile, real estate, major customers and commerce, etc., the Company will use complex marketing model and integrate internal resources to promote a series of promotional activities and lay a foundation for the increase in advertising income.

In the second half of 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.

While maintaining its existing core businesses in the second half of 2014, the Group actively expands its new business and nurtures a new source for profit growth. Aiming at further development of its business, the Group will continue to bolster and take advantage of its ongoing relationship with Beijing Youth Daily Agency in order to stand out from its peers as a leading cross-media group in the PRC.

The Group's business growth depends on the concerted efforts of our management and staff in each enterprise of the Group. The insight to market opportunities of the operational management and the high quality of the staff are the keys to our success. On behalf of the Company's shareholders and other members of the Board, I would like to take this opportunity to express my sincere gratitude to the management and staff of each of the enterprises within the Group.

Zhang Yanping
Chairman

29 August 2014
Beijing, the PRC

FINANCIAL REVIEW

1. Total Operating Revenue

For the six months ended 30 June 2014, total operating revenue of the Group was RMB341,453 thousand (corresponding period of 2013: RMB267,830 thousand), representing an increase of 27.49% as compared with that for the corresponding period of 2013. Of which, revenue from advertising sales increased by RMB20,846 thousand, representing an increase of 13% as compared with that for the corresponding period of 2013; revenue from printing decreased by RMB3,133 thousand, representing a decrease of 19.65% as compared with that for the corresponding period of 2013; and revenue from the trading of print-related materials increased by RMB40,107 thousand, representing an increase of 45.23% as compared with that for the corresponding period of 2013.

2. Operating Costs and Sales Tax and Surcharges

For the six months ended 30 June 2014, operating costs of the Group was RMB268,232 thousand (corresponding period of 2013: RMB216,184 thousand), representing an increase of 24.08% as compared with that for the corresponding period of 2013. Of which, cost of advertising sales decreased by RMB417 thousand, representing a decrease of 0.35% as compared with that for the corresponding period of 2013; cost of printing decreased by RMB763 thousand, representing a decrease of 5.42% as compared with that for the corresponding period of 2013, and cost of the trading of print-related materials increased by RMB36,403 thousand, representing an increase of 43.90% as compared with that for the corresponding period of 2013. Sales tax and surcharges was RMB5,577 thousand (corresponding period of 2013: RMB5,536 thousand), representing an increase of 0.74% as compared with that for the corresponding period of 2013.

3. Selling Expenses

For the six months ended 30 June 2014, selling expenses of the Group was RMB12,211 thousand (corresponding period of 2013: RMB7,453 thousand), representing an increase of 63.84% as compared with that for the corresponding period of 2013.

4. Administrative Expenses

For the six months ended 30 June 2014, administrative expenses of the Group was RMB30,760 thousand (corresponding period of 2013: RMB23,907 thousand), representing an increase of 28.67% as compared with that for the corresponding period of 2013.

5. Financial Expenses

For the six months ended 30 June 2014, financial expenses of the Group was RMB-6,061 thousand (corresponding period of 2013: RMB-12,631 thousand), representing a decrease of 52.01% as compared with that for the corresponding period of 2013. Of which, interest income was RMB6,530 thousand (corresponding period of 2013: RMB12,805 thousand), representing a decrease of 49% as compared with that for the corresponding period of 2013.

FINANCIAL REVIEW *(Continued)*

6. Share of Profit of Associates

For the six months ended 30 June 2014, share of the profit of associates of the Group was RMB-14,408 thousand (corresponding period of 2013: RMB2,843 thousand), representing a decrease of 606.79% as compared with that for the corresponding period of 2013.

7. Operating Profit and Profit Margin

For the six months ended 30 June 2014, operating profit of the Group was RMB10,920 thousand (corresponding period of 2013: RMB28,520 thousand), representing a decrease of 61.71% as compared with that for the corresponding period of 2013; profit margin was 3.20% (corresponding period of 2013: 10.65%).

8. Income Tax Expenses

For the six months ended 30 June 2014, income tax expenses of the Group was RMB4,207 thousand (corresponding period of 2013: RMB1,945 thousand), representing an increase of 116.30% as compared with that for the corresponding period of 2013. The income tax expenses of the Group mainly represent the income tax charged on the Company in 2014.

9. Net Profit Attributable to Shareholders of the Company

For the six months ended 30 June 2014, net profit attributable to shareholders of the Company was RMB8,331 thousand (corresponding period of 2013: RMB11,852 thousand), representing a decrease of 29.71% as compared with that for the corresponding period of 2013.

10. Financial Resources and Liquidity

As at 30 June 2014, current assets of the Group was RMB1,078,705 thousand (31 December 2013: RMB1,046,959 thousand), including bank balance and cash of RMB534,671 thousand (31 December 2013: RMB562,219 thousand). Non-current assets of the Group was RMB545,842 thousand (31 December 2013: RMB565,560 thousand).

As at 30 June 2014, current liabilities of the Group was RMB304,533 thousand (31 December 2013: RMB276,422 thousand) and non-current liabilities was RMB2,583 thousand (31 December 2013: RMB2,583 thousand).

As at 30 June 2014, shareholders' equity of the Group was RMB1,317,431 thousand (31 December 2013: RMB1,333,514 thousand).

As at 30 June 2014, the Group did not have any bank borrowings (31 December 2013: nil).

As at 30 June 2014, the borrowings and bank balances and cash were mainly denominated in RMB.

FINANCIAL REVIEW *(Continued)*

11. Gearing Ratio

As at 30 June 2014, gearing ratio of the Group was 23.31% (31 December 2013: 20.92%) (the gearing ratio is derived from dividing the Group's total liabilities by its total equity).

USE OF PROCEEDS FROM LISTING

The Company raised a net proceed of HK$889.086 million in total from the global offering in 2004. The following table sets forth a breakdown of the proposed use of proceeds as disclosed in the prospectus and as modified in the relevant announcement of the Company and the actual use of proceeds as at 30 June 2014:

Proposed use of proceeds	**Amounts proposed** *HK$*	**Amounts used** *HK$*
Developing a number of topic-focused magazines on personal wealth management, lifestyle and cultural activities	Approximately 23.59 million	Approximately 23.59 million
Investing in and acquisition of other media business (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 426.955 million
General working capital of the Group	Approximately 130 million	Approximately 130 million

On 14 May 2014, LEP Media, a wholly-owned subsidiary of the Company, completed capital reduction. After the reduction, the registered capital of LEP Media reduced from RMB 400,000 thousand to RMB51,000 thousand, after reduction of its own fund and the investment amount which have been utilized, there was approximately HK$299.62 million that returned to the Company's proceeds. Utilization of proceeds follows the project planning of the Company, and there are no violations regarding the Company's use of proceeds.

As at 30 June 2014, balance of the Company's proceeds was approximately HK$308.541 million.

In order to capture more business opportunities arising from emerging media businesses and other related media businesses for utilization of the net proceeds of the Group in a more effective way, during the First Half of 2014, the Company strived to seek opportunities to fulfill the objectives as set forth above. The Company believes that the remaining proceeds will be utilized as aforesaid purposes for business development under mature conditions in the future.

SHARE 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 (subtotal)	142,409,000	72.18
H shares *(note)*	54,901,000	27.82
Total share capital	197,310,000	100

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

INTERESTS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES

As at 30 June 2014, so far as the directors of the Company (the "Directors"), the supervisors of the Company (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 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 Ya Wen	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 30 June 2014, 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 Part XV of the SFO.

CAPITAL EXPENDITURES

Capital expenditures (mainly including expenditures on office equipment) of the Group for the First Half of 2014 was RMB2,630 thousand (corresponding period of 2013: RMB510 thousand). The Group expects that capital expenditures for the second half of 2014 will mainly comprise expenditures in consistent with business strategies of the Group.

CONTINGENT LIABILITIES

For the six months ended 30 June 2014, the Group did not have any contingent liabilities, nor any plans relating to contingent liabilities.

PLEDGE OF ASSETS

For the six months ended 30 June 2014, there was no pledge over the assets of the Group.

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 material exchange rate fluctuations.

EMPLOYEES

As at 30 June 2014, the Group had a total of 414 employees (as at 30 June 2013: 295 employees), and the increase in the number of employees was mainly due to the employment of staff upon the incorporation of Beiqing Community Media, a subsidiary of the Company, and the reasonable growth of the normal business needs of the Company. During the six months ended 30 June 2014, the total employees remuneration paid by the Group was approximately RMB28,803 thousand. The employees remuneration and benefits of the Group are determined in accordance with market rates, national policies and individual performance. The Group actively encouraged self-development of the employees, and carried out extensive staff training activities. In the First Half of 2014, the Group conducted trainings in respect of employees marketing, financial system and administrative management system etc.

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

As at 30 June 2014, none of the Directors, Supervisors or chief executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (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 or 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 recorded into the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), to be notified to the Company and the Hong Kong Stock Exchange.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2014, none of the Company or any of its subsidiaries had purchased, sold or redeemed any listed securities of the Company.

MATERIAL INVESTMENTS

For the six months ended 30 June 2014, the Group had no material investment, nor any plan relating to material investment or acquisition of assets.

MATERIAL ACQUISITION AND DISPOSAL OF ASSETS

For the six months ended 30 June 2014, the Group had no material acquisition or disposal of assets.

MATERIAL LEGAL MATTERS

To the best knowledge of the Board, as at 30 June 2014, the Company was not involved in any material litigation or arbitration and there was no legal action or claim pending or threatened to be made against the Company.

CHANGES AND EFFECT IN THE INDUSTRY SEGMENT OF THE GROUP SINCE 31 DECEMBER 2013

Save as disclosed above, the industry segment and the developments within the segment of the Group had not changed materially from the information disclosed in the most recent published annual report of the Group, neither had significant effect on the performance of each industry segment of the Group.

CORPORATE GOVERNANCE CODE AND CORPORATE GOVERNANCE REPORT

For the six months ended 30 June 2014, the Company had fully complied with the code provisions set out in the Corporate Governance Code and Corporate Governance Report under Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules and its amendments from time to time as its own code of conduct regarding securities transactions by Directors and Supervisors. Having made sufficient enquiry of all Directors and Supervisors of the Company, all Directors and Supervisors confirmed that they had fully complied with the required standards under the Model Code for the six months ended 30 June 2014.

AUDIT COMMITTEE

Pursuant to the requirements of the Listing Rules, the Company has set up an audit committee which is responsible for the review, supervision and adjustment of the financial reporting process and internal control of the Group. Members of the audit committee comprise two independent non-executive Directors and one non-executive Director.

The audit committee and the management team of the Company have reviewed the accounting principles and practices adopted by the Group. In addition, the audit committee has also discussed with the Directors on matters concerning the internal control and financial reporting of the Company, including the review of the financial statements of the Group for the First Half of 2014 with no dissenting opinions.

CONNECTED TRANSACTIONS MANAGEMENT

In order to standardise and strengthen the management of connected transactions, the Company has established the "Beijing Media Corporation Limited Connected Transactions Management System". The office of the Board is responsible for the management of connected transactions. In order to ensure that the Company's connected transactions are carried out in compliance with the relevant rules and systems, the Company has made sub-division as to the connected transaction caps that have already been disclosed, i.e. sub-dividing each connected transaction to each subsidiary, and each subsidiary is responsible for the control of its sub-divided portion of connected transactions. Pursuant to the requirements of the relevant system of the Company, the Company is required to comply with the reportings, announcements and independent shareholders' approval requirements (if applicable) under the Listing Rules before effecting any proposed connected transactions.

DISTRIBUTABLE RESERVE

As at 30 June 2014, the undistributed profits distributable to Shareholders of the Company amounted to RMB 12,284 thousand.

INTERIM DIVIDEND

The Board did not recommend the distribution of any interim dividend for the six months ended 30 June 2014.

RMB'000

Item	*Notes*	As at 30 June 2014	As at 31 December 2013
Current assets:			
Bank balances and cash		**534,671**	562,219
Financial assets held for trading	*VII.1*	**7,012**	15
Accounts receivable	*VII.2*	**395,766**	338,400
Prepayments		**38,931**	48,653
Interest receivable		**2,455**	4,780
Other receivables		**42,593**	36,847
Inventories		**47,277**	56,045
Other current assets	*VII.3*	**10,000**	–
Total current assets		**1,078,705**	1,046,959
Non-current assets:			
Financial assets available-for-sale	*VII.4*	**139,560**	139,560
Long term equity investment	*VII.5*	**233,689**	248,097
Investment properties		**61,422**	53,435
Fixed assets	*VII.6*	**12,564**	12,592
Intangible assets	*VII.7*	**38,688**	39,103
Goodwill	*VII.8*	**47,377**	47,377
Long-term prepaid expenses		**1,608**	1,227
Deferred income tax assets		**3,128**	4,137
Other non-current assets	*VII.9*	**7,806**	20,032
Total non-current assets		**545,842**	565,560
Total assets		**1,624,547**	1,612,519

RMB'000

Item	Notes	As at 30 June 2014	As at 31 December 2013
Current liabilities:			
Notes payable		**57,291**	95,980
Accounts payable	VII.11	**141,134**	120,771
Receipts in advance		**56,036**	37,676
Employee benefit payables		**5,285**	7,645
Tax payables		**(10,378)**	(14,494)
Dividends payable		**27,623**	–
Other payables	VII.12	**20,176**	21,478
Other current liabilities	VII.13	**7,366**	7,366
Total current liabilities		**304,533**	276,422
Non-current liabilities:			
Deferred income tax liabilities		**2,583**	2,583
Total non-current liabilities		**2,583**	2,583
Total liabilities		**307,116**	279,005
Shareholders' equity:			
Share capital		**197,310**	197,310
Capital reserves		**892,307**	891,179
Surplus reserves		**130,931**	130,931
Undistributed profits		**63,526**	82,818
Exchange differences from retranslation of financial statements		**27**	–
Total equity attributable to shareholders of the Company		**1,284,101**	1,302,238
Non-controlling interests		**33,330**	31,276
Total shareholders' equity		**1,317,431**	1,333,514
Total liabilities and shareholders' equity		**1,624,547**	1,612,519
Net current assets		**774,172**	770,537
Total assets less current liabilities		**1,320,014**	1,336,097

RMB'000

Item	*Notes*	For the six months ended 30 June **2014**	2013
Total operating revenue	*VII.14*	**341,453**	267,830
Total operating costs		**316,123**	242,005
Operating costs	*VII.14*	**268,232**	216,184
Sales tax and surcharges	*VII.15*	**5,577**	5,536
Selling expenses		**12,211**	7,453
Administrative expenses		**30,760**	23,907
Financial expenses	*VII.16*	**(6,061)**	(12,631)
Impairment loss of assets	*VII.17*	**5,404**	1,556
Loss on changes in fair value		**(3)**	(7)
Share of profit/(loss) of associates	*VII.18*	**(14,408)**	2,843
Other investment gains/(loss)	*VII.18*	**1**	(141)
Operating profit		**10,920**	28,520
Add: non-operating income	*VII.19*	**120**	4,207
Less: non-operating expenses	*VII.20*	**20**	18,524
Total profit		**11,020**	14,203
Less: Income tax expenses	*VII.21*	**4,207**	1,945
Net profit		**6,813**	12,258
Other comprehensive income, net of tax			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences from retranslation of financial statements		**27**	–
Total comprehensive income		**6,840**	12,258
Net profit attributable to:			
Shareholders of the Company		**8,331**	11,852
Non-controlling shareholders		**(1,518)**	406
		6,813	12,258
Total comprehensive income attributable to:			
Shareholders of the Company		**8,358**	11,852
Non-controlling shareholders		**(1,518)**	406
		6,840	12,258
Earnings per share:			
Basic earnings per share (RMB per share)	*XIII.1*	**0.04**	0.06
Diluted earnings per share (RMB per share)	*XIII.1*	**0.04**	0.06
Dividends	*VII.22*	**27,623**	59,193

RMB'000

Item	*Notes*	For the six months ended 30 June **2014**	2013
I. Cash flows from operating activities:			
Cash received from the sales of goods and the rendering of services		**255,537**	194,857
Other cash receipts relating to operating activities		**10,924**	8,801
Sub-total of cash inflows from operating activities		**266,461**	203,658
Cash paid for goods purchased and services received		**206,930**	264,765
Cash paid to and on behalf of employees		**28,803**	23,653
Payments of taxes and surcharges		**10,092**	10,000
Other cash payments relating to operating activities		**47,350**	26,121
Sub-total of cash outflows from operating activities		**293,175**	324,539
Net cash flows from operating activities		**(26,714)**	(120,881)
II. Cash flows from investing activities:			
Cash received from investments		**–**	43,000
Cash received from returns on investment		**1**	4,725
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		**25**	272
Other cash receipts relating to investing activities		**113,520**	121,837
Sub-total of cash inflows from investing activities		**113,546**	169,834
Cash paid to acquire fixed assets, intangible assets and other long-term assets		**8,992**	510
Cash paid on investment		**17,000**	90,000
Other cash payments relating to investing activities		**56,040**	14,082
Sub-total of cash outflows from investing activities		**82,032**	104,592
Net cash flows from investing activities		**31,514**	65,242

RMB'000

Item	*Notes*	For the six months ended 30 June **2014**	2013
III. Cash flows from financing activities:			
Cash received from non-controlling shareholders' investment		**4,700**	–
Other cash receipts relating to financing activities		**–**	32,951
Sub-total of cash inflows from financing activities		**4,700**	32,951
Cash payments for distribution of dividends, profits or interest expenses		**–**	126
Other cash payments relating to financing activities		**–**	90,588
Sub-total of cash outflows from financing activities		**–**	90,714
Net cash flows from financing activities		**4,700**	(57,763)
IV. Effect of exchange rate changes on cash and cash equivalents		**(25)**	–
V. Net increase (decrease) in cash and cash equivalents		**9,475**	(113,402)
Add: Balance of cash and cash equivalents at the beginning of the period		**160,139**	178,486
VI. Balance of cash and cash equivalents at the end of the period	*VII.24*	**169,614**	65,084

RMB'000

For the six months ended 30 June 2014

Item	Share capital	Capital reserves	Surplus reserves	Undistributed profits	Exchange differences from retranslation of financial statements	Sub-total	Non-controlling interests	Total shareholders' equity
	Attributable to shareholders of the Company							
Balance at the beginning of the period	**197,310**	**891,179**	**130,931**	**82,818**	**-**	**1,302,238**	**31,276**	**1,333,514**
Net profit	-	-	-	8,331	-	8,331	(1,518)	6,813
Other comprehensive income	-	-	-	-	27	27	-	27
Shareholder's investment	-	-	-	-	-	-	4,700	4,700
Disposal of interests in subsidiaries	-	1,128	-	-	-	1,128	(1,128)	-
Appropriation to shareholders	-	-	-	(27,623)	-	(27,623)	-	(27,623)
Sub-total of the changes for the period	**-**	**1,128**	**-**	**(19,292)**	**27**	**(18,137)**	**2,054**	**(16,083)**
Balance at the end of the period	**197,310**	**892,307**	**130,931**	**63,526**	**27**	**1,284,101**	**33,330**	**1,317,431**

For the six months ended 30 June 2013

Item	Share capital	Capital reserves	Surplus reserves	Undistributed profits	Sub-total	Non-controlling interests	Total shareholders' equity
	Attributable to shareholders of the Company						
Balance at the beginning of the period	197,310	891,179	130,931	121,634	1,341,054	17,380	1,358,434
Net profit	–	–	–	11,852	11,852	406	12,258
Appropriation to shareholders	–	–	–	(59,193)	(59,193)	–	(59,193)
Sub-total of the changes for the period	–	–	–	(47,341)	(47,341)	406	(46,935)
Balance at the end of the period	197,310	891,179	130,931	74,293	1,293,713	17,786	1,311,499

I. BASIS FOR PREPARATION OF FINANCIAL STATEMENTS

The Group's financial statements for the six months ended 30 June 2014 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 ("ASBE") issued by the Ministry of Finance of the People's Republic of China, including early adoption of nine revised and new basic and specific standards issued by MOF from January to July 2014 ("New PRC Accounting Standards") and other relevant regulations issued by MOF ("PRC Accounting Standards"), of which, 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 have been early adopted for the financial statements for the year ended 31 December 2013; and ASBE – Basic Standard, ASBE No.37 – Presentation of Financial Instruments and ASBE No.41 – Disclosure of Interests in Other Entities have been early adopted for the financial statements for the six months ended 30 June 2014, and disclosed in accordance with the ASBE No. 32 – Interim Financial Reporting, 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 III "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 IV.1 Changes in accounting policies and their effect.

II. STATEMENT OF COMPLIANCE OF ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES

The Group's financial statements have been prepared in conformity with the Accounting Standards for Business Enterprises and the relevant regulations, and present truly and completely the consolidated financial position as at 30 June 2014 and their consolidated operating results, cash flows and other relevant information for the six months then ended.

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

The accounting policies used in these financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2013.

1. Accounting period

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

The reporting period for this interim financial report is from 1 January 2014 to 30 June 2014.

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

2. Reporting currency

The reporting currency of the Group is RMB ("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 control are measured at their carrying amounts at the combination date as recorded by the party being absorbed. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid is adjusted to capital 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.

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

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.

(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.

III. 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 (Continued)

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.

III. 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.

III. 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)

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.

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.

III. 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)*

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.

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

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

(2) Financial liabilities (Continued)

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.

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)

III. 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)

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

III. 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.

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

10. Inventories *(Continued)*

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.

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.

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

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

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.

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 III.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 III.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.

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

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

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.

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 III.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.

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

13. Investment properties *(Continued)*

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.

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.

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

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

14. Fixed assets *(Continued)*

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.

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.

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

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.

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

16. Intangible assets *(Continued)*

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

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

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;

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

17. Impairment of long-term non-financial assets *(Continued)*

(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.

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.

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

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.

(2) Revenue from printing

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

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

21. Principles of revenue recognition *(Continued)*

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

Revenue from trading of print-related materials and distribution of newspapers and magazines, net of 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 III.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.

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

23. Deferred income tax assets and deferred income tax liabilities *(Continued)*

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.

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.

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

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.

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.

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

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

(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.

(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.

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

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

(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.

IV. 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 were effective from 1 July 2014, and listed enterprises out side China were encouraged to early adopt. The financial statements of the Group as at 30 June 2014 have early adopted the New PRC Accounting Standards. The Group's financial statements for the six months ended 30 June 2014 have early adopted "Enterprise Accounting Standards — Basic Standards", "ASBE No.37–Presentation of Financial Instruments", "ASBE No.41 –Disclosure of Interest in Other Entities" and the applicable disclosures required by Hong Kong Stock Exchange and Hong Kong Companies Ordinance; and the accounting policies and estimates as stated in Note III "Principal accounting policies and accounting estimates and basis of preparation of consolidated financial statements". Relevant change in accounting policies has no material effect on the financial statements of the Group.

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 are the new Accounting Standards for Business Enterprises which have been early adopted for the financial statements of the Group for the year ended 31 December 2013.

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.

V. 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.

According to the supportive measures by the PRC to cultural industry, the Company has once again made application to the tax authority for enterprise income tax exemption. At present, the official approval documents have not been delivered, In the First Half of 2014, the Company subject to tax rate of 25% to pay enterprise income tax first. Upon the official approval documents have been obtained, application will be made to tax authority for refund.

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 advertising service business at the rate of 6%. According to 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.

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

V. TAX *(Continued)*

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%

VI. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS

1. Major subsidiaries

					As at 30 June 2014			
Name of company	Place of registration/ operation	Principle business operation	Registered capital	Business Scope	Amount of investment	Proportion of shareholding (%)	Proportion of voting rights (%)	Whether consolidated
Subsidiaries obtained through business combination of entities under common control								
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) (Note 3)	PRC	Advertising	51,000	Wholesale and retail of books and newspapers, agency and publication of advertising	51,000	100.00	100.00	yes
Beiqing Long Teng Investment Management (Beijing) Company Limited (Beiqing Long Teng) (Note 4)	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)	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	19,700	Organizational culture and art exchange activities, design, production, agents, advertising	19,700	76.14	76.14	yes

VI. 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) On 10 March 2014, it was approved at the shareholders' meeting of LEP Media to reduce the registered capital of LEP Media by RMB349,000 thousand. After the reduction, the registered capital of LEP Media is RMB51,000 thousand and the interests in it held by the Company remains at 100%. LEP Media completed the procedures of registration of change with the industrial and commercial administration authorities on 14 May 2014.

(4) 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 thousand to Beiqing Long Teng. The first phase of capital injection was completed on 13 November 2013. Beijing Longteng Ruixiang Culture Development Co., Ltd. contributed RMB5,000 thousand, while Beijing Media contributed RMB1,100 thousand. 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 thousand. 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 thousand. 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.

(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 thousand 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.

At the first extraordinary general meeting of 2014 held by Beijing Community Media on 11 June 2014, the addition of 38 natural person shareholders and increase of registered capital by RMB4,700 thousand were approved. These 38 additional shareholders, separately on 20, 26 and 27 June 2014, completed payment of the capital of RMB4,700 thousand. After the capital increase, the registered capital of Beijing Community Media is RMB19,700 thousand. Of which, the Company contributed RMB15,000 thousand, and the interests it held decreased from 100% to 76.14%, whereas the 38 additional shareholders contributed RMB4,700 thousand and hold 23.86% interests. Beijing Community Media completed the procedures of registration of change with the industrial and commercial administration authorities on 30 June 2014.

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

VII. EXPLANATORY NOTES TO MAJOR ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS

1. Financial assets held for trading

Item	As at 30 June 2014	As at 31 December 2013
Investment of equity shares listed in PRC, at fair value	**12**	15
Financial product, at fair value	**7,000**	–
Total	**7,012**	15

Note:

1) There were no material restrictions in the realisation of the above financial assets held for trading.

2) The asset management product is a treasury reverse repurchase product bought by Beijing Community Media on the Shanghai Stock Exchange through securities firm. It is a principal and income guaranteed financial product with a term of 4 days and a yield of 3.05% per annum. The product was valued at Level 2 fair value measurement.

2. Accounts receivable

Item	As at 30 June 2014	As at 31 December 2013
Accounts receivable	**413,835**	351,065
Less: Provision for bad debts	**18,069**	12,665
Net accounts receivable	**395,766**	338,400

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

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

2. Accounts receivable *(Continued)*

(1) The aging analysis of accounts receivable (net of bad debt provision) presented based on the invoice date is as follows:

Item	As at 30 June 2014	As at 31 December 2013
0-90 days	**85,549**	52,043
91-180 days	**90,548**	63,936
181-365 days	**108,265**	165,454
1-2 years	**91,295**	42,714
Over 2 years	**20,109**	14,253
Total	**395,766**	338,400

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

Top five accounts receivable as at 30 June 2014 represents 36.20% of the total accounts receivable.

3. Other current assets

Item	As at 30 June 2014	As at 31 December 2013
Held-to-maturity investment	**10,000**	–
Total	**10,000**	–

On 30 June 2014, the held-to-maturity investment was a fixed income investment agreement the Company entered into with Beijing Spring Film TV Culture Co., Ltd. for the Company's investment of RMB10,000 thousand in producing the TV series "All Quiet in Peking" (《北平無戰事》). The investment term is one year with a fixed income of 16.60%. The Company will not participate in the actual operation of the TV series nor assume any corresponding risks and losses.

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

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

4. Financial assets available-for-sale

Type	**As at 30 June 2014**	As at 31 December 2013
Unlisted equity investments, China	**144,629**	144,629
Provision for impairment of unlisted equity investments	**5,069**	5,069
Total	**139,560**	139,560

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

Major unlisted equity investments including:

(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, was 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 thousand to the Fund. As at 31 December 2013, LEP Media has contributed RMB25,000 thousand, and undertaken that the remaining RMB25,000 thousand will be invested after the Fund has been used up. For details, please refer to the announcement of the Company dated 28 February 2013.

(2) 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 total amount of investment reached RMB103,000 thousand.

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

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

5. Long-term equity investment

(1) Category of long-term equity investments

Category	**As at 30 June 2014**	As at 31 December 2013
Investments in associates – accounted for using equity method	**233,689**	248,097
Total	**233,689**	248,097

Item	**As at 30 June 2014**	As at 31 December 2013
Unlisted investments, at cost	**188,782**	188,782
Share of post-acquisition profit	**44,582**	58,990
Share of capital reserves of associates	**325**	325
Total	**233,689**	248,097

6. Fixed assets

For the six months ended 30 June 2014, the fixed assets of the Group increased by RMB1,580 thousand (same period of 2013: RMB685 thousand).

For the six months ended 30 June 2014, the Group disposed the fixed assets with carrying amount of RMB277 thousand (same period of 2013: RMB31 thousand), which resulting in net gain on disposal of fixed assets of RMB97 thousand (same period of 2013: RMB241 thousand).

The depreciation of fixed assets recognized in the income statement for the six months ended 30 June 2014 is RMB1,330 thousand (same period of 2013: RMB1,118 thousand).

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

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

7. Intangible assets

For the six months ended 30 June 2014, the intangible assets of the Group increased by RMB303 thousand (same period of 2013: RMB15 thousand).

The amortization of intangible assets recognized in the income statement for the six months ended 30 June 2014 is RMB718 thousand (same period of 2013: RMB484 thousand).

8. Goodwill

Item	**As at 30 June 2014**	As at 31 December 2013
Goodwill arising from 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 30 June 2014.

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.

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

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

9. Other non-current assets

Item	As at 30 June 2014	As at 31 December 2013
Entrusted loan (Note 1)	**3,000**	3,000
Film project prepaid expenses (Note 2)	**4,806**	17,032
Total	**7,806**	20,032

Note 1: As at 30 June 2014, the Company provided entrusted loan in aggregate of RMB3,000 thousand to Chongqing Youth Industrial Co., Ltd. on 29 October 2013 via bank for a term of three years and carry fixed interest rates of 6.15% per annum.

Note 2: As at 30 June 2014, film project prepaid expenses related to the Company's participation in film and television production of "The Story of Zheng Yang Gate" (《正陽門下》). The Company entered into an agreement with Daqianmen (Beijing) Media Co. Ltd., pursuant to which the Company participated for the production of TV series "The Story of Zheng Yang Gate".

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

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

10. Breakdown of impairment provision of assets

Item	As at 1 January 2014	Increase for the period: Provision	Increase for the period: Other transfer-in	Decrease for the period: Reversal	Decrease for the period: Other transfer-out	As at 30 June 2014
Provision for impairment of receivables	13,995	5,404	–	–	–	19,399
Provision for impairment of inventories	61	–	–	–	–	61
Provision for impairment of available-for-sale financial assets	5,069	–	–	–	–	5,069
Total	**19,125**	**5,404**	**–**	**–**	**–**	**24,529**

11. Accounts payable

The aging analysis of accounts payable as at 30 June 2014 presented based on invoice date is as follows:

Item	As at 30 June 2014	As at 31 December 2013
0-90 days	**75,059**	28,680
91-180 days	**24,294**	17,434
181-365 days	**564**	41,049
Over 1 years	**41,217**	33,608
Total	**141,134**	120,771

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 time frame.

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

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

12. Other payables

Item	As at 30 June 2014	As at 31 December 2013
Other payables	**20,176**	21,478
Total	**20,176**	21,478

13. Other current liabilities

Item	As at 30 June 2014	As at 31 December 2013
Deferred income of customer loyalty program (advertising incentives)	**7,366**	7,366
Total	**7,366**	7,366

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

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

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

14. Total operating revenue and operating costs

	For the six months ended 30 June	
Item	**2014**	2013
Revenue from principal operations	**325,734**	264,938
Other operating revenue	**15,719**	2,892
Total operating revenue	**341,453**	267,830
Costs of principal operations	**253,841**	216,035
Other operating costs	**14,391**	149
Total operating costs	**268,232**	216,184
Gross profit	**73,221**	51,646

Total operating revenue, which is the Group's turnover, represents the net amounts received and receivables for sale of advertising spaces and goods, and rendering of services by the Group to external customers, less trade discounts during the current period.

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

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

14. Total operating revenue and operating costs *(Continued)*

(1) Principal Operations – by business segment

	For the six months ended 30 June			
	2014		2013	
Business name	**Revenue from principal operations**	**Costs of principal operations**	Revenue from principal operations	Costs of principal operations
Advertising	**181,171**	**118,623**	160,325	119,040
Printing	**12,807**	**13,309**	15,940	14,072
Trade of printing related materials	**128,780**	**119,326**	88,673	82,923
Distribution	**2,976**	**2,583**	–	–
Total	**325,734**	**253,841**	264,938	216,035

(2) The amount of the top five customers of operating revenue was RMB104,175 thousand, representing 31.98% of the revenue from principal operations for the six months ended 30 June 2014.

(3) Other operating revenue mainly includes the production revenue of RMB6,826 thousand in respect of production of TV series "The Story of Zheng Yang Gate", by the Company and Daqianmen (Beijing) Media Co., Ltd for production.

15. Sales tax and surcharges

	For the six months ended 30 June	
Item	**2014**	2013
Business tax	**274**	244
Cultural construction fee	**5,005**	5,087
Urban maintenance and construction tax	**172**	120
Education surcharges	**74**	51
Local education surcharges	**49**	34
Others	**3**	–
Total	**5,577**	5,536

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

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

15. Sales tax and surcharges *(Continued)*

According to the regulations of the Notice on Carrying out the Pilot Practice of Levying Value Added Tax in Lieu of Business Tax on the Transportation Industry and Some Modern Service Industries in Eight Provinces and Cities 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) as promulgated by the Ministry of Finance and the State Administration of Taxation, advertising service business falls within the VAT scope and no longer need to provide for and pay any business tax, effective from 1 September 2012.

16. Financial expenses

	For the six months ended 30 June	
Item	**2014**	2013
Interest expenses – on bank loans wholly repayable within 5 years	**–**	126
Less: Interest income	**6,530**	12,805
Add: Foreign exchange loss (gain)	**12**	(14)
Add: Other expenses	**457**	62
Total	**(6,061)**	(12,631)

17. Impairment loss of assets

	For the six months ended 30 June	
Item	**2014**	2013
Loss on bad debts provision	**5,404**	1,556
Total	**5,404**	1,556

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

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

18. Investment income

	For the six months ended 30 June	
Item	**2014**	2013
Share of profit (loss) of associates	**(14,408)**	2,843
Other investment gains (loss)	**1**	(141)
Total	**(14,407)**	2,702

19. Non-operating income

	For the six months ended 30 June	
Item	**2014**	2013
Gain on disposal of fixed assets	**106**	241
Government grants	**3**	500
Compensation for removal of advertising board	**–**	3,465
Others	**11**	1
Total	**120**	4,207

20. Non-operating expenses

	For the six months ended 30 June	
Item	**2014**	2013
Loss on disposal of fixed assets	**9**	–
Charity contribution expenses	**10**	–
Others	**1**	–
Loss on payment to the Social Security Fund	**–**	18,524
Total	**20**	18,524

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

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

21. Income tax expenses

(1) Income tax expenses

Item	For the six months ended 30 June **2014**	 2013
Current income tax expenses	**3,198**	2,565
Deferred income tax expenses	**1,009**	(620)
Total	**4,207**	1,945

(2) Current income tax expenses

Item	For the six months ended 30 June **2014**	 2013
Current – PRC	**3,198**	2,400
Under-provision in prior years – PRC	**–**	165
Total	**3,198**	2,565

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

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

22. Dividends

(1) The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2014 (2013: NIL).

(2) Dividends recognized as profit distribution during the period are as follows:

	For the six months ended 30 June	
Item	**2014**	2013
Final dividend for the financial year ended 31 December 2013 at RMB0.14 per share (2013: Final dividend for 2012 at RMB0.30 per share) (Note 1)	**27,623**	59,193
Total	**27,623**	59,193

Note 1: The Company has distributed the 2013 final dividend to its shareholders by 31 July 2014.

When the final dividend was distributed to the individual H shareholders whose name was appeared on the register of members of the Company on 28 May 2014, the Company has withheld 10% of the final dividend as individual income tax in compliance with the regulation issued by the State Administration of Taxation.

23. Distributable reserve

As at 30 June 2014, the undistributed profits distributable to Shareholders of the Company amounted to RMB12,284 thousand (31 December 2013: RMB29,381 thousand).

24. Cash and cash equivalents

Item	**As at 30 June 2014**	As at 30 June 2013
Bank balances and cash	**534,671**	581,244
Less: Bank deposits with maturity more than 3 months	**358,661**	510,455
Less: Restricted bank deposits	**6,396**	5,705
Balances of cash and cash equivalents at the end of the period	**169,614**	65,084

VIII. RELATED PARTY AND RELATED PARTY TRANSACTIONS

1. Relationships with related parties

The related parties which traded with the Group during the period:

Relationship	Name of related party
Parent company and ultimate controlling company	Beijing Youth Daily Agency ("BYDA")
Subsidiary of BYDA	Beijing XiaoHongMao Corporation
Subsidiary of BYDA	Beijing XiaoHongMao Logistics Co. Limited
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	Legal Evening Agency
Subsidiary of BYDA	Beijing Science and Technology News Agency
Subsidiary of BYDA	Beiqing 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 Advertising Limited
Associate of the Company	Beijing Beiqing Top Advertising Limited
Associate of the Company	Beijing Leisure Trend Advertising 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 (Note 1)	Shanghai China Business News Co. Limited
Other related parties (Note 2)	Chongqing Youth Industrial Co., Ltd.

Note 1: Shanghai China Business News Co. Limited is an associate of BYDA.

Note 2: Chongqing Youth Industrial Co., Ltd. is one of the shareholders of Chongqing Media.

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

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

2. Parent company and ultimate controlling company

(1) Parent company and ultimate controlling company

Name of parent company and ultimate controlling company	Type of enterprise	Place of registration	Nature of business	Legal representative	Organisation code
BYDA	State-owned enterprise	Beijing	Media and publishing	Zhang Yanping	400755568

BYDA, the parent company and ultimate controlling company of the Company, is a state-owned enterprise established in China. Its principal activities are the publication and distribution of Beijing Youth Daily, Beijing Children's Weekly, Middle School Times, Beijing Today, etc.

(2) Registered capital of the parent company and its changes

Parent company	As at 1 January 2014	Increase during the period	Decrease during the period	As at 30 June 2014
BYDA	22,439	–	–	22,439

(3) Shares or equities held by the parent company and their changes

	Amount of shares held		Shareholding (%)	
Parent company	**As at 30 June 2014**	As at 1 January 2014	**As at 30 June 2014**	As at 1 January 2014
BYDA	**124,840**	124,840	**63.27**	63.27

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

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

3. Related party transactions

(1) Purchase of goods/receipt of services

Related Parties	Pricing policy	For the six months ended 30 June 2014	2013
BYDA (Note1)	Contracted price	**23,341**	21,406
Subsidiaries of BYDA	Contracted price	**1,219**	1,029
Associate of the Company	Contracted Price	**40**	–
Total		**24,600**	22,435

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 advertising revenue to BYDA for the period from 1 October 2004 to 30 September 2033.

(2) Sales of goods/rendering of services

Related Parties	Pricing policy	For the six months ended 30 June 2014	2013
BYDA	Contracted Price	**–**	4,873
Associate of the Company	Contracted Price	**13,521**	28,597
Subsidiaries of BYDA	Contracted Price	**24,599**	20,499
Other related parties	Contracted Price	**942**	966
Total		**39,062**	54,935

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

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

3. Related party transactions *(Continued)*

(3) Leasing-The Group as lessor

Lessee	Nature of assets leased	Date of commencement	Date of termination	Basis for rental income	Rental income recognised for the period
BYDA	Building	1 January 2013	31 December 2015	Contracted price	1,906

(4) Leasing – The Group as Lessee

Lessor	Nature of assets leased	Date of commencement	Date of termination	Basis for rental expense	Rental expenses recognised for the period
BYDA	Building	1 January 2013	31 December 2015	Contracted price	676

(5) Entrusted loans

During the six months end 30 June 2014, the Company provided entrusted loan of RMB3,000 thousand to Chongqing Youth Industrial Co., Ltd. via bank with the term from 29 October 2013 to 29 October 2016.

(6) Remuneration for key management personnel

	For the six months ended 30 June	
	2014	2013
Remuneration for key management personnel	**2,963**	3,066

(7) Related party guarantee

For the six months ended 30 June 2014, BYDA provided guarantee to a bank for bank facilities granted to BYD Logistics with a maximum amount of RMB100,000 thousand and the guarantee term from 28 February 2014 to 28 February 2015. As at 30 June 2014, the utilised amount of the banking facilities was RMB55,214 thousand.

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

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

4. Current accounts balances with related parties *(Continued)*

(1) Accounts receivable due from related parties

Related parties	As at 30 June 2014 Carrying amount	As at 30 June 2014 Provision for bad debts	As at 31 December 2013 Carrying amount	As at 31 December 2013 Provision for bad debts
BYDA	**1,968**	**–**	58	–
Associates of the Company	**42,612**	**–**	46,712	–
Subsidiaries of BYDA	**66,910**	**–**	46,867	–
Other related parties	**4,300**	**–**	2,796	–
Total	**115,790**	**–**	96,433	–

(2) Other receivables due from related parties

Related parties	As at 30 June 2014 Carrying amount	As at 30 June 2014 Provision for bad debts	As at 31 December 2013 Carrying amount	As at 31 December 2013 Provision for bad debts
Associates of the Company	**23,161**	**–**	20,182	–
Total	**23,161**	**–**	20,182	–

(3) Accounts payable due to related parties

Related parties	As at 30 June 2014	As at 31 December 2013
BYDA	**15,033**	1,607
Subsidiaries of BYDA	**997**	2,214
Total	**16,030**	3,821

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

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

4. The balances of related parties *(Continued)*

(4) Other payables due to related parties

Related parties	As at 30 June 2014	As at 31 December 2013
BYDA	**5,410**	5,410
Total	**5,410**	5,410

(5) Receipts in advance due from related parties

Related parties	As at 30 June 2014	As at 31 December 2013
Associates of the Company	**1**	1
Subsidiaries of BYDA	**12**	7
Total	**13**	8

(6) Prepayment to related parties

Related parties	As at 30 June 2014	As at 31 December 2013
Subsidiaries of BYDA	**761**	761
Total	**761**	761

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

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

4. The balances of related parties *(Continued)*

(7) Dividends payable due to related parties

Related parties	**As at 30 June 2014**	As at 31 December 2013
BYDA	**17,478**	–
Total	**17,478**	–

(8) Entrusted Loan

Related parties	**As at 30 June 2014**	As at 31 December 2013
Other related parties	**3,000**	3,000
Total	**3,000**	3,000

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

IX. COMMITMENTS

In addition to the commitments disclosed in the other notes of financial statements, the Group had the following commitments:

1. The Group as Lessee

At 30 June 2014, the Group had contracted for the minimum lease payments under non-cancelable operating leases during following periods:

Period	As at 30 June 2014	As at 31 December 2013
Within one year	**5,921**	7,314
1-2 years	**3,355**	6,488
2-3 years	**1,981**	2,200
After 3 years	**–**	933
Total	**11,257**	16,935

2. The Group as Lessor

At 30 June 2014,the Group had contracted with tenants for the following future minimum lease payments:

Period	As at 30 June 2014	As at 31 December 2013
Within one year	**5,729**	5,729
1-2 years	**3,195**	5,729
2-3 years	**–**	314
After 3 years	**–**	–
Total	**8,924**	11,772

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

X. POST-BALANCE SHEET EVENTS

1. On 27 February 2014, it was approved at the tenth meeting of the fifth session of the Board to make the capital contribution in the amount of RMB30,000 thousand to establish Beijing Qingyou Information Technology Company Limited (北京青游信息技術有限公司) for the operation of "Qingyou online" business. Beijing Qingyou Information Technology Company Limited completed business registration on 24 June 2014 and obtained the business license issued by Beijing Municipal Administration of Industry and Commerce Chaoyang Branch (Certificate No. 110105017451330). The Company completed the capital contribution on 31 July 2014.

2. On 10 July 2014, the Company entered into the "Agreement for the Use of Outdoor Advertising Facilities in Beijing" with Beijing Municipal Commission of City Administration and Environment for the use rights of nine pieces of Outdoor Advertising Facilities, with the term of use from 20 July 2014 to 19 July 2017.

   The Company paid deposit of RMB1,258 thousand and first usage fee of RMB41,927 thousand respectively on 1 July 2014 and 21 July 2014. The Company is required to pay the balance of usage fee in the amount of RMB20,963 thousand before 19 July 2016.

XI. 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 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 six months ended 30 June 2014.

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

XI. SEGMENT INFORMATION *(Continued)*

(1) For the six months ended 30 June 2014

Item	Advertising	Printing	Trading of print-related materials	Distribution	Unallocated amount and others	Elimination	Total
Revenue from external transactions	**181,171**	**12,807**	**128,780**	**2,976**	**15,719**	**–**	**341,453**
Revenue from intra-segment transactions	**3,006**	**28,021**	**34,050**	**–**	**46**	**(65,123)**	**–**
Operating revenue	**184,177**	**40,828**	**162,830**	**2,976**	**15,765**	**(65,123)**	**341,453**
Operating profit (loss)	**25,722**	**(2,570)**	**1,212**	**(1,520)**	**(11,924)**	**–**	**10,920**

(2) For the six months ended 30 June 2013

Item	Advertising	Printing	Trading of print-related materials	Unallocated amount and others	Elimination	Total
Revenue from external transactions	160,325	15,940	88,673	2,892	–	267,830
Revenue from intra-segment transactions	602	76,188	–	–	(76,790)	–
Operating revenue	160,927	92,128	88,673	2,892	(76,790)	267,830
Operating profit (loss)	21,375	1,363	1,312	13,570	(9,100)	28,520

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

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

XII. OTHER SIGNIFICANT EVENTS

1. Leasing

(1) Carrying amount of assets leased out under operating leases

Category of assets leased out under operating leases	**As at 30 June 2014**	As at 31 December 2013
Investment properties and fixed assets	**57,154**	47,289
Total	**57,154**	47,289

XIII. SUPPLEMENTARY INFORMATION

1. Earnings per share

	For the six months ended 30 June	
	2014	2013
Net profit for the half-year attributable to the shareholders of the Company	**8,331**	11,852
Weighted average number of ordinary shares in issue	**197,310**	197,310
Earnings per share (RMB)	**0.04**	0.06

The basic earnings and diluted earnings per share for the six months ended 30 June 2013 and 2014 are the same as there was no dilution incurred during the periods.

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

XIII. SUPPLEMENTARY INFORMATION *(Continued)*

2. Balance Sheet of the Company (unaudited)

RMB'000

Item	As at 30 June 2014	As at 31 December 2013
Current assets:		
Bank balances and cash	**238,519**	168,074
Accounts receivable	**261,197**	193,992
Prepayments	**28,288**	39,270
Interest receivable	**620**	755
Other receivables	**202,335**	23,625
Inventories	**13,925**	5,484
Other current assets	**15,000**	5,000
Total current assets	**759,884**	436,200
Non-current assets:		
Financial assets available-for-sale	**114,060**	114,060
Investments in subsidiaries	**238,304**	587,304
Investments in associates	**226,958**	241,366
Investment properties	**12,105**	12,105
Fixed assets	**7,953**	8,040
Intangible assets	**38,040**	38,717
Long-term prepaid expenses	**17**	29
Other non-current assets	**7,806**	20,032
Total non-current assets	**645,243**	1,021,653
Total assets	**1,405,127**	1,457,853

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

XIII. SUPPLEMENTARY INFORMATION *(Continued)*

2. Balance Sheet of the Company (unaudited) *(Continued)*

RMB'000

Item	As at 30 June 2014	As at 31 December 2013
Current liabilities:		
Short-term borrowings	–	80,000
Accounts payable	**90,252**	92,036
Receipts in advance	**39,815**	22,858
Employee benefit payables	**4,091**	6,117
Tax payables	**(12,448)**	(15,057)
Dividends payable	**27,623**	–
Interest payables	–	101
Other payables	**11,689**	10,596
Other current liabilities	**7,366**	7,366
Total current liabilities	**168,388**	204,017
Total liabilities	**168,388**	204,017
Shareholders' equity:		
Share capital	**197,310**	197,310
Capital reserves	**896,214**	896,214
Surplus reserves	**130,931**	130,931
Undistributed profits	**12,284**	29,381
Total shareholders' equity	**1,236,739**	1,253,836
Total liabilities and shareholders' equity	**1,405,127**	1,457,853
Net current assets	**591,496**	232,183
Total assets less current liabilities	**1,236,739**	1,253,836

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

XIII. SUPPLEMENTARY INFORMATION *(Continued)*

3. Income Statement of the Company (unaudited)

RMB'000

Item	For the six months ended 30 June 2014	2013
Total operating revenue	**177,621**	148,699
Total operating costs	**150,009**	129,063
Operating costs	**127,418**	117,844
Sales tax and surcharges	**4,601**	4,780
Administrative expenses	**14,289**	13,214
Financial expenses	**(337)**	(6,201)
Impairment loss of assets	**4,038**	(574)
Share of profit/(loss) of associates	**(14,408)**	2,843
Other investment gains	**–**	8,959
Operating profit	**13,204**	31,438
Add: non-operating income	**–**	500
Less: non-operating expenses	**–**	18,524
Total profit	**13,204**	13,414
Less: Income tax expenses	**2,678**	–
Net profit	**10,526**	13,414
Other comprehensive income	**–**	–
Total comprehensive income	**10,526**	13,414

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

XIII. SUPPLEMENTARY INFORMATION *(Continued)*

4. Cash Flow Statement of the Company (unaudited)

RMB'000

Item	For the six months ended 30 June 2014	2013
I. Cash flows from operating activities:		
Cash received from the sales of goods and the rendering of services	**109,386**	86,787
Other cash receipts relating to operating activities	**5,268**	3,624
Sub-total of cash inflows from operating activities	**114,654**	90,411
Cash paid for goods purchased and services received	**101,117**	120,046
Cash paid to and on behalf of employees	**14,911**	14,914
Payments of taxes and surcharges	**5,075**	6,457
Other cash payments relating to operating activities	**20,962**	14,691
Sub-total of cash outflows from operating activities	**142,065**	156,108
Net cash flows from operating activities	**(27,411)**	(65,697)
II. Cash flows from investing activities:		
Cash received from investments	**178,260**	45,000
Cash received from returns on investment	**–**	22,602
Other cash receipts relating to investing activities	**14,167**	115,060
Sub-total of cash inflows from investing activities	**192,427**	182,662
Cash paid to acquire fixed assets, intangible assets and other long-term assets	**59**	247
Cash paid on investment	**10,000**	68,000
Other cash payments relating to investing activities	**59,040**	2,880
Sub-total of cash outflows from investing activities	**69,099**	71,127
Net cash flows from investing activities	**123,328**	111,535

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

XIII. SUPPLEMENTARY INFORMATION *(Continued)*

4. Cash Flow Statement of the Company (unaudited) *(Continued)*

RMB'000

Item	For the six months ended 30 June 2014	2013
III. Cash flows from financing activities:		
Cash paid for repayment of borrowings	**80,000**	–
Cash payments for distribution of dividends, profits or interest expenses	**1,512**	–
Other cash payments relating to financing activities	**–**	90,585
Sub-total of cash outflows from financing activities	**81,512**	90,585
Net cash flows from financing activities	**(81,512)**	(90,585)
IV. Effect of exchange rate changes on cash and cash equivalents	–	–
V. Net increase (decrease) in cash and cash equivalents	**14,405**	(44,747)
Add: Balance of cash and cash equivalents at the beginning of the period	**87,614**	67,184
VI. Balance of cash and cash equivalents at the end of the period	**102,019**	22,437

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

XIII. SUPPLEMENTARY INFORMATION *(Continued)*

5. Statement Of Changes In Shareholders' Equity of the Company (unaudited)

RMB'000

Item	For the six months ended 30 June 2014 Share capital	Capital reserves	Surplus reserves	Undistributed profits	Total shareholders' equity
Balance at the beginning of the period	**197,310**	**896,214**	**130,931**	**29,381**	**1,253,836**
Net profit	–	–	–	10,526	10,526
Other comprehensive income	–	–	–	(27,623)	(27,623)
Sub-total of the changes for the period	–	–	–	(17,097)	(17,097)
Balance at the end of the period	**197,310**	**896,214**	**130,931**	**12,284**	**1,236,739**

Item	For the six months ended 30 June 2013 Share capital	Capital reserves	Surplus reserves	Undistributed profits	Total shareholders' equity
Balance at the beginning of the period	197,310	896,214	130,931	61,265	1,285,720
Net profit	–	–	–	13,414	13,414
Appropriation to shareholders	–	–	–	(59,193)	(59,193)
Sub-total of the changes for the period	–	–	–	(45,779)	(45,779)
Balance at the end of the period	197,310	896,214	130,931	15,486	1,239,941

XIV. APPROVAL OF INTERIM FINANCIAL REPORT

This interim financial report was unaudited.

This interim financial report was reviewed by the Audit Committee of the Board of the Company, and was approved by the Board of the Company on 29 August 2014.

Beijing Media Corporation Limited

29 August 2014